NEW ISSUE

$120,275,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE OF NEW YORK CONSOLIDATED SERVICE CONTRACT REFUNDING REVENUE BONDS, SERIES 2010

Dated: Date of Delivery **Due: July 1, as shown on the Inside Cover**

Payment and Security: The State of New York Consolidated Service Contract Refunding Revenue Bonds, Series 2010 (the "Series 2010 Bonds") will be special obligations of the Dormitory Authority of the State of New York (the "Authority"), payable solely from and secured by a pledge of certain payments to be made under the Service Contract dated as of July 25, 2007 as supplemented (the "Service Contract") between the Authority and The State of New York (the "State"), acting by and through the Director of the Budget, and all funds and accounts (except the Arbitrage Rebate Fund) established under the Authority's State of New York Consolidated Service Contract Refunding Revenue Bond Resolution adopted on July 25, 2007, (the "Resolution") and the Authority's Series 2010 Resolution authorizing the Series 2010 Bonds adopted by the Authority on February 24, 2010 (the "Series 2010 Resolution" and, together with the Resolution, the "Resolutions").

The Service Contract provides that the State will semiannually pay to the Authority amounts sufficient to pay when due the principal and Redemption Price of, and interest on, the Series 2010 Bonds. The obligation of the State to make such payments is subject to, and dependent upon, the State Legislature making annual appropriations for such payments and the availability of money therefor. See "PART 2 - SOURCES OF PAYMENT AND SECURITY" herein.

The Series 2010 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2010 Bonds will be issued as fully registered fixed rate bonds in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2010 Bonds (due July 1, 2011 and each January 1 and July 1 thereafter) will be payable by check mailed to the registered owners thereof or, at the option of the registered owner of at least $1,000,000 in principal amount of Series 2010 Bonds, by wire transfer as more particularly described herein. The principal and Redemption Price of the Series 2010 Bonds will be payable at the principal corporate trust office of Deutsche Bank Trust Company Americas, New York, New York, the Trustee and Paying Agent.

The Series 2010 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2010 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2010 Bonds, payments of the principal and Redemption Price of and interest on such Series 2010 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 - THE SERIES 2010 BONDS - Book-Entry Only System" herein.

Redemption and Purchase In Lieu of Optional Redemption: The Series 2010 Bonds are not subject to redemption or purchase in lieu of optional redemption prior to maturity.

Tax Matters: In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority described herein, interest on the Series 2010 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2010 Bonds is, by virtue of the Act, exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York. See "PART 9 - TAX MATTERS" herein regarding certain other tax considerations.

The Series 2010 Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2010 Bonds may be subject to prior sale or may be withdrawn or modified at any time without notice. The offering is subject to the approval of legality by Nixon Peabody LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski L.L.P., New York, New York. The Authority expects to deliver the Series 2010 Bonds in definitive form in New York, New York, on or about December 16, 2010.

Citi **J.P. Morgan**

Janney Montgomery Scott LLC **RBC Capital Markets, LLC**

Rice Financial Products Company **Roosevelt & Cross, Incorporated**

December 8, 2010

$120,275,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
State of New York Consolidated Service Contract
Refunding Revenue Bonds,
Series 2010

Due July 1	Amount	Interest Rate	Yield	CUSIP Numbers†
2011	$19,405,000	3.00%	0.28%	64990HGF1
2012	35,785,000	4.00	1.05	64990HGL8
2013	5,695,000	4.00	1.49	64990HGM6
2013	31,265,000	5.00	1.49	64990HGN4
2015	265,000	4.00	2.06	64990HGG9
2015	3,830,000	5.00	2.06	64990HGP9
2016	5,370,000	5.00	2.39	64990HGH7
2019	8,100,000	5.00	3.43	64990HGJ3
2020	10,560,000	5.00	3.69	64990HGK0

† 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 2010 Bonds. 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 Series 2010 Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Series 2010 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2010 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the State, or the Underwriters to give any information or to make any representations with respect to the Series 2010 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be a sale of the Series 2010 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied or authorized by the State, DTC and other sources that the Authority believes are reliable. The Authority does not guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of the Authority. See "PART 17 - MISCELLANEOUS" of the Official Statement for a schedule indicating the various sources of information.

The Underwriters have provided the following sentence for inclusion in this Official Statement: "The Underwriters have reviewed the information in the 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 such information."

References in this Official Statement to the Act, the Program Act (each as hereinafter defined), the Resolutions, and the Service Contract, do not purport to be complete. Refer to the Act, the Program Act, the Resolutions and the Service Contract for full and complete details of their provisions. Copies of the Resolutions and the Service Contract are on file with the Authority and the Trustee.

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

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

OFFICIAL STATEMENT RELATING TO

$120,275,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE OF NEW YORK CONSOLIDATED SERVICE CONTRACT
REFUNDING REVENUE BONDS,
SERIES 2010

PART 1 – INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the inside cover page and appendices, is to provide information about the Authority and the State in connection with the offering by the Authority of its $120,275,000 State of New York Consolidated Service Contract Refunding Revenue Bonds, Series 2010 (the "Series 2010 Bonds").

The following is a brief description of certain information concerning the Series 2010 Bonds and the Authority. A more complete description of such information and additional information that may affect decisions to invest in the Series 2010 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2010 Bonds are being issued (i) to refund bonds previously issued by the Authority and the New York State Thruway Authority (the "Thruway Authority") of the respective issues, series, maturity dates and principal amounts set forth in Appendix E hereto (collectively, the "Refunded Bonds"), and (ii) to pay the Costs of Issuance of the Series 2010 Bonds. See "PART 4 – THE REFUNDING PLAN," "PART 5 – ESTIMATED SOURCES AND USES OF FUNDS" and "Appendix E – Table of Refunded Bonds."

Authorization of Issuance

The Series 2010 Bonds will be issued pursuant to the Resolutions, the Act (as hereinafter defined) and Section 34 of Part T of Chapter 57 of the Laws of New York of 2007, as amended (the "Program Act").

In addition to the Series 2010 Bonds, the Resolution authorizes the issuance of additional Series of Bonds (collectively with the Series 2010 Bonds and any other Series of Bonds heretofore issued under the Resolution, the "Bonds"). The Bonds permitted to be issued under the Resolution include Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds and Variable Interest Rate Bonds. All Bonds issued under the Resolution rank on a parity with each other and are secured equally and ratably with each other. The Series 2010 Bonds are the fourth Series of Bonds issued under the Resolution. The Authority has heretofore issued its State of New York Consolidated Service Contract Refunding Revenue Bonds, Series 2007 in the principal amount of $50,115,000 and dated October 18, 2007, and its State of New York Consolidated Service Contract Refunding Revenue Bonds, Series

2009A and Series 2009B (Federally Taxable) in the aggregate principal amount of $616,740,000 and dated September 24, 2009.

Pursuant to the Program Act and the Resolution, the Authority may issue Bonds to pay or to provide for the payment of outstanding notes or bonds issued by the Authority and certain other public authorities of the State, the payment of debt service on which does not constitute a contingent obligation of the State and the payment of debt service on which is payable from money in the State's general fund appropriated by the State Legislature for its payment, and for which money derived from any particular source has not been dedicated to its payment ("Eligible State Supported Debt").

The Authority

The Authority is a public benefit corporation of the State created for the purposes of financing and constructing a variety of public-purpose facilities, certain educational, governmental and not-for-profit institutions. The Authority has never defaulted in the timely payment of principal or sinking fund installments of, or interest on, its bonds or notes. See "PART 6 - THE AUTHORITY."

The Series 2010 Bonds

The Series 2010 Bonds will be dated as of the date of delivery and bear interest from such date, payable each January 1 and July 1, commencing July 1, 2011. The Series 2010 Bonds will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement. See "PART 3 - THE SERIES 2010 BONDS - Description of the Series 2010 Bonds."

Payment of the Series 2010 Bonds

The Series 2010 Bonds will be special obligations of the Authority payable solely from and secured by a pledge of all Contract Payments (as hereinafter described) to be made by the State under the Service Contract. Pursuant to the Resolution, the Authority has pledged the Contract Payments and its right to receive them to the Trustee. See "PART 2 - SOURCES OF PAYMENT AND SECURITY."

The State's obligation to make the Contract Payments is absolute and unconditional, subject only to the limitations described below. The Service Contract provides that so long as any Bonds are Outstanding neither the Authority nor the State will terminate the Service Contract for any cause, including, without limiting the generality of the foregoing, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either the Authority or the State to perform and observe any duty, liability or obligation arising out of or connected with the Service Contract.

Under the State Constitution and as expressly provided in the Service Contract, the State's obligation to make the Contract Payments is subject to and dependent upon annual appropriations being made by the State Legislature for such purposes. The State Legislature is not obligated to make appropriations for the payment of the Contract Payments. No assurance can be given that the State Legislature will make any such appropriations and the State may not make any payment except pursuant to an appropriation. As required by the Program Act, the Service Contract further provides that the State's obligation to make the Contract Payments will not constitute a debt of the State within the meaning of any constitutional or statutory provisions, will be considered to be executory only to the extent of money appropriated for such payments by the State Legislature and available to the State for such payments therefor, and that no liability will be incurred by the State beyond the money available for payment of the Contract Payments. See "Appendix C - Summary of Certain Provisions of the Service Contract."

The Authority has no taxing power.

Security for the Series 2010 Bonds

The Bonds, including the Series 2010 Bonds, will be secured by the pledge and assignment to the Trustee of the Contract Payments and the Authority's right to receive them, the proceeds from the sale of the Series 2010

Bonds (until disbursed as provided by the Resolutions) and all funds and accounts established by the Resolutions (with the exception of the Arbitrage Rebate Fund and any fund or account established for the payment of the purchase price or Redemption Price of Option Bonds tendered for purchase). See "PART 2 - SOURCES OF PAYMENT AND SECURITY - Security for the Series 2010 Bonds."

PART 2 – SOURCES OF PAYMENT AND SECURITY

Set forth below is a narrative description of certain contractual and statutory provisions relating to the sources of payment and security for the Bonds, including the Series 2010 Bonds, issued under the Resolutions and for the Contract Payments. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Program Act, the Resolutions, and the Service Contract for a more complete description of such provisions. Defined terms used below and not defined elsewhere shall have the meanings given them in the Act, the Program Act, the Resolutions, and the Service Contract; See also "Appendix A – Certain Definitions". Copies of the Resolutions and the Service Contract are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Service Contract," and "Appendix D - Summary of Certain Provisions of the Resolution" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2010 Bonds

Special Obligations

The Bonds, including the Series 2010 Bonds, are special obligations of the Authority payable solely from and secured by the Revenues. The Revenues consist of the payments (including the right to receive the same and proceeds of such right) to be made by the State acting by and through the Division of the Budget pursuant to the Service Contract (the "Contract Payments"). The Contract Payments include the payments required to be made by the State to pay (i) the principal and Sinking Fund Installments of, and interest on, the Bonds, (ii) amounts payable by the Authority to the providers of any surety bond, financial guaranty insurance policy, letter of credit or other similar obligation securing Bonds that arise as a result of the State's failure to make timely payments of the amounts described in (i) above, (iii) the fees and expenses of the Trustee and other fiduciaries incurred and payable under the Resolution, (iv) any payments with respect to the Bonds which have otherwise been rescinded, avoided or otherwise returned due to insolvency, bankruptcy or reorganization with respect to the Authority and (v) amounts paid by the State for the redemption of Outstanding Bonds at the Authority's Option. The Revenues and Contract Payments do not include amounts paid by the State pursuant to the Service Contract for the Authority's Annual Administrative Fees. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Holders of the Bonds, including the Series 2010 Bonds. The State has agreed in the Service Contract to pay the Contract Payments directly to the Trustee.

Payment of the Contract Payments

The Contract Payments are required to be paid at times and in amounts sufficient to make timely payment of the principal and Sinking Fund Installments of, and interest on, the Bonds, including the Series 2010 Bonds. The Contract Payments relating to the principal of, and interest on, the Series 2010 Bonds are to be paid in two installments payable on June 20 and December 20 of each year, commencing June 20, 2011, each of which is to be in an amount sufficient to pay the principal and interest payable on the next succeeding date on which principal or interest is due on the Outstanding Series 2010 Bonds. The Service Contract provides that, in connection with the issuance of other Series of Bonds, other and more frequent dates for the payment of the Contract Payments may be specified for such Series in a supplement to the Service Contract executed at or prior to the time such Series of Bonds are issued.

The amount of the Contract Payment payable on any date may be reduced by the amount available for the payment of the principal or Sinking Fund Installments of, or interest on, Outstanding Bonds either from the proceeds of Bonds or from amounts being held by or on-hand with the Trustee that are available to be used for such payment, in each case as determined by the Authority. See "Appendix C – Summary of Certain Provisions of the Service Contract."

The Service Contract reserves to the State the right to make payments for the purchase or Redemption Price of Bonds, including the Series 2010 Bonds, sufficient to purchase or redeem any Outstanding Bonds on any date on which they are subject to redemption at the option of the Authority. See "PART 3 - THE SERIES 2010 BONDS - Redemption and Purchase in Lieu of Optional Redemption."

The Service Contract provides that the State's obligation to make the Contract Payments, subject only to limitations discussed below, are absolute and unconditional, without any rights of abatement, deduction, deferment, reduction, set-off, recoupment or counterclaim which the State may have against the Authority or any other person or entity having an interest in the Service Contract or the payments made thereunder. See "Appendix B - Information Concerning the State of New York" and "Appendix C - Summary of Certain Provisions of the Service Contract."

Limitations on Contract Payments

Under the State Constitution, money may not be paid from the State treasury except pursuant to an appropriation made by the State Legislature. Accordingly, the provisions of the Program Act which require the State to appropriate money to the Authority for payment of the Contract Payments, do not constitute legally enforceable obligations of the State and the State cannot be compelled to make an appropriation for payment of the Contract Payments. If, however, the State Legislature appropriates money for payment of the Contract Payments (and such appropriations have not lapsed or been repealed) and money is available for such payments, the State Comptroller and other appropriate officials of the State are legally obligated to make the Contract Payments required by the Program Act. No assurance can be given that the State Legislature will annually appropriate money for the Contract Payments.

In addition to the State constitutional limitation on the State's obligation or ability to make the Contract Payments, the Service Contract expressly provides that the State's obligation to make such payments is executory only to the extent of money appropriated for such payments by the State Legislature and available to the State for such payments. As required by the Program Act, the Service Contract further provides that the State's obligation to make the Contract Payment will not constitute a debt of the State within the meaning of any constitutional or statutory provisions and that no liability will be incurred by the State beyond the money appropriated and available for the purposes thereof. See "Appendix C - Summary of Certain Provisions of the Service Contract."

Defaults and Remedies

It is an event of default under the Service Contract if, for any reason other than the State Legislature's failure to appropriate money, the State fails to pay when due any of the Contract Payments or fails to observe or perform any other covenant, condition or agreement to be observed or performed by it. Upon the occurrence of an event of default, the Authority may, unless the event of default has been cured, institute any action in the nature of mandamus or take whatever action at law or in equity as may appear necessary or desirable to collect the payment then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State under the Service Contract. In no event, however, may the Authority terminate the Service Contract.

Security for the Series 2010 Bonds

The Bonds, including the Series 2010 Bonds, are secured by a lien on the Revenues and on certain funds and accounts established and pledged by the Resolutions. The funds established by the Resolution that are pledged are the Debt Service Fund, from which the principal and Sinking Fund Installments of, and interest on, Outstanding Bonds will be paid, and the Project Fund, in which proceeds of Bonds will be deposited until applied to pay or to provide for the payment of Eligible State Supported Debt. The pledge does not include the Arbitrage Rebate Fund or any fund or account established in the future by or pursuant to a Series Resolution for the payment of the Redemption Price or purchase price of Option Bonds.

The Authority has covenanted for the benefit of the Holders of Bonds, including the Series 2010 Bonds, that, except as described below, it will not create or cause to be created any lien or charge upon the Revenues, the proceeds of the Bonds or the funds or accounts established and pledged by the Resolutions which is prior or equal to the pledge made by the Resolution. The Authority, however, has reserved the right to pledge and create liens upon the Revenues to secure any obligation of the Authority to the issuer of a Credit Facility or a Liquidity Facility obtained in connection with the Bonds, which pledges or liens may be of equal priority with the pledge and lien created by the Resolutions. The Authority has also reserved the right to create liens on revenues and the funds and accounts established and pledged by another and separate resolution so long as they are not equal or prior to the lien created by the Resolutions. See “Appendix D - Summary of Certain Provisions of the Resolution.”

General

The State will be obligated to make Contract Payments subject to the limitations described above. However, the Series 2010 Bonds will not be a debt of the State nor will the State be liable on them. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal or sinking fund installments of, or interest on, its bonds or notes. See “PART 6 - THE AUTHORITY.”

PART 3 – THE SERIES 2010 BONDS

Description of the Series 2010 Bonds

The Series 2010 Bonds will be issued pursuant to the Resolutions, will be dated as of the date of delivery and will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement.

The Series 2010 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2010 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2010 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2010 Bonds, the Series 2010 Bonds will be exchangeable for other fully registered Series 2010 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See “Book-Entry Only System” herein and “Appendix D - Summary of Certain Provisions of the Resolution.”

Interest on the Series 2010 Bonds will be payable by check mailed to the registered owners thereof, or, at the option of the registered owner of at least $1,000,000 in principal amount of Series 2010 Bonds, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, not less than five days prior to the Record Date for the Series 2010 Bonds immediately preceding such interest payment date, directed the Trustee to wire such interest payment. The principal and Redemption Price of the Series 2010 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of Deutsche Bank Trust Company Americas, New York, New York, the Trustee and Paying Agent. As long as the Series 2010 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “Book-Entry Only System” herein. For a more complete description of the Series 2010 Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.”

Redemption and Purchase in Lieu of Optional Redemption

The Series 2010 Bonds are not subject to redemption or purchase in lieu of optional redemption prior to maturity.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010 Bond certificate will be issued for each maturity of the Series 2010 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 thereby eliminating 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" and, together with Direct Participants, "Participants"). DTC has Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

Purchases of the Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 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 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 2010 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 bond certificates representing their ownership interests in the Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010 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 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

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

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2010 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2010 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2010 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 2010 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 2010 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.

For every transfer and exchange of beneficial ownership of any of the Series 2010 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to either of the Series 2010 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 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. The Beneficial Owners should confirm the foregoing information with DTC or the Direct Participants or the Indirect Participants.

Source: DTC, New York, New York.

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

So long as Cede & Co. is the registered owner of the Series 2010 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2010 Bonds (other than under the captions "PART 9 - TAX MATTERS" and "PART 15 - CONTINUING DISCLOSURE") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2010 Bonds.

Principal and Interest Requirements

The following table sets forth the Contract Payments required to be paid by the State in each twelve-month period ending March 31 of the years shown for the payment of the principal of and interest on the Series 2010 Bonds, and the aggregate payments to be made by the State during each such period with respect to debt service on the Series 2010 Bonds.

Series 2010 Bonds

12-Month Period Ended March 31	Principal on Series 2010 Bonds	Interest Payments on Series 2010 Bonds	Total Debt Service on Series 2010 Bonds
2012	$19,405,000	$5,134,133	$24,539,133
2013	35,785,000	3,910,350	39,695,350
2014	36,960,000	2,299,125	39,259,125
2015		1,403,600	1,403,600
2016	4,095,000	1,302,550	5,397,550
2017	5,370,000	1,067,250	6,437,250
2018		933,000	933,000
2019		933,000	933,000
2020	8,100,000	730,500	8,830,500
2021	10,560,000	264,000	10,824,000

PART 4 – THE REFUNDING PLAN

Substantially all of the proceeds of the Series 2010 Bonds will be used, together with other available money, to purchase non-callable direct obligations of the United States of America (the "Investment Securities"), the maturing principal of and interest on which will be sufficient, together with any uninvested cash, to pay the principal and redemption price of, and interest on, the Refunded Bonds coming due on and prior to their respective maturity or redemption dates, all as shown on Appendix E hereto. All of the Refunded Bonds are Eligible State Supported Debt. Such Investment Securities will be deposited with the trustees for the respective Refunded Bonds to be held, in trust, in escrow funds solely for the payment of such principal and Redemption Price of, and interest on, the respective Refunded Bonds. See "PART 14 - VERIFICATION OF MATHEMATICAL COMPUTATIONS" and "Appendix E – Table of Refunded Bonds." At the time of such deposit, the Authority and the Thruway Authority will give the respective trustees for the Refunded Bonds irrevocable instructions to give notice of the redemption of the Refunded Bonds and to apply the maturing principal of and interest on the Investment Securities, together with any uninvested cash, for the payment of the Redemption Price of, and interest on, such Refunded Bonds.

In the opinion of Bond Counsel to the Authority, and in the opinion of bond counsel to the Thruway Authority, upon making such deposits with the applicable trustees for the Refunded Bonds and the delivery of certain irrevocable instructions to the trustees, the Refunded Bonds will, under the terms of the resolutions pursuant to which they were authorized and issued, be deemed to have been paid and will no longer be outstanding under such resolutions.

PART 5 – ESTIMATED SOURCES AND USES OF FUNDS

Series 2010 Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2010 Bonds:

Sources of Funds	
Principal Amount of Series 2010 Bonds	$120,275,000
Net Original Issue Premium	8,246,891
Other Available Money	4,292,449
Total Sources of Funds	$132,814,340
Uses of Funds	
Deposit to the Escrow Funds	$131,124,146
Cost of Issuance*	1,298,160
Underwriters' Discount	392,034
Total Uses of Funds	$132,814,340

*Includes New York State Bond Issuance Charge.

PART 6 – 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, 2010, the Authority had approximately $42.3 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, 2010 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities	$2,478,656,000	$1,139,920,000	$0	$1,139,920,000
State University of New York Educational and Athletic Facilities	14,043,272,999	6,272,264,856	0	6,272,264,856
Upstate Community Colleges of the State University of New York	1,590,645,000	645,320,000	0	645,320,000
Senior Colleges of the City University of New York	10,401,851,762	3,204,031,213	0	3,204,031,213
Community Colleges of the City University of New York	2,501,993,350	496,208,787	0	496,208,787
BOCES and School Districts	2,785,881,208	2,164,585,000	0	2,164,585,000
Judicial Facilities	2,161,277,717	696,712,717	0	696,712,717

New York State Departments of Health and Education and Other	6,272,280,000	4,281,975,000	0	4,281,975,000
Mental Health Services Facilities	8,032,895,000	3,828,165,000	0	3,828,165,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	1,146,845,000	760,220,000	0	760,220,000
Totals Public Programs	$52,189,073,036	$23,489,402,573	$0	$23,489,402,573

Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**	**Notes Outstanding**	**Bonds and Notes Outstanding**
Independent Colleges, Universities and Other Institutions	$19,374,419,952	$10,052,860,083	$30,730,000	$10,083,590,083
Voluntary Non-Profit Hospitals	14,542,754,309	7,915,685,000	0	7,915,685,000
Facilities for the Aged	2,010,975,000	778,615,000	0	778,615,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$36,023,149,261	$18,747,160,083	$30,730,000	$18,777,890,083
Grand Totals Bonds and Notes	$88,212,222,297	$42,236,562,656	$30,730,000	$42,267,292,656

Outstanding Indebtedness of the Agency Assumed by the Authority

At September 30, 2010, the Agency had approximately $304.6 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, 2010 were as follows:

Public Programs	**Bonds Issued**	**Bonds Outstanding**
Mental Health Services Improvement Facilities	$3,817,230,725	$0

Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**
Hospital and Nursing Home Project Bond Program	$226,230,000	$2,880,000
Insured Mortgage Programs	6,625,079,927	294,625,000
Revenue Bonds, Secured Loan and Other Programs	2,414,240,000	7,045,000
Total Non-Public Programs	$9,265,549,927	$304,550,000
Total MCFFA Outstanding Debt	$13,082,780,652	$304,550,000

Governance

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

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

The current members of the Authority are as follows:

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

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

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

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

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

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President / Chief Operating Officer & Chief Financial Officer of 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. 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 assets 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 expires on March 31, 2011.

CHARLES G. MOERDLER, Esq., New York.

Charles Moerdler was appointed as a Member of the Authority by the Governor on March 16, 2010. Mr. Moerdler is a founding partner in the Litigation Practice of the law firm Stroock & Stroock & Lavan LLP. His areas of practice include defamation, antitrust, securities, real estate, class actions, health care, international law, labor law, administrative law and zoning. Mr. Moerdler also specializes in State and Federal appellate practice. He served as Commissioner of Housing and Buildings of the City of New York, as a real estate and development consultant to New York City Mayor John Lindsay, as a member of the City's Air Pollution Control Board, and as Chairman and Commissioner of the New York State Insurance Fund. Mr. Moerdler currently serves on the Board of Directors of the New York City Housing Development Corporation and as a member of the New York City Board of Collective Bargaining. He holds a Bachelors of Arts degree from Long Island University and a Juris Doctor degree from Fordham University. His current term expires on March 31, 2012.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on December 15, 2008. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's term expired on August 31, 2010 and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, Delmar.

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

GERARD ROMSKI, Esq., Mount Kisco.

Mr. Romski was appointed as a Member of the Authority by the Temporary President of the State Senate on June 8, 2009. He is Counsel and Project Executive for "Arverne By The Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, NY. Mr. Romski is also of counsel to the New York City law firm of Bauman, Katz and Grill LLP. He formerly was a partner in the law firm of Ross & Cohen, LLP (now merged with Duane Morris, LLP) for twelve years, handling all aspects of real estate and construction law for various clients. He previously served as Assistant Division Chief for the New York City Law Department's Real Estate Litigation Division where he managed all aspects of litigation arising from real property owned by The City of New York. Mr. Romski is a member of the Urban Land Institute, Council of Development Finance Agencies, the New York State Bar Association, American Bar Association and New York City Bar Association. He previously served as a member of the New York City Congestion Mitigation Commission and the Board of Directors for the Bronx Red Cross. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

ROMAN B. HEDGES, Ph.D., Delmar.

Dr. Hedges was appointed as a Member of the Authority by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means. He was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

DAVID M. STEINER, Ph.D., *Commissioner of Education of the State of New York,* Albany; *ex-officio.*

David M. Steiner was appointed by the Board of Regents as President of the University of the State of New York and Commissioner of Education on October 1, 2009. Prior to his appointment, Dr. Steiner served as the Klara and Larry Silverstein Dean of the School of Education at Hunter College CUNY. Prior to his time with Hunter College, Dr. Steiner served as Director of Arts Education at the National Endowment for the Arts and Chairman of the Department of Education Policy at Boston University. As Commissioner of Education, Dr. Steiner serves as chief executive officer of the Board of Regents, which has jurisdiction over the State's entire educational system, which includes public and non-public elementary, middle and secondary education; public and independent colleges and universities; museums, libraries and historical societies and archives; the vocational rehabilitation system; and responsibility for licensing, practice and oversight of numerous professions. He holds a Doctor of Philosophy in political science from Harvard University and a Bachelor of Arts and Master of Arts degree in philosophy, politics and economics from Balliol College at Oxford University.

RICHARD F. DAINES, M.D., *Commissioner of Health*, Albany; *ex-officio*.

Richard F. Daines, M.D., became Commissioner of Health on March 21, 2007. Prior to his appointment he served as President and CEO at St. Luke's-Roosevelt Hospital Center since 2002. Before joining St. Luke's-Roosevelt Hospital Center as Medical Director in 2000, Dr. Daines served as Senior Vice President for Professional Affairs of St. Barnabas Hospital in the Bronx, New York since 1994 and as Medical Director from 1987 to 1999. Dr. Daines received a Bachelor of History degree from Utah State University in 1974 and served as a missionary for the Church of Jesus Christ of Latter-day Saints in Bolivia, 1970-1972. He received his medical degree from Cornell University Medical College in 1978. He served a residency in internal medicine at New York Hospital and is Board Certified in Internal Medicine and Critical Care Medicine.

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.

JEFFREY M. POHL is General Counsel to the Authority. Mr. Pohl is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all Authority financings. He is a member of the New York State Bar, and most recently served as a counsel in the public finance group of a large New York law firm. Mr. Pohl had previously served in various capacities in State government with the Office of the State Comptroller and the New York State Senate. He holds a Bachelor's degree from Franklin and Marshall College and a Juris Doctor degree from Albany Law School of Union University.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined the Authority in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered

Professional Engineer in New York and Rhode Island and has worked in the construction industry for over 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CARRA WALLACE is the Managing Director of the Office of Executive Initiatives (OEI). In that capacity, she oversees the Authority's Communications and Marketing, Opportunity Programs, Environmental Initiatives, Client Outreach, Training, Executive Projects, and Legislative Affairs units. Ms. Wallace is responsible for strategic efforts in developing programs, maximizing the utilization of Minority and Women Owned Businesses, and communicating with Authority clients, the public and governmental officials. She possesses more than twenty years of senior leadership experience in diverse private sector businesses and civic organizations. Ms. Wallace most recently served as Executive Vice President at Telwares, a major telecommunications service firm. Prior to her service at Telwares, Ms. Wallace served as Executive Vice President of External Affairs at the NYC Leadership Academy. She holds a Bachelor of Science degree in management from the Pepperdine University Graziadio School of Business and Management.

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 2010 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, 2010. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 7 – LEGALITY FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2010 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 of the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual public benefit corporations and authorities of the State may limit the investment of funds of such authorities in the Series 2010 Bonds.

The Series 2010 Bonds may be deposited with the State Comptroller to secure deposits of State money in banks, trust companies and industrial banks.

PART 8 – NEGOTIABLE INSTRUMENTS

The Series 2010 Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2010 Bonds.

PART 9 – TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2010 Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2010 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2010 Bonds. Pursuant to the Resolution and the Tax Certificate, the Authority and various other parties have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2010 Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and various other parties have made certain representations and certifications in the Resolution and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Authority and the various parties described above, interest on the Series 2010 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2010 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Series 2010 Bonds is, by virtue of the Act, exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York. Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2010 Bonds nor as to the taxability of the Series 2010 Bonds or the income therefrom under the laws of any state other than New York.

Original Issue Premium

The Series 2010 Bonds (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Series 2010 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 2010 Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2010 Bonds; for certain bonds issued during 2009 and 2010, the American Recovery and Reinvestment Act of 2009 modifies the application of those rules as they apply to financial institutions. Prospective investors are advised to consult their own tax advisors regarding these rules.

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Series 2010 Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2010 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any Federal tax matters other than those described in the opinions attached as Appendix F. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2010 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2010 Bonds for Federal or state income tax purposes, and thus on the value or marketability of the Series 2010 Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2010 Bonds from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Series 2010 Bonds may occur. Prospective purchasers of the Series 2010 Bonds should consult their own tax advisers regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2010 Bonds may affect the tax status of interest on the Series 2010 Bonds. Bond Counsel expresses no opinion as to any Federal, state or local tax law consequences with respect to the Series 2010 Bonds, or the interest thereon, if any action is taken with respect to the Series 2010 Bonds or the proceeds thereof upon the advice or approval of other counsel.

PART 10 – STATE NOT LIABLE ON THE SERIES 2010 BONDS

The Act provides that the notes and bonds of the Authority are not a debt of the State, the State is not liable on them, and such notes or bonds will not be payable out of any funds other than those of the Authority pledged to their payment. The Resolution specifically provides that the Series 2010 Bonds are not a debt of the State and that the State is not liable on them.

PART 11 – COVENANT BY THE STATE

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

PART 12 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2010 Bonds by the Authority are subject to the approval of Nixon Peabody LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2010 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix F hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski L.L.P., New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2010 Bonds or questioning or affecting the validity of the Series 2010 Bonds or the proceedings and authority under which they are to be issued.

PART 13 – UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2010 Bonds from the Authority at an aggregate purchase price of $128,129,856.99 (representing the aggregate principal amount of $120,275,000 of the Series 2010 Bonds less the Underwriters' discount of $392,033.71, and plus net original issue premium of $8,246,890.70), and to make a public offering of the Series 2010 Bonds at prices that are not in excess of the public offering prices stated on the inside cover of this Official Statement. The Underwriters will be obligated to purchase all such Series 2010 Bonds, if any are purchased. The Series 2010 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.

Citigroup Inc., parent company of Citigroup Global Markets Inc., one of the Underwriters of the Series 2010 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2010 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2010 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase the Series 2010 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2010 Bonds that such firm sells.

PART 14 – VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore Inc., a firm of independent public accounts, will issue a report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the obligations deposited with the respective trustees for the Refunded Bonds to pay the principal, interest and redemption price coming due on the Refunded Bonds on and prior to their respective maturity or redemption dates as described in "PART 4 - THE REFUNDING PLAN," and (b) the mathematical computations supporting the conclusion of Bond Counsel that interest on the Series 2010 Bonds is not includable in gross income for federal income tax purposes under the Code and the applicable income tax regulations. Causey Demgen & Moore Inc. will express no opinion on the reasonableness of the assumptions provided to it, the likelihood that the principal of and interest on the Series 2010 Bonds will be paid as described in the schedules provided to it, or the exclusion of the interest on the Series 2010 Bonds from gross income for federal income tax purposes.

PART 15 – CONTINUING DISCLOSURE

In order to assist the Underwriters in complying 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 (the "Exchange Act"), the Authority, the State and the Trustee will enter into a written agreement (the "Continuing Disclosure Agreement") for the benefit of the holders of the Series 2010 Bonds to provide continuing disclosure. The State will undertake for the benefit of the holders of the Series 2010 Bonds to provide in electronic form to the Electronic Municipal Market Access ("EMMA") maintained by the Municipal Securities Rulemaking Board ("MSRB"), as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12, on an annual basis on or before 120 days after the end of each fiscal year of the State, commencing with the fiscal year ending March 31, 2011, (i) financial information and operating data relating to the State of the type included in the Annual Information Statement of the State set forth in Appendix B to this Official Statement and (ii) financial information and operating data relating to the State, both as described in more detail below and collectively referred to herein as the "Annual Information." The State Comptroller is required by existing law to issue audited annual financial statements of the State prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") 120 days after the close of the State fiscal year, and the State will undertake to provide in electronic form the State's annual financial statements, prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, to the MSRB, if and when such statements are available. In addition, the Authority will undertake, for the benefit of the holders of the Series 2010 Bonds, to provide, in electronic form, to the MSRB, in a timely manner and not more than 10 business days after occurrence of the event, the notices described below (the "Notices").

The Annual Information consists of (a) financial information and operating data of the type included in the Annual Information Statement of the State set forth or referred to in Appendix B hereto, under the heading 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; (b) together with such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning the State and in judging the financial condition of the State.

The Notices include notices of any of the following events with respect to the Series 2010 Bonds, (a) principal and interest payment delinquencies; (b) non payment related defaults, if material; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) 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 Series 2010 Bonds or other material events affecting the tax status of the Series 2010 Bonds; (g) modification to rights of the holders of the Series 2010 Bonds, if material; (h) bond calls, if material, and tender offers; (i) defeasances; (j) release, substitution, or sale of property securing repayment of the Series 2010 Bonds, if material; (k) rating changes; (l) bankruptcy, insolvency, receivership, or similar event of the obligated person; (m) 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 (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

For these purposes, any event described in (l) above, is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

In addition, the Authority will undertake, for the benefit of the holders of the Series 2010 Bonds, to provide, in electronic form, to MSRB, in a timely manner, notice of any failure by the State to electronically file the Annual Information and annual financial statements by the date required in the State's undertaking described above.

The sole and exclusive remedy for breach under the Continuing Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State, as the obligated person, and/or the Authority, and no person or entity, including any holder of the Series 2010 Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the State may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required under the Continuing Disclosure Agreement, by any owner of Outstanding Series 2010 Bonds or by the Trustee on behalf of the owners of Outstanding Series 2010 Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the owners of Outstanding Series 2010 Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the owners of not less than 25% in aggregate principal amount of Series 2010 Bonds at the time Outstanding. A breach under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution or any other agreement delivered in connection with the issuance of the Series 2010 Bonds. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The State has not in the previous five years failed to comply, in all material respects, with any previous undertakings pursuant to Rule 15c2-12. The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without the consent of the owners of the Series 2010 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2010 Bonds will be on file at the principal office of the Authority.

PART 16 – RATINGS

Fitch Ratings has assigned a rating of "AA-" to the Series 2010 Bonds and Moody's Investors Service has assigned a rating of "Aa3" to the Series 2010 Bonds.

Each such rating reflects only the rating agency issuing such rating and is not a recommendation by such rating agency to purchase, sell or hold the obligations rated or as to the market price or suitability of such obligations for a particular investor. Generally, a rating agency bases its rating and outlook, if any, on the information and material furnished to it and on investigations, studies and assumptions of its own. An explanation of the significance of any rating may be obtained only from the rating agency furnishing such rating. There is no assurance that such ratings will be in effect for any given period of time or that they will not be revised upward or downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price or marketability of the Series 2010 Bonds.

PART 17 – MISCELLANEOUS

References in this Official Statement to the Resolution, the Series 2010 Resolution, and the Service Contract, do not purport to be complete. Refer to the Resolution, the Series 2010 Resolution, and the Service Contract for full and complete details of their provisions. Copies of the Resolution, the Series 2010 Resolution, and the Service Contract are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2010 Bonds are fully set forth in the Resolution and the Series 2010 Resolution. Neither any advertisement of the Series 2010 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2010 Bonds.

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended merely as expressions of opinion and not as representations of fact.

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

"Appendix A — Certain Definitions," "Appendix C — Summary of Certain Provisions of the Service Contract," "Appendix D — Summary of Certain Provisions of the Resolution" and "Appendix F — Form of Approving Opinion of Bond Counsel" have been prepared by Nixon Peabody LLP, New York, New York, Bond Counsel.

The State provided the information relating to the State in "Appendix B - Information Concerning the State of New York." The Director of the Budget of the State of New York will certify to the Authority that the information contained in the Annual Information Statement of the State of New York, including any updates or supplements, is true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information, as of the date of the Official Statement and the date of the delivery of the Series 2010 Bonds, 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 the light of the circumstances under which they were made, not misleading; provided, however, that while the statements and information contained in Appendix B to the Official Statement which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and, as of the date of the Official Statement and the delivery of the Series 2010 Bonds, he has no reason to believe, and does not 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 the light of the circumstances under which they were made, not misleading; provided further, however, that with regard to the statements and information in Appendix B hereto under the caption "Litigation" such statements and information 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 State Department of Audit and Control has informed the Authority that it has reviewed the historical and financial information with respect to the State contained in Appendix B hereto, but since bonds of the Authority are not a direct obligation of the State, the Comptroller, the chief auditor and fiscal officer of the State, will not certify to such information contained in Appendix B hereto.

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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CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

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

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

Act means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law of the State, as amended) and Chapter 57, Pt. T, Section 34 of the Laws of 2007.

Annual Payments means the payments due and payable by the State to the Authority during a Bond Year, as provided for and computed in accordance with the provisions of the Service Contract.

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

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

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

Authorized Newspaper means The Bond Buyer or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority.

Authorized Officer means (1) in the case of the Authority, the Chair, the Vice-Chair, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Managing Director of Public Finance, the Managing Director of Construction, the Managing Director of Policy and Program Development and the General Counsel, and when used with reference to any act or document also means any other person authorized by a resolution or the bylaws of the Authority to perform such act or execute such document; (ii) in the case of the State, the Director and when used with reference to any act or document also means any Deputy Director and any person duly appointed pursuant to law to perform such act or execute such document; and (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, an Authorized Signatory, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the bylaws of the Trustee.

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

Bond Year means a period of twelve (12) consecutive months beginning January 1 in any calendar year and ending on December 31 of such calendar year.

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

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

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

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

Cost or **Costs** means the costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with a Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of the 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 a 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 construction of a Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the applicable governmental agency shall be required to pay for or in connection with additions to, or the alterations, expansions, reconstruction, rehabilitation, repair and equipping of a Project, (vii) any sums required to reimburse the Authority or any applicable governmental agency for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with a Project (including interest on moneys borrowed to temporarily finance the payment of any item or terms of Costs of a Project), (viii) interest on the Bonds prior to, during and for a reasonable period after construction of a Project is complete and a Project is available for occupancy or use, (ix) the payment of any notes of the Authority (including any interest thereon and redemption premium thereof) issued to temporarily finance the payment of any item or items of Cost, and (x) fees; expenses and liabilities of the Authority incurred in connection with a Project or pursuant to the Resolution or to the Service Contract, a Credit Facility or a Liquidity Facility.

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

Credit Facility means an irrevocable letter of credit, surety bond, loan agreement, financial guaranty insurance policy or other agreement, facility or insurance or guaranty arrangement issued or extended by any of (i) a bank, (ii) a trust company, (iii) a national banking association, (iv) an organization subject to registration with the

Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, (v) a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, (vi) a savings bank, (vii) a savings and loan association, (viii) an insurance company or association chartered or organized under the laws of any state of the United States of America, (ix) the Government National Mortgage Association or any successor thereto, (x) the Federal National Mortgage Association or any successor thereto, or (xi) any other federal agency or instrumentality approved by the Authority, in each ease pursuant to which the Authority is entitled to obtain moneys to pay the principal or Redemption Price of Outstanding Bonds due either at maturity or upon redemption through mandatory Sinking Fund Installments, plus accrued interest thereon to the date of payment or redemption thereof, in accordance with the Resolution and with the Series Resolution authorizing such Bonds or a Series Certificate, whether or not the Authority is in default under the Resolution or the State is in default under the Service Contract.

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

Defeasance Securities means any of the following:

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

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

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

Deferred Income Bond means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semiannually on January 1 and July 1 of each Bond Year or such other date specified by or determined in accordance with a Series Resolution.

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

Exempt Obligation means any of the following:

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

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

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

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

Government Obligation means any of the following:

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

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

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

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

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

Interest Commencement Date means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Bond or a Series Certificate, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semiannually thereafter on July 1 and January 1 of each Bond Year, or such other date as is specified in a Series Resolution.

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

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

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

Outstanding, when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Resolution and under any applicable Series Resolution except: (i) any Bond cancelled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with the Resolution, (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and (iv) any Option Bond tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bond or the Series Certificate relating to such Bond on the applicable adjustment or conversion date, which have been purchased by or on behalf of the Authority and in lieu of or substitution for which another Bond shall have been authenticated and delivered, provided that interest thereon shall have been paid through such tender or purchase date thereof and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bond.

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

Project means the acquisition, design, construction, reconstruction, rehabilitation or improvement or the furnishing and equipping of facilities and improvements originally financed through the issuance of State Supported Debt by any issuer of State Supported Debt other than improvements, furnishings, equipment and facilities financed through the issuance of State Supported Debt secured by the dedication of specific revenues.

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

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

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

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

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

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

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

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

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

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

Resolution means the Authority's State of New York Consolidated Service Contract Refunding Revenue Bond Resolution, adopted July 25, 2007, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution.

Resolutions means the Resolution and the Series 2009 Resolution.

Revenues means all payments made by the State pursuant to applicable provisions of the Service Contract, the right to receive the same and the proceeds thereof and of such right.

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

Series 2010 Resolution means the Authority's Series 2010 Resolution authorizing the Series 2010 Bonds adopted February 24, 2010.

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

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

Service Contract means the Service Contract executed by and between the Authority and the State, dated as of July 25, 2007, as from time to time amended or supplemented by Supplemental Service Contracts in accordance with the terms and provisions of the Resolution and of the Service Contract.

Sinking Fund Installment means, as of any date of calculation, so long as any Bonds of the Series, Sub-Series and maturity entitled to Sinking Fund Installments are Outstanding, the amount of money required by the Series Resolution pursuant to which such Bonds were issued or by any applicable Series Certificate, to be paid on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment.

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

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

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

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

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INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX B

INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix B is dated September 7, 2010. It was updated on November 9, 2010. 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.state.ny.us.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2010 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 29, 2010 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

November 9, 2010

This quarterly update (the "AIS Update") updates the Annual Information Statement of the State of New York that was dated September 7, 2010 (the "AIS") and contains information only through November 9, 2010. This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the 2010-11 Financial Plan (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on November 1, 2010. The Updated Financial Plan includes (a) a summary of recent events and changes to the Financial Plan made since the AIS was released, (b) revised Financial Plan projections for fiscal years 2010-11 through 2013-14, (c) operating results for the first half of fiscal year 2010-11, (d) an updated economic forecast, (e) pro forma Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2010-11 and information on other post-employment benefits, and (f) a summary on debt management. The Updated Financial Plan is available on the DOB website, www.budget.state.ny.us.

2. A discussion of special considerations related to the State Financial Plan for fiscal year 2010-11.

3. The status of significant litigation 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 Update on behalf of the State. In preparing this AIS Update, DOB has utilized significant portions of the Updated Financial Plan, but has also relied on information drawn from other sources, such as the Office of the State Comptroller ("OSC"), that it believes to be reliable. Information relating to matters described in the section entitled "Litigation" is furnished by the State Office of the Attorney General.

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

The State may issue AIS supplements to this AIS Update as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of 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 ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. Effective July 1, 2009, pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the MSRB is designated as the sole repository for the electronic filing of all primary and secondary market disclosure. An electronic copy of this AIS Update can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-7705.

Usage Notice

This AIS Update has been supplied by the State pursuant to its contractual obligations under various continuing disclosure agreements (each, a "CDA") entered into by the State in connection with financings of 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 on the DOB website (www.budget.state.ny.us) and is being provided solely as a matter of convenience to readers and does not create any implication that there have been no changes in the financial condition of the State at any time subsequent to its release date. Maintenance of this AIS Update on the DOB website, or on 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 or incorporated by reference therein 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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Update to the 2010-11 Financial Plan

Note: *DOB issued the Updated Financial Plan on November 1, 2010, extracts of which are set forth herein. The Updated Financial Plan includes updated estimates for 2010-11 and projections for 2011-12 through 2013-14. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.*

State law requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund — the fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this is the fund that is required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.

The State accounts for all of its receipts and disbursements by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The Financial Plan tables sort all State projections and results by fund and category. The State also reports disbursements and receipts activity by two other broad measures: State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes Federal Funds and Capital Projects Funds; and All Governmental Funds ("All Funds"), which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.

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

Please see the Glossary of Acronyms of this AIS Update for the definitions of acronyms, defined terms and abbreviations that are used in this AIS Update.

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2010-11 Updated Financial Plan Highlights

The following table provides indicators and measures of the 2010-11 Updated Financial Plan relative to the prior year and relative to the Enacted Budget agreement.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES
(millions of dollars)

	2009-10 Adjusted [1,2]	2010-11 Enacted Budget [1]	2010-11 Change	2010-11 Mid-Year Update[1]
State Operating Funds Budget				
Size of Budget	$78,934	$78,998	$203	$79,201
Annual Growth	1.0%	0.1%	0.2%	0.3%
Other Budget Measures (Annual Change)				
General Fund (with transfers)	$54,262	$53,533	$153	$53,686
	-0.6%	-1.3%	0.2%	-1.1%
State Funds (Including Capital)	$84,094	$85,073	$258	$85,331
	1.1%	1.2%	0.3%	1.5%
Capital Budget (Federal and State)	$7,112	$8,454	$54	$8,508
	4.1%	18.9%	0.7%	19.6%
Federal Operating	$44,891	$46,375	$1,253	$47,628
	22.7%	3.3%	2.8%	6.1%
All Funds	$130,937	$133,827	$1,510	$135,337
	7.7%	2.2%	1.2%	3.4%
All Funds (Including "Off-Budget" Capital)	$132,614	$135,478	$1,640	$137,118
	7.1%	2.2%	1.2%	3.4%
Inflation (CPI) (Annual Change)	0.3%	1.1%	0.2%	1.3%
Personal Income (Annual Change)	0.2%	4.3%	-0.3%	4.0%
All Funds Receipts (Annual Change)				
Taxes	$57,668	$61,796	($343)	$61,453
	-4.4%	7.2%	-0.6%	6.6%
Miscellaneous Receipts	$23,557	$23,014	$204	$23,218
	17.4%	-2.3%	0.9%	-1.4%
Federal Grants	$47,523	$49,486	$1,079	$50,565
	22.4%	4.1%	2.3%	6.4%
Total Receipts	$128,748	$134,296	$940	$135,236
	8.0%	4.3%	0.7%	5.0%
Base Tax Growth/(Decline) [3]	-12.3%	2.2%	0.1%	2.3%
General Fund/HCRA Budget Gap Forecast				
2010-11 [4]	N/A	$0	($315)	($315)
2011-12	N/A	($8,177)	($849)	($9,026)
2012-13	N/A	($13,461)	($1,183)	($14,644)
2013-14	N/A	($15,563)	($1,669)	($17,232)
Total General Fund Reserves	$2,302	$1,385	$0	$1,385
Rainy Day Reserves	$1,206	$1,206	$0	$1,206
Reserved for Deferred Payments [5]	$906	$0	$0	$0
All Other Reserves	$190	$179	$0	$179
State Workforce (Subject to Direct Executive Control)[6]	131,741	128,165	(1,672)	126,493
Debt				
State Related Debt Service as % of All Funds Receipts	4.4%	4.5%	-0.1%	4.4%
State Related Debt Outstanding	$54,694	$56,877	($247)	$56,630

[1] Spending is adjusted to exclude the impact of paying the end-of-year school aid payment ($2.06 billion) scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized by statute. This was done to carry forward the 2009-10 budget shortfall into 2010-11. The adjustment affects spending totals in 2009-10 and 2010-11, and growth rates in 2009-10 and 2010-11. See Financial Plan tables at the end of this Update for 2009-10 actual results and 2010-11 unadjusted estimates.

[2] 2009-10 Federal and All Funds disbursements and receipts have been adjusted to include $2.0 billion in Federal aid that passes through the State's All Funds Financial Plan under ARRA. This "pass-through" money, which provides no gap-closing benefit and is subject to a range of factors that make the timing of disbursements highly uncertain, was expected to total approximately $4.4 billion in 2009-10. Actual disbursements, however, totaled only $2.4 billion. Thus, 2009-10 results have been adjusted for the difference. This adjustment affects growth rates in 2009-10 and 2010-11. See Financial Plan tables at the end of this Update for 2009-10 actual results.

[3] Reflects the estimated change in tax receipts excluding the impact of Tax Law changes since fiscal year 1986-87.

[4] Before proposed spending reductions to eliminate the projected budget gap.

[5] The State deferred more payments than were needed to carry forward the 2009-10 budget shortfall. This created a temporary increase in the year-end balance in 2009-10. The balance was used when the deferred payments were made in the first quarter

[6] See workforce discussion under the "Special Considerations" section later in this Update.

Summary

The State completed action on the 2010-11 budget on August 3, 2010. In accordance with State law, DOB issued the Enacted Budget Financial Plan on August 20, 2010, which reflected the impact of the 2010-11 budget on the multi-year operating forecast. Overall, the slowdown in economic growth has been more pronounced than expected and has contributed to lower than expected tax collections and higher than expected Medicaid costs to date. Through September 30, 2010, General Fund tax receipts were approximately $510 million below planned levels.[1] Medicaid spending over the same period exceeded estimates by over $110 million. In addition, litigation against the State has constrained the State's ability to collect certain taxes on Native American reservations at the levels budgeted in the Enacted Budget Financial Plan. (See "Year-to-Date Operating Results" later in this Update.)

In light of results to date and updated program information, DOB has lowered the annual estimate for General Fund tax receipts by approximately $278 million in 2010-11,[2] which is less than the year-to-date variance due to changes in the timing of when certain receipts are expected to be received. At the same time, DOB has increased estimated Medicaid spending by $368 million for 2010-11, and by an average of approximately $800 million annually thereafter. Lower than anticipated spending in other areas of the budget, including child welfare services and labor settlements, and the availability of resources that have materialized since the time of budget enactment, are expected to offset, in part, the tax receipts shortfall and Medicaid overruns in 2010-11.

The Enacted Budget Financial Plan included $500 million in savings from across-the-board reductions to State agency operations. In the current year, savings are expected to fall approximately $150 million below planned levels, due to implementation constraints, but to exceed budgeted savings in 2011-12 by an equivalent amount, as the full annual benefit of measures is realized.

Due to these and other revisions, which are summarized in more detail below, DOB now estimates that the General Fund has a budget gap of $315 million in the current fiscal year. The projected budget gaps for 2011-12 and beyond have also grown compared to the Enacted Budget Financial Plan forecast summarized in the AIS. The Updated Financial Plan projects a budget gap for 2011-12, which a new gubernatorial administration must address in the Executive Budget that is due on February 1, 2011, of $9.0 billion, an increase of $850 million from the Enacted Budget Financial Plan forecast.

The Updated Financial Plan projects gaps in future years, which will be materially affected by the level of recurring actions ultimately approved to balance the 2011-12 fiscal year, of $14.6 billion in 2012-13 (an increase of $1.2 billion from the Enacted Budget Financial Plan forecast) and $17.2 billion in 2013-14 (an increase of $1.7 billion). The following table summarizes the revisions to the receipts and disbursements forecasts and the impact on General Fund operating projections reflected in the Updated Financial Plan.

[1,2] Excludes the impact of debt service revisions that affect the transfer of tax receipts to the General Fund.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF MAJOR CHANGES FROM ENACTED BUDGET (millions of dollars)	2010-11	2011-12	2012-13	2013-14
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	**0**	**(8,177)**	**(13,461)**	**(15,563)**
Total Revisions	**(315)**	**(849)**	**(1,183)**	**(1,669)**
Tax Receipts	(278)	(105)	(339)	(405)
Medicaid/HCRA	(368)	(725)	(859)	(827)
Allocation of Agency Operational Savings	(154)	151	288	290
Timing of Outstanding Labor Agreements	204	(204)	0	0
Other	281	34	(273)	(727)
MID-YEAR BUDGET SURPLUS/(GAP)	**(315)**	**(9,026)**	**(14,644)**	**(17,232)**
Proposed Across-the-Board Reductions (Requires Leg. Approval)	375			
Funding for Initiatives	(60)			
PROPOSED BUDGET SURPLUS/(GAP)	**0**	**(9,026)**	**(14,644)**	**(17,232)**

To address the estimated budget gap in the current year, Governor Paterson is expected to ask the Legislature to address the shortfall in a fashion similar in scope to that approved as part of the FMAP contingency plan authorized in the Enacted Budget Financial Plan. Governor Paterson is expected to ask the Legislature to approve reductions beyond the level needed to eliminate the current-year budget gap, and to agree that any excess be used to fund priority initiatives, including legislation passed by the Legislature and vetoed by Governor Paterson for fiscal reasons in 2010. Based on preliminary calculations, DOB estimates that spending for State programs would need to be reduced in the range of 1.5 to 2 percent over the remainder of the fiscal year to achieve a General Fund savings target of approximately $375 million. The actual percentage reduction would depend on the scope of programs affected and the estimated cash disbursements for the remainder of the year.

There can be no assurance that the Legislature will approve any proposed reductions in planned State spending. Accordingly, the potential reductions are not included in the four-year Financial Plan projections by agency and Financial Plan category set forth in Updated Financial Plan. DOB expects to allocate the multi-year impact of any reductions approved by the Legislature in the Financial Plan projections that will accompany the Executive Budget for 2011-12.

Revisions to the 2010-11 Financial Plan

DOB has made a number of substantial revisions to the General Fund receipts and disbursements forecasts since the release of the AIS on September 7, 2010. The revisions are based on a comprehensive review of operating results to date, updated economic data, and other information. The following table summarizes the Updated Financial Plan revisions and displays the impact on General Fund operating projections over the forecast period. It is followed by a discussion of the major revisions.

GENERAL FUND FORECAST FOR 2010-11 THROUGH 2013-14
SAVINGS/(COSTS)[1]
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	**0**	**(8,177)**	**(13,461)**	**(15,563)**
Total Receipts Revisions	**(162)**	**(750)**	**(983)**	**(1,069)**
Forecast Revisions:	(88)	60	(86)	(157)
Tax Forecast Revisions	(278)	(105)	(339)	(405)
Personal Income Tax[2]	(300)	(302)	(322)	(323)
Sales/Use Taxes*	(94)	80	(1)	0
Business Taxes	69	117	(16)	(82)
Other Taxes*	47	0	0	0
18-A Assessment	(40)	(28)	(28)	(28)
Mental Hygiene	73	139	226	240
Workers Compensation Assessment Surplus	65	0	0	0
Debt Management	43	0	0	0
Allocation of Agency Operational Savings	33	62	52	44
All Other	16	(8)	3	(8)
Other Adjustments (No Net Financial Plan Impact)	(74)	(810)	(897)	(912)
Mental Hygiene Accounting Reclassifications	(168)	(810)	(897)	(912)
Allocation of FMAP Contingency Savings	94	0	0	0
Total Disbursement Revisions	**(153)**	**(99)**	**(200)**	**(600)**
Forecast Revisions	(227)	(909)	(1,097)	(1,512)
Medicaid/HCRA	(368)	(725)	(859)	(827)
Program Costs/Caseload Increases	*(732)*	*(800)*	*(841)*	*(887)*
HCRA/Other Medicaid	*(125)*	*(135)*	*21*	*(89)*
Medicare Part D Clawback	*223*	*38*	*0*	*0*
FMAP Reestimate/State/Local Share Reconciliation	*300*	*208*	*0*	*0*
Federal Health Care Reform	*(34)*	*(36)*	*(39)*	*149*
Human Services	156	151	149	146
School Aid	12	(109)	(156)	(354)
Lottery Aid	(83)	(11)	(63)	(68)
Higher Education	2	(100)	(166)	(169)
Transportation/Motor Vehicles	74	64	94	115
Public Safety/Criminal Justice	(10)	(25)	(33)	(71)
Judiciary	0	132	13	(129)
Fringe Benefits	8	(12)	(65)	(53)
Health Insurance	*(40)*	*(75)*	*(125)*	*(125)*
Pension	*(1)*	*22*	*45*	*57*
All Other Fringe Benefits	*49*	*41*	*15*	*15*
Mental Hygiene	(84)	(118)	(229)	(309)
Allocation of Agency Operational Savings	(187)	89	236	246
Timing of Outstanding Labor Agreements	204	(204)	0	0
All Other	49	(41)	(18)	(39)
Other Adjustments (No Net Financial Plan Impact)	74	810	897	912
Mental Hygiene Accounting Reclassifications	168	810	897	912
Allocation of FMAP Contingency Savings	(94)	0	0	0
REVISED BUDGET SURPLUS/(GAP) ESTIMATE	**(315)**	**(9,026)**	**(14,644)**	**(17,232)**
(Increase)/Decrease From Enacted Budget	*(315)*	*(849)*	*(1,183)*	*(1,669)*
Proposed Across-the-Board Reductions (Requires Leg. Approval)	375	0	0	0
Funding for Initiatives	(60)	0	0	0
PROPOSED BUDGET SURPLUS/(GAP) ESTIMATE	**0**	**(9,026)**	**(14,644)**	**(17,232)**

1. Certain revisions displayed in the table above are reclassifications of receipts and disbursements projections that have no net Financial Plan impact (e.g., Mental Hygiene). In other cases, revisions may affect both receipts and disbursements and need to be considered together to understand the Financial Plan impact. For instance, revisions related to reductions in State agency operations included in the Enacted Budget Financial Plan and allocated to agency budgets for the first time in this Updated Financial Plan affect both receipts and disbursements. (For example, a reduction to State agency operations funded by a special revenue fund is displayed as a transfer of resources from the special revenue fund, thereby increasing General Fund receipts.)

2. Tax changes include transfers from other funds before the impact of revisions to debt service costs.

Receipts Revisions

General Fund receipts, including transfers from other funds, are estimated to total $54.5 billion in 2010-11, a decrease of $162 million compared to the Enacted Budget Financial Plan. Lower estimated tax receipts are expected to be offset in part by higher receipts from other sources, including miscellaneous receipts and nontax transfers from other funds.

- **Tax Receipts:** Projected tax receipts have been reduced in each year of the Financial Plan, based on updated economic information and actual tax collection results through September 2010. Excluding the impact of debt service changes affecting the transfer of tax receipts to the General Fund, tax receipts in 2010-11 have been reduced by $278 million compared to the Enacted Budget forecast. The annual estimate for tax receipts has been reduced by less than the year-to-date variance due to a change in the timing of receipts from business tax audits, which DOB had originally expected to be settled before September 2010 but now anticipates will occur later in the fiscal year.

Personal income tax receipts have been revised downward by approximately $300 million annually, reflecting weakness in quarterly estimated payments. Receipts from user taxes have been reduced in the current year based on consumer spending data and actual collections, but are expected to rebound in 2011-12 as the economy continues to slowly improve. Cigarette tax receipts have been reduced due to the litigation over on the State's ability to collect certain taxes on Native American reservations, affecting receipts in both the General Fund and HCRA. Projected receipts from business taxes and other taxes have been increased modestly in both 2010-11 and 2011-12, reflecting unanticipated strength in estimated payments from banks and the performance of the real estate sector.

- **Other Receipts:** The reduction in estimated annual tax receipts in 2010-11 is offset in part by higher than expected receipts from other sources. These unplanned receipts include legal recoveries, surplus workers compensation funds, and transfers related to reductions in statewide agency operations financed by special revenue funds (see discussion below). In addition, the State realized a one-time benefit of $43 million from the termination of its existing synthetic variable rate swaps in September 2010.

- **Accounting Reclassifications:** The Updated Financial Plan includes accounting reclassifications related to the transfer of money to and from the General Fund. The reclassifications have no impact on the net operating forecast (e.g., a reduction in planned transfers from other funds is offset by a commensurate reduction in planned transfers to other funds). The most sizeable reclassification is related to the adjustment of spending for mental hygiene services between the General Fund and State special revenue funds, which has the effect of reducing transfers to and from the General Fund by an equal amount.

Disbursement Revisions

General Fund disbursements, including transfers to other funds, are estimated at $55.7 billion in 2010-11, an increase of $153 million from the Enacted Budget Financial Plan. Likewise, spending has been increased in subsequent years. The most significant revisions are summarized below.

- **Medicaid:** Gross State-share spending for Medicaid has been increased by approximately $800 million annually, due in part to actual and anticipated growth in the number of people enrolled in the program. Based on the updated estimates, more than 200,000 new enrollees are expected to enter Medicaid in the current fiscal year, bringing total enrollment to 4.9 million. In addition, higher State costs are driven by the Federal government increasing its share of rebates from drug manufacturers pursuant to Federal Health Care Reform; reconciliation of 2008 payments for the reimbursable portion of nursing home revenue assessments; and the impact of revisions to the HCRA operating forecast.

In 2010-11, the gross increase in State-share Medicaid spending is offset in part by certain non-recurring resources. Reconciliation of SFY 2009-10 local Medicaid obligations under the Medicaid Cap forms the basis for final enhanced FMAP shares under ARRA. The Updated Financial Plan is adjusted for $300 million in State funding previously reserved for this reconciliation ($208 million in SFY 2010-11). Furthermore, the local reconciliation also informs the lower distribution of the ARRA enhancement on the State's "clawback" payments for certain dually eligible (Medicare and Medicaid) recipients' drug benefit under Medicare Part D. This reduction decreases the State's expenditures by $223 million in SFY 2010-11 ($38 million in SFY 2011-12). The combination of all 2010-11 Medicaid revisions results in a net increase in costs of $368 million.

- **Social Services:** Spending projections for child welfare services have been reduced by approximately $120 million annually based on updated claiming data from social service districts. In addition, projected spending for other programs, and the reconciliation of human services COLA based on statutorily defined inflationary increases, has been lowered.

- **School Aid:** The September 2010 update to the school aid database resulted in higher than projected costs beginning in the 2011-12 school year. The costs reflect additional claims filed since the Enacted Budget Financial Plan, and updated wealth and demographic information reported by school districts. The Updated Financial Plan projections also reflect the impact of a revised estimate of demographic and enrollment factors within the Foundation Aid formula. Based on statute, additional school year obligations from 2010-11 are to be paid in State fiscal year 2011-12. As in prior years, updated school district data and additional claims have resulted in a cost increase to the State's multi-year Financial Plan, subsequent to the Enacted Budget agreements.

- **Lottery/VLT Aid for Education:** Receipts from statewide lottery games continue to fall below expectations, reflecting in part the impact of the economic downturn. DOB has lowered the estimate of lottery receipts expected to be available for School Aid across the Financial Plan forecast period.

- **Higher Education:** Current economic conditions, in particular high unemployment rates, have contributed in part to the recent upward trend in student enrollment in SUNY and CUNY community colleges. Similarly, increased spending under the TAP grant award program is expected due to the increased enrollment in institutions of higher education.

- **Transportation/Motor Vehicles:** The General Fund subsidy provided to the DHBTF has been revised across the plan period as a result of changes in estimated spending levels for capital projects, debt service costs, and other receipts.

- **Public Safety/Criminal Justice:** General Fund spending projections have been increased to reflect additional disaster relief aid, and a downward revision to expected revenues from the Motor Vehicle Law Enforcement fee that is used to support State Police costs.

- **Fringe Benefits:** Reflects multi-year upward revisions for health insurance costs for State employees and retirees mainly due to three factors: delays in the State's progress in self-insuring parts of NYSHIP; reduced savings from the implementation of the Medicare Part B premium sharing legislation enacted as part of the 2010-11 budget; and projected increases due to Federal Health Care Reform and premium rate changes. Reductions in the State's salary base are expected to reduce pension and social security costs, compared to the Enacted Budget Financial Plan forecast.

- **Mental Hygiene:** The revisions reflect two-year net savings of $10 million for 2010-11 and 2011-12, excluding the impact of the workforce reduction plan. The major changes include reduced projected spending of approximately $40 million for the human service COLA based on the current statutory formula (a decrease from an annual increase of 3.5 percent to 1.2 percent in 2011-12). This is partially offset by higher estimated costs for a recent Federal District Court decision mandating additional supported housing and support services, such that costs are now projected to be $4 million in 2010-11 and $45 million in 2011-12, or $8 million more than projected previously, as well as $12 million in additional costs based on the latest projected civil confinement caseload for the SOMTA program.

- **Timing of Outstanding Labor Settlements:** The Enacted Budget Financial Plan included estimated spending in 2010-11 to finance potential agreements with labor unions that have not yet reached settlements for the period from 2007-08 through 2010-11. Based on the status of negotiations and the timetable for ratification, it no longer appears likely than any spending for potential agreements will occur in the current year.

- **Allocation of Statewide Agency Operational Savings:** The Enacted Budget Financial Plan included $500 million in planned savings from statewide reductions in agency spending. The estimated spending for each agency has been revised to reflect its share of the reductions. Savings were anticipated from, among other things, workforce reductions that include the early retirement incentive plan, hiring freezes, layoffs, eliminating positions through attrition, delaying planned hiring of staff, encouraging participation in the voluntary reduction in work schedule program, eliminating funded vacancies and temporary positions, and enhancing controls for reducing overtime costs. Operational efficiencies that reduce costs in contractual services, supplies and materials, equipment purchases and travel expenses are also expected. Total savings at a level comparable to the Enacted Budget Financial Plan projections are expected by the end of fiscal year 2011-12, with lower than expected savings in 2010-11 and higher savings in 2011-12.

- **Allocation of FMAP Contingency Reductions:** The Enacted Budget Financial Plan mandated uniform reductions to most local assistance payments to cover the difference between the $1.1 billion in savings counted on in the proposed 2010-11 Financial Plan from enhanced FMAP and the actual amount ultimately approved by the Federal government. DOB calculated this difference at $281 million. The payment reductions to local assistance spending began taking effect in mid-September 2010, as provided by law, and have been allocated to agency budgets in the Updated Financial Plan.

Adjusted Annual Spending growth

The projections for annual spending growth are affected by both the management of payments at the end of 2009-10 and, in the case of Federal Funds and All Funds spending, by the uncertainties concerning the timing of Federal pass-through aid. The latter consists of ARRA stimulus money for a wide range of purposes that provides no gap-closing benefit, but by law must pass through the State's Financial Plan before it reaches its beneficiary. To avoid the distorting effect of these factors, DOB has adjusted spending to (a) exclude the impact of the deferral of the $2.06 billion end-of-year school aid payment from 2009-10 into 2010-11 and (b) include $2.0 billion in Federal ARRA pass-through spending that was expected in 2009-10. **See the Financial Plan tables herein for 2009-10 actual results and 2010-11 unadjusted estimates.** The following table provides a summary of revisions and adjusted annual spending totals.

TOTAL DISBURSEMENTS - ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH
(millions of dollars)

	2009-10 Adjusted	2010-11 Adjusted Enacted Budget	Change	Revised Estimate	Annual $ Change	Annual % Change
State Operating Funds	**78,934**	**78,998**	**203**	**79,201**	**267**	**0.3%**
General Fund (excluding transfers)	48,475	47,601	344	47,945	(530)	-1.1%
Other State Funds	25,447	25,789	(96)	25,693	246	1.0%
Debt Service Funds	5,012	5,608	(45)	5,563	551	11.0%
All Governmental Funds	**130,937**	**133,827**	**1,510**	**135,337**	**4,400**	**3.4%**
State Operating Funds	78,934	78,998	203	79,201	267	0.3%
Capital Projects Funds	7,112	8,454	54	8,508	1,396	19.6%
Federal Operating Funds	44,891	46,375	1,253	47,628	2,737	6.1%
General Fund, including Transfers	**54,262**	**53,533**	**153**	**53,686**	**(576)**	**-1.1%**
State Funds	**84,094**	**85,073**	**258**	**85,331**	**1,237**	**1.5%**

All Funds spending in 2010-11 is now projected to total $135.3 billion, an increase of $1.5 billion from the Enacted Budget Financial Plan. Higher General Fund spending, primarily for Medicaid, contributes nearly $350 million to the increase. The remaining increase since the Enacted Budget Financial Plan is mainly due to an updated estimate of Federal aid, particularly in the areas of health care, welfare, and school aid, including the new Federal Education Jobs Fund and Race to the Top program.

The annual spending growth in State Operating Funds is affected by the rapid annual increase in debt service and fringe benefits, which are difficult to control in the short-term due to existing constitutional, statutory, and contractual obligations. Together, these costs are projected to increase by over $1.0 billion in 2010-11.

CAUSES OF ADJUSTED STATE OPERATING FUNDS SPENDING CHANGE [1]
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change
Total	**78,934**	**79,201**	**267**	**0.3%**
Debt Service	4,961	5,471	510	10.3%
Fringe Benefits	4,276	4,811	535	12.5%
Non-Personal Service/Fixed Costs	4,885	4,950	65	1.3%
Personal Service	10,874	10,270	(604)	-5.6%
Local Assistance	53,938	53,699	(239)	-0.4%

[1] Adjusted to exclude the impact of paying the $2.06 billion end-of-year school aid payment, scheduled for the last quarter of 2009-10, in the first quarter of 2010-11, as authorized in statute.

Debt service on State-supported debt is projected to increase by $510 million (10.3 percent) in 2010-11, with approximately 35 percent of the growth due to the restructuring of certain transportation-related debt in 2005 that deferred substantial debt service costs until 2010-11. Overall spending from debt service funds, which includes certain non-personal service spending appropriated in the debt service budget, increases by roughly $550 million.

Spending on fringe benefits is projected to increase by $535 million, an increase of 12.5 percent. Growth in fringe benefits is due principally to increases in the State's annual contribution to the New York State and Local Retirement System and the cost of providing health insurance for active and retired State employees. Pension costs are expected to increase by $313 million (27.1 percent) in 2010-11. The growth assumes that $242 million in State pension costs will be amortized in 2010-11, as authorized in the 2010-11 Enacted Budget.

2010-11 Projected Closing Balances

General Fund

The General Fund is estimated to end the 2010-11 fiscal year with a balance of $1.4 billion, unchanged from the Enacted Budget Financial Plan. The closing balance depends on successful implementation of actions to eliminate the estimated budget gap of $315 million without the use of existing reserves. The estimate for spending from the Community Projects Fund is based on historical patterns and may be lower in 2010-11 as a result of the Governor's vetoes of member-item reappropriations.

2010-11 GENERAL FUND ESTIMATED CLOSING BALANCE
(millions of dollars)

	Enacted Budget	Change	Revised Estimate
Projected Fund Balance	**1,385**	**0**	**1,385**
Tax Stabilization Reserve Fund	1,031	0	1,031
Rainy Day Reserve Fund	175	0	175
Community Projects Fund	85	0	85
Reserved for Debt Reduction	73	0	73
Contingency Reserve Fund	21	0	21

The estimated closing balance includes $1.0 billion in the State's Tax Stabilization Reserve, which can be used to finance an unanticipated deficit at the end of the fiscal year, $175 million in the Rainy Day Reserve, which can be used if certain economic criteria are met, $85 million in the Community Projects Fund, which is reserved to finance existing "member item" initiatives, $73 million for debt management purposes, and $21 million in the Contingency Reserve for litigation risks.

All Governmental Funds

DOB projects the State will end the 2010-11 fiscal year with a balance of $3.5 billion in All Governmental Funds. The balance consists of $1.4 billion in the General Fund, $1.7 billion in State Special Revenue Funds, $422 million in Federal Operating Funds, $364 million in Debt Service Funds and a negative balance of $275 million in Capital Projects Funds. The year-end balance depends on successful implementation of actions to eliminate the current-year gap.

2010-11 ALL FUNDS ESTIMATED CLOSING BALANCE
(millions of dollars)

	Enacted Budget	Change	Mid-Year Estimate
Projected Fund Balance	**3,827**	***(251)***	**3,576**
General Fund	1,385	*0*	1,385
State Special Revenue Funds	1,816	(136)	1,680
Miscellaneous Special Revenue	676	(44)	632
Industry Assessments	*321*	*(17)*	*304*
Health and Social Welfare	*166*	*(15)*	*151*
General Government	*168*	*2*	*170*
All Other	*21*	*(14)*	*7*
State University Income	949	(155)	794
Mass Transportation Operating Assistance	3	39	42
Dedicated Mass Transportation Trust Fund	71	9	80
MTA Financial Assistance Fund	61	0	61
Health Care Resources Fund	0	0	0
Lottery Fund	18	3	21
All Other	38	12	50
Federal Operating Funds	522	(100)	422
Capital Projects Funds	(284)	9	(275)
Debt Service Funds	388	*(24)*	364

The balances held in State Special Revenue Funds include moneys designated to finance existing or potential commitments, or funds that are restricted or dedicated for specified statutory purposes. The largest balances in the State Special Revenue Funds include moneys on hand to finance future costs for State University programs, operating assistance for transportation programs, and various programs financed from the assessments associated with the State's regulation of various industries. The remaining fund balances are held in numerous funds, primarily the Miscellaneous Special Revenue Fund, and accounts that support a variety of programs, including public health, general government, and public safety. The reduction in Special Revenue Fund balances from the Enacted Budget Financial Plan is mainly attributable to additional SUNY hospital spending and for adjustments to several funds and accounts based on updated results.

Balances in Federal Operating Funds reflect timing differences between disbursements and Federal reimbursement. The timing of spending on ongoing, multi-year capital projects in advance of reimbursement from bond proceeds accounts for routine loans (or negative balances) in Capital Funds. Balances in Debt Service Funds represent funds set aside to finance debt service costs pursuant to legal obligations set forth in bond resolutions.

General Fund Outyear Budget Projections

This section presents the State's multi-year projections for receipts and disbursements based on the Updated Financial Plan. State law requires the Governor to submit, and the Legislature to enact, a balanced plan of receipts and disbursements on a cash-basis for the General Fund. However, approximately 40 percent of total State 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. Thus, the multi-year projections and growth rates are presented on both a General Fund and State Operating Funds basis.

The multi-year forecast reflects revisions to the Enacted Budget Financial Plan based on updated assumptions concerning economic performance, revenue collections, spending patterns, and projections for the current-services costs of program activities.

In evaluating the State's outyear operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future financial position is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, in terms of the outyear projections, 2011-12 is the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years. DOB will provide quarterly revisions to its multi-year estimates, as required pursuant to State Finance Law.

Budget Gaps

In the General Fund, the projected budget gaps total approximately $9.0 billion in 2011-12, $14.6 billion in 2012-13, and $17.2 billion in 2013-14. The net operating deficits in State Operating Funds are projected at $9.1 billion in 2011-12, $14.2 billion in 2012-13, and $16.9 billion in 2013-14.

The imbalances projected for the General Fund and State Operating Funds in future years tend to be very similar. This is because the General Fund is typically the financing source of last resort for many State programs, and any imbalance in other funds that cannot be rectified by the use of existing balances is typically paid by the General Fund.

The growth in the gaps between 2010-11 and 2011-12 is caused in large part by the expiration of Federal stimulus funding for Medicaid and education, which is expected to result in approximately $5.4 billion in costs reverting to the General Fund, starting in 2011-12. The annual growth in the gap is also affected by the sunset, at the end of calendar year 2011, of the temporary PIT increase enacted in 2009-10, which is expected to reduce 2011-12 receipts by more than $1 billion from 2010-11 levels.

Spending

General Fund spending is projected to grow at an average annual rate of 12.8 percent from 2010-11 through 2013-14.[3] Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting an expected return to a lower Federal matching rate for Medicaid expenditures after June 30, 2011, which will increase the share of Medicaid costs that must be financed by State resources, and the expected loss of temporary Federal aid for education. Excluding these stimulus-related effects, which temporarily suppress General Fund costs in 2010-11 and the first quarter of 2011-12, General Fund spending grows at approximately 8.7 percent on a compound annual basis.

[3] The 2010-11 estimate is adjusted to exclude $2.1 billion in school aid payments that were budgeted in 2009-10 but paid in 2010-11.

State Operating Funds spending is projected to grow at an average annual rate of 9.8 percent through 2013-14[3]. For both the General Fund and State Operating Funds, spending growth is driven by Medicaid, education, pension costs, employee and retiree health benefits, and social services programs.

The spending projections do not incorporate any estimate of potential new actions to control spending in the current year or future years; any potential continuation of Federal stimulus aid beyond the first quarter of 2011-12; and any costs for future collective bargaining agreements beyond the April 1, 2011 expiration of the current four-year contracts for most unions. For the first time, the forecast includes an initial estimate of the effect of national health care reform on State health care costs.

Receipts

State tax receipts are projected to grow at an average annual rate of 4.3 percent from 2010-11 through 2013-14. This is consistent with a projected return to modest economic growth in the New York economy in the second half of 2010. Receipts growth is affected by the tax changes approved in the Enacted Budget, as well as in prior fiscal years, and by tax compliance and anti-fraud efforts. These factors are expected to continue to enhance expected receipt growth through 2013-14. (See "2010-11 All Funds Receipts Projections" herein for a complete summary.)

Total disbursements for 2010-11 have been restated to exclude the $2.1 billion in school aid that was planned for March 2010 but paid in June 2010. The "payment of School Aid Deferral" line is displayed to account for the net operating impact.

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General Fund Projections

OUTYEAR GENERAL FUND PROJECTIONS (ADJUSTED) (millions of dollars)	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
Receipts								
Taxes (After Debt Service)	50,102	53,384	3,282	6.6%	53,700	0.6%	56,557	5.3%
Personal Income Tax	31,919	34,191	2,272	7.1%	33,855	-1.0%	35,762	5.6%
User Taxes and Fees	11,034	11,398	364	3.3%	11,694	2.6%	12,277	5.0%
Business Taxes	5,783	6,452	669	11.6%	6,658	3.2%	6,895	3.6%
Other Taxes	1,366	1,343	(23)	-1.7%	1,493	11.2%	1,623	8.7%
Miscellaneous Receipts/Federal Grants	2,921	2,881	(40)	-1.4%	2,846	-1.2%	2,794	-1.8%
Other Transfers	1,491	792	(699)	-46.9%	520	-34.3%	520	0.0%
Total Receipts	**54,514**	**57,057**	**2,543**	**4.7%**	**57,066**	**0.0%**	**59,871**	**4.9%**
Disbursements								
Grants to Local Governments (Adjusted)	**35,688**	**46,012**	**10,324**	**28.9%**	**50,697**	**10.2%**	**54,896**	**8.3%**
School Aid (Adjusted)	16,706	19,958	3,252	19.5%	22,405	12.3%	24,859	11.0%
Medicaid (incl. administration)	7,425	13,164	5,739	77.3%	14,664	11.4%	15,875	8.3%
Higher Education	2,449	2,820	371	15.1%	2,992	6.1%	3,082	3.0%
Mental Hygiene	2,218	2,015	(203)	-9.2%	2,156	7.0%	2,339	8.5%
Children and Family Services	1,697	1,893	196	11.5%	2,098	10.8%	2,324	10.8%
Other Education Aid	1,488	1,826	338	22.7%	1,909	4.5%	1,998	4.7%
Temporary and Disability Assistance	1,152	1,528	376	32.6%	1,658	8.5%	1,711	3.2%
All Other	2,553	2,808	255	10.0%	2,815	0.2%	2,708	-3.8%
State Operations	**8,138**	**8,749**	**611**	**7.5%**	**8,798**	**0.6%**	**9,026**	**2.6%**
Personal Service	6,189	6,659	470	7.6%	6,556	-1.5%	6,663	1.6%
Non-Personal Service	1,949	2,090	141	7.2%	2,242	7.3%	2,363	5.4%
General State Charges	**4,119**	**4,583**	**464**	**11.3%**	**4,989**	**8.9%**	**5,437**	**9.0%**
Pensions	1,470	1,664	194	13.2%	1,904	14.4%	2,126	11.7%
Health Insurance (Active Employees)	1,838	2,034	196	10.7%	2,244	10.3%	2,470	10.1%
Health Insurance (Retired Employees)	1,223	1,355	132	10.8%	1,493	10.2%	1,643	10.0%
Fringe Benefit Escrow	(2,309)	(2,385)	(76)	3.3%	(2,565)	7.5%	(2,739)	6.8%
All Other	1,897	1,915	18	0.9%	1,913	-0.1%	1,937	1.3%
Transfers to Other Funds:	**5,741**	**6,787**	**1,046**	**18.2%**	**7,297**	**7.5%**	**7,769**	**6.5%**
State Share Medicaid	2,435	3,013	578	23.7%	3,110	3.2%	3,073	-1.2%
Debt Service	1,650	1,766	116	7.0%	1,757	-0.5%	1,686	-4.0%
Capital Projects	878	1,197	319	36.3%	1,310	9.4%	1,462	11.6%
All Other	778	811	33	4.2%	1,120	38.1%	1,548	38.2%
Total Disbursements (Adjusted)	**53,686**	**66,131**	**12,445**	**23.2%**	**71,781**	**8.5%**	**77,128**	**7.4%**
Payment of School Aid Deferral	2,060		(2,060)					
Total Disbursements (Unadjusted)	**55,746**	**66,131**	**10,385**	**18.6%**	**71,781**	**8.5%**	**77,128**	**7.4%**
Change in Reserves[1]	**(917)**	**(48)**			**(71)**		**(25)**	
Budget Surplus/(Gap) Estimate Before Actions	**(315)**	**(9,026)**			**(14,644)**		**(17,232)**	

[1] The State deferred more payments than were needed to carry forward the 2009-10 budget shortfall. This created a temporary increase in the year-end balance in 2009-10. The balance was used when the deferred payments were made in the first quarter of 2010-11.

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS (ADJUSTED)
(millions of dollars)

	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
Receipts:								
Taxes	60,124	64,163	4,039	6.7%	64,989	1.3%	68,288	5.1%
Personal Income Tax	36,568	39,277	2,709	7.4%	39,287	0.0%	41,504	5.6%
User Taxes and Fees	13,505	14,047	542	4.0%	14,370	2.3%	14,950	4.0%
Business Taxes	7,205	7,945	740	10.3%	8,208	3.3%	8,501	3.6%
Other Taxes	2,846	2,894	48	1.7%	3,124	7.9%	3,333	6.7%
Miscellaneous Receipts/Federal Grants	18,757	18,618	(139)	-0.7%	19,058	2.4%	19,299	1.3%
Total Receipts	**78,881**	**82,781**	**3,900**	**4.9%**	**84,047**	**1.5%**	**87,587**	**4.2%**
Disbursements:								
Grants to Local Governments (Adjusted)	53,699	64,475	10,776	20.1%	70,185	8.9%	74,984	6.8%
School Aid (Adjusted)	19,798	22,695	2,897	14.6%	25,300	11.5%	27,823	10.0%
Medicaid (incl. administration)	11,906	17,604	5,698	47.9%	19,553	11.1%	20,882	6.8%
STAR	3,270	3,418	148	4.5%	3,584	4.9%	3,772	5.2%
Higher Education	2,471	2,836	365	14.8%	2,992	5.5%	3,082	3.0%
Other Education Aid	1,506	1,842	336	22.3%	1,923	4.4%	2,011	4.6%
Mental Hygiene	3,454	3,709	255	7.4%	3,968	7.0%	4,274	7.7%
Public Health/Aging/Insurance	2,270	2,418	148	6.5%	2,523	4.3%	2,558	1.4%
Social Services	2,851	3,423	572	20.1%	3,757	9.8%	4,037	7.5%
Local Government Assistance	781	1,070	289	37.0%	1,070	0.0%	1,062	-0.7%
All Other	5,392	5,460	68	1.3%	5,515	1.0%	5,483	-0.6%
State Operations	14,883	16,050	1,167	7.8%	16,012	-0.2%	16,348	2.1%
Personal Service	10,270	11,260	990	9.6%	11,123	-1.2%	11,273	1.3%
Non-Personal Service	4,613	4,790	177	3.8%	4,889	2.1%	5,075	3.8%
General State Charges	5,146	5,749	603	11.7%	6,321	9.9%	6,860	**8.5%**
Pensions	1,470	1,664	194	13.2%	1,904	14.4%	2,126	11.7%
Health Insurance (Active Employees)	1,838	2,034	196	10.7%	2,244	10.3%	2,470	10.1%
Health Insurance (Retired Employees)	1,223	1,355	132	10.8%	1,493	10.2%	1,643	10.0%
All Other	615	696	81	13.2%	680	-2.3%	621	-8.7%
Debt Service	5,471	6,039	568	10.4%	6,354	5.2%	6,515	2.5%
Capital Projects	2	2	0	0.0%	2	0.0%	2	0.0%
Total Disbursements (Adjusted)	**79,201**	**92,315**	**13,114**	**16.6%**	**98,874**	**7.1%**	**104,709**	**5.9%**
Payment of School Aid Deferral	2,060		(2,060)					
Total Disbursements (Unadjusted)	81,261	92,315	11,054	13.6%	98,874	7.1%	104,709	5.9%
Net Other Financing Sources/(Uses)	**825**	**442**			**710**		**501**	
Net Operating Surplus/(Deficit)[1]	**(1,555)**	**(9,092)**			**(14,117)**		**(16,621)**	

[1] Financed in part with the use of existing fund balances in 2010-11. See Financial Plan Tables.

The annual spending changes are affected by the expiration of Federal stimulus funding for Medicaid, school aid, and other purposes, which is expected to result in approximately $5.4 billion in costs reverting to the State starting in 2011-12. The following table displays the impact of the direct Federal aid as it applies to major programs (by adjusting the State spending to show the annual spending change excluding the benefit of ARRA), which temporarily lowered State costs. Reported State Operating Funds are increasing by nearly 17 percent in 2011-12. When adjusted to exclude Federal ARRA direct State aid, the annual growth is approximately 9 percent. All amounts are shown on a State fiscal year basis.

STATE OPERATING FUNDS SPENDING PROJECTIONS MAJOR PROGRAM AREAS ADJUSTED FOR IMPACT OF ARRA DIRECT FEDERAL AID (millions of dollars)	2010-11	2011-12	Annual $ Change	Annual % Change
State Operating Funds (Adjusted):	85,607	93,276	7,669	9.0%
Reported State Operating Funds	79,201	92,315	13,114	16.6%
Federal ARRA	6,406	961	(5,445)	-85.0%
School Aid (Adjusted)	21,129	23,204	2,075	9.8%
Reported School Aid	19,798	22,695	2,897	14.6%
Federal ARRA (State Fiscal Stabilization)	1,331	509	(822)	-61.8%
DOH Medicaid (Adjusted)	15,854	17,957	2,103	13.3%
Reported Medicaid	11,906	17,604	5,698	47.9%
Federal ARRA (Enhanced FMAP)	3,948	353	(3,595)	-91.1%
Higher Education (Adjusted)	2,637	2,836	199	7.5%
Reported Higher Education	2,471	2,836	365	14.8%
Federal ARRA (State Fiscal Stabilization)	166	0	(166)	-100.0%
Other Education Aid (Adjusted)	1,838	1,845	7	0.4%
Reported Other Education Aid	1,506	1,842	336	22.3%
Federal ARRA (State Fiscal Stabilization)	332	3	(329)	-99.1%
Personal Service (Adjusted)	10,899	11,356	457	4.2%
Reported Personal Service	10,270	11,260	990	9.6%
Federal ARRA (Enhanced FMAP - Mental Hygiene)	629	96	(533)	-84.7%

Grants to Local Governments

Medicaid (Department of Health)

The State's share of Medicaid is financed with a combination of General Fund and HCRA resources. Local governments are also required to share in the costs of the program. The Federal government is financing an additional share of Medicaid costs for October 2008 through June 30, 2011, which temporarily lowers the State's costs for the program.

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (DOH ONLY) (millions of dollars)	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
State Operating Funds (Before FMAP)	**15,854**	**17,957**	**2,103**	**13.3%**	**19,299**	**7.5%**	**20,882**	**8.2%**
Enhanced FMAP -- State Share[1]	**(3,948)**	**(353)**	**3,595**	**-91.1%**	**254**	**-172.0%**	**0**	**0.0%**
State Operating Funds (After FMAP)	**11,906**	**17,604**	**5,698**	**47.9%**	**19,553**	**11.1%**	**20,882**	**6.8%**
Other State Funds Support	**(4,481)**	**(4,439)**	**42**	**-0.9%**	**(4,890)**	**10.2%**	**(5,006)**	**2.4%**
HCRA Financing	(2,866)	(2,897)	(31)	1.1%	(3,348)	15.6%	(3,464)	3.5%
Provider Assessment Revenue	(745)	(750)	(5)	0.7%	(750)	0.0%	(750)	0.0%
Indigent Care Revenue	(870)	(792)	78	-9.0%	(792)	0.0%	(792)	0.0%
Total General Fund	**7,425**	**13,165**	**5,740**	**77.3%**	**14,663**	**11.4%**	**15,876**	**8.3%**

[1] Excludes benefits in other State agencies. Costs in 2012-13 reflect the reconciliation of the local share benefit for 2011-12 that will occur in Fall 2012.

Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services (particularly in managed care), and higher levels of utilization, as well as the expiration of the temporarily enhanced levels of Federal aid. The number of Medicaid recipients is expected to total 4.9 million at the end of 2010-11, an increase of 5.9 percent from the 2009-10 caseload of 4.5 million.

The expiration of the enhanced FMAP share substantially increases State-funded spending for Medicaid in 2011-12. However, even after adjusting for the impact of enhanced FMAP, State spending for Medicaid is expected to grow significantly over the multi-year Financial Plan, increasing at an average annual rate of 9.6 percent, from $15.9 billion in 2010-11 to $20.9 billion in 2013-14. Overall Medicaid growth results, in part, from the takeover of local Medicaid costs under the cap, the combination of projected increases in service utilization, and medical care cost inflation that affects nearly all categories of service (e.g., hospitals, nursing homes), as well as rising enrollment levels.

In addition, the payment of an extra weekly cycle to providers adds an estimated $400 million in 2011-12.

School Aid

School aid spending includes foundation aid; UPK; and expense-based aids such as building aid, transportation aid, and special education aids. School aid spending is supported by the General Fund, as well as lottery revenues (including VLTs). On a school year basis, school aid is projected to grow at an average annual rate of 10.5 percent, from $21.2 billion in 2010-11 to $28.6 billion in 2013-14.

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

	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual $ Change	2013-14	Annual $ Change
Foundation Aid/Academic Achievement Grant	$14,894	$16,063	$1,169	7.8%	$17,649	$1,586	$19,679	$2,030
Universal Prekindergarten	$378	$462	$84	22.2%	$564	$102	$630	$66
Expense-Based Aids (Building, Transportation, High Cost and Private Special Education, BOCES)	$5,914	$6,340	$426	7.2%	$6,800	$460	$7,300	$500
Other Aid Categories/Initiatives	$807	$845	$38	4.7%	$907	$62	$971	$64
Gap Elimination Adjustment	($1,412)	$0	$1,412	-100.0%	$0	$0	$0	$0
Federal Education Jobs Fund	$607	$0	($607)	-100.0%	$0	$0	$0	$0
Total School Aid	**$21,188**	**$23,710**	**$2,522**	**11.9%**	**$25,920**	**$2,210**	**$28,580**	**$2,660**

Growth in 2011-12 is primarily due to the elimination of the one-time gap elimination adjustment, increases in expense-based aids and the phase-in of foundation aid over a seven-year period. Growth in 2012-13 and beyond is primarily due to increases in foundation aid and UPK increases in expense-based aids such as building aid and transportation aid.

On a State fiscal-year basis, school aid spending is projected to grow on average $2.7 billion annually from 2011-12 to 2013-14.

MULTI-YEAR SCHOOL AID FINANCING PROJECTIONS - FISCAL YEAR BASIS (ADJUSTED)
(millions of dollars)

	2010-11[1]	2011-12	Annual $ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
General Fund Local Assistance	16,705	19,958	3,253	19.5%	22,405	12.3%	24,859	11.0%
General Fund Lottery Aid Guarantee	83	0	(83)	-100.0%	n/a	n/a	n/a	n/a
Core Lottery Aid	2,085	2,095	10	0.5%	2,102	0.3%	2,109	0.3%
VLT Lottery Aid	925	642	(283)	-30.6%	793	23.5%	855	7.8%
Total State Funds	**19,798**	**22,695**	**2,897**	**14.6%**	**25,300**	**11.5%**	**27,823**	**10.0%**

[1]Adjusted to exclude the end of 2009-10 fiscal year payment ($2.06 billion) which was deferred to 2010-11.

Over the multi-year Financial Plan period, revenues available to finance school aid from core lottery sales are expected to increase nominally. Revenues from VLTs in 2010-11 reflect the $380 million one-time franchise payment received by the State in September 2010 from the sale of VLT development rights at Aqueduct. Revenues from VLTs are expected to grow in future years, augmented by the anticipated opening of a VLT facility at Aqueduct racetrack by October 2011.

Mental Hygiene

Mental hygiene spending (excluding capital and debt service) is projected to grow by approximately $270 million annually (7 percent), reaching a total of $4.3 billion in 2013-14. Sources of operating growth include: increases in the projected State share of Medicaid costs; projected expansion of the various mental hygiene service systems, including increases primarily associated with the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline, as well as additional funds for supported housing beds and associated support services pursuant to a Federal district court decision; and several chemical dependence treatment and prevention initiatives in OASAS, including treatment costs associated with recent reforms to the Rockefeller drug laws.

Social Services

The State share of OCFS spending is expected to grow by approximately $200 million annually through 2013-14 primarily driven by growth in local claims-based programs. OTADA spending is projected to increase by $559 million from $1.2 billion in 2010-11 to $1.7 billion by 2013-14, due to the anticipated loss of TANF Emergency Contingency Fund grants that were used to support public assistance costs that would otherwise have been paid for with State resources.

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State Operations

STATE OPERATING FUNDS - STATE OPERATIONS (millions of dollars)							
	2010-11	2011-12	Annual $ Change	2012-13	Annual $ Change	2013-14	Annual $ Change
Personal Service	**10,270**	**11,260**	**990**	**11,123**	**(137)**	**11,273**	**150**
State University	3,148	3,235	87	3,141	(94)	3,167	26
Correctional Services	1,898	1,940	42	1,961	21	1,984	23
Judiciary	1,537	1,651	114	1,694	43	1,750	56
Mental Hygiene	542	989	447	1,062	73	1,078	16
State Police	586	590	4	593	3	596	3
Tax and Finance	331	314	(17)	314	0	317	3
Public Health	251	258	7	264	6	270	6
Children and Family Services	175	170	(5)	174	4	169	(5)
Environmental Conservation	189	168	(21)	169	1	169	0
Legislature	165	168	3	172	4	175	3
Timing of Outstanding Labor Agreements	12	346	334	142	(204)	142	0
All Other	1,436	1,431	(5)	1,437	6	1,456	19
Non-Personal Service	**4,613**	**4,790**	**177**	**4,889**	**99**	**5,075**	**186**
State University	1,764	1,821	57	1,742	(79)	1,798	56
Correctional Services	515	528	13	560	32	602	42
Judiciary	364	390	26	413	23	439	26
Public Health	237	240	3	246	6	256	10
Mental Hygiene	211	224	13	271	47	279	8
Lottery	144	148	4	147	(1)	150	3
Children and Family Services	102	109	7	113	4	117	4
Tax and Finance	95	94	(1)	94	0	96	2
Debt Service	92	92	0	92	0	92	0
Insurance	72	77	5	78	1	79	1
All Other	1,017	1,067	50	1,133	66	1,167	34

Growth in State Operations spending over the multi-year Updated Financial Plan is concentrated in agencies that operate large facilities, such as SUNY, Corrections, and the mental hygiene agencies, as well as the Judiciary. The main causes of growth include expiration of the enhanced FMAP that lowers State costs for portions of mental hygiene spending, the timing of outstanding labor agreements, inflationary increases in operating costs, and ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections.

Personal Service

Personal service spending includes wages and compensation for overtime, holiday and temporary services. It does not include fringe benefits, which are accounted for under General State Charges. Personal service spending increases reflect the impact of settled labor contracts, salary adjustments for performance advances, longevity payments and promotions. Growth in personal service is affected by the expiration of enhanced FMAP, which temporarily reduced the State-share costs of operating the mental hygiene system; increased spending in SUNY hospitals due to SUNY Downstate Medical Center's acquisition of Long Island College Hospital; the costs of improved care and treatment for inmates with mental illness; and anticipated needs for Office of Court Administration.

Non-Personal Service

Non-personal service spending represents the costs of operations other than employee wages and benefits. It includes utilities, rent, equipment, supplies and materials, telecommunications, information technology, travel, training, medical supplies, prescription drugs, and certain contractual obligations. Spending is expected to grow by an average of 3 percent annually through 2013-14, and is concentrated in agencies that operate large facilities.

Significant cost increases are expected for food, prescription drugs, and energy costs in State facilities (including prisons, youth facilities, and mental hygiene facilities); increased spending in SUNY hospitals due to SUNY Downstate Medical Center's acquisition of Long Island College Hospital; costs for developing the new Statewide Financial System; and targeted initiatives including increasing staff-to-youth ratios and improving mental health services for youth residing in State-operated juvenile justice facilities.

General State Charges

GSCs account for the costs of fringe benefits provided to State employees and retirees of the Executive, Legislative and Judicial branches, as well as for certain fixed costs. GSCs are projected to grow at an average annual rate of 10.1 percent from 2010-11 through 2013-14. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees.

The State's 2010-11 ERS pension contribution rate as a percentage of salary is expected to grow from 12.1 percent in 2010-11 to 23.5 percent in 2013-14. The PFRS pension contribution rate is expected to be 18.3 percent in 2010-11, and is projected to grow to 31.4 percent by 2013-14.

The Enacted Budget Financial Plan permits local governments and the State to amortize a portion of their pension costs beginning in 2010-11. Specifically, pension contribution costs in excess of the amortization thresholds, which are 9.5 percent for ERS and 17.5 percent for PFRS in 2010-11, may be amortized. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease by no more than one percentage point for each year. Repayment of the amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. For 2010-11 amortizations, the Comptroller has set the interest rate at 5 percent. For planning purposes, the Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The amounts assumed to be amortized over the Financial Plan period total $242 million in 2010-11, $552 million in 2011-12, $755 million in 2012-13, and $1.0 billion in 2013-14.

Beginning in 2011-12, pension costs also include the State's payment for the retirement incentives approved in the fall 2010. The Financial Plan currently assumes an annual State payment of $70 million, beginning in 2011-12.

Spending for employee and retiree health insurance costs is expected to grow at a consistently high rate through 2013-14, with annual growth reflecting an annual premium increase of approximately 7 percent. See discussion of the GASB Statement 45 later in this AIS Update for the valuation of future State health insurance costs for State employees.

Transfers to Other Funds (General Fund Basis)

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 DMV are funded from DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds.

OUTYEAR DISBURSEMENT PROJECTIONS - GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)	2010-11	2011-12	Annual $ Change	2012-13	Annual $ Change	2013-14	Annual $ Change
Transfers to Other Funds:	**5,741**	**6,787**	**1,046**	**7,297**	**510**	**7,769**	**472**
Medicaid State Share	2,435	3,013	578	3,110	97	3,073	(37)
Debt Service	1,650	1,766	116	1,757	(9)	1,686	(71)
Capital Projects	878	1,197	319	1,310	113	1,462	152
Dedicated Highway and Bridge Trust Fund	578	637	59	710	73	779	69
All Other Capital	300	560	260	600	40	683	83
All Other Transfers	778	811	33	1,120	309	1,548	428
Mental Hygiene	0	102	102	394	292	810	416
Medicaid Payments for State Facility Patients	216	216	0	216	0	216	0
Education - Lottery	83	0	(83)	0	0	0	0
Judiciary Funds	153	156	3	157	1	163	6
Banking Services	66	66	0	66	0	66	0
Indigent Legal Services	40	40	0	40	0	40	0
SUNY- Hospital Operations	33	0	(33)	0	0	0	0
Department of Transportation (MTA Tax)	24	25	1	25	0	25	0
Alcoholic Beverage Control	18	18	0	19	1	21	2
Mass Transportation Operating Assistance	19	19	0	19	0	19	0
Public Trans Systems	19	19	0	19	0	19	0
Correctional Industries	14	14	0	14	0	14	0
DCJS - Crimes Against Revenues Account	10	16	6	16	0	16	0
Statewide Financial System	9	45	36	55	10	60	5
All Other	74	75	1	80	5	78	(2)

Transfers to other funds are expected to total $6.8 billion in 2011-12, an annual increase of over $1 billion, or 18.2 percent. This increase is mainly due to higher costs related to the State share of Medicaid costs for mental hygiene services, capital projects and debt service.

Support for capital projects is expected to increase by over 35 percent in 2011-12 mainly for economic development projects, statewide technology initiatives, and capital project activity for SUNY, CUNY and Corrections.

Increases in all other transfers reflect the need to supplement resources available for the mental hygiene system and to fund the development of the State's new financial management system.

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Debt Service

The following tables summarize State debt levels and debt service spending. The changes since the AIS in debt outstanding, debt issuances, and debt service costs detailed below include accelerated bonding in 2010-11 for AMD, the Aqueduct VLT facility, mental health facilities, and SUNY Dormitories, as offset by reductions in bonding for transportation purposes, as well as other education and economic development activities.

Also reflected in the estimates below is $143 million in 2010-11 debt service savings, of which $112 million has been achieved. This primarily results from bond refinancings, the use of Build America Bonds (BABs, as authorized by the Federal Government under ARRA), the termination of excluded agreement swaps, and other reestimates.

Projected Debt Outstanding (millions of dollars)

	2010-11	2011-12	2012-13	2013-14	2014-15
Enacted Budget State-Related Debt Outstanding	**56,877**	**58,413**	**58,751**	**58,487**	**58,102**
Global Foundries	128	(4)	(5)	(5)	(6)
Aqueduct VLT Facility	128	(10)	(11)	(12)	(13)
Mental Health Facilities	40	(53)	(52)	(51)	(51)
SUNY Dorms	51	52	52	28	(50)
Education	(242)	(209)	(168)	(101)	(74)
Economic Development & Housing	(144)	(171)	(98)	(103)	(110)
Transportation	(103)	(83)	(57)	(33)	(10)
All Other	(105)	(81)	(76)	(74)	(71)
Subtotal	(248)	(558)	(415)	(351)	(384)
Mid-Year Update State-Related Debt Outstanding	**56,629**	**57,855**	**58,336**	**58,136**	**57,719**

Projected Debt Issuances (millions of dollars)

	2010-11	2011-12	2012-13	2013-14	2014-15
Enacted Budget State-Related Debt Issuances	**5,365**	**5,368**	**4,372**	**3,899**	**3,794**
Global Foundries	128	(128)	0	0	0
Aqueduct VLT Facility	128	(128)	0	0	0
Mental Health Facilities	42	(92)	0	0	0
SUNY Dorms	51	0	0	(22)	(77)
Education	(209)	20	26	41	31
Economic Development & Housing	(131)	(26)	73	0	0
Transportation	(103)	20	23	21	21
All Other	(57)	12	(6)	(12)	(15)
Subtotal	(152)	(321)	115	28	(40)
Mid-Year Update State-Related Debt Issuances	**5,213**	**5,048**	**4,487**	**3,927**	**3,754**

Projected Debt Service (millions of dollars)

	2010-11	2011-12	2012-13	2013-14	2014-15
Enacted Budget State-Related Debt Service	**6,051**	**6,627**	**6,949**	**7,095**	**7,093**
Global Foundries	0	11	(2)	(1)	(1)
Aqueduct VLT Facility	2	14	(1)	(1)	(1)
Mental Health Facilities	2	(1)	(5)	(5)	(5)
SUNY Dorms	(2)	(4)	(0)	3	0
Education	(50)	(20)	(18)	(13)	(11)
Economic Development & Housing	17	(14)	(13)	(2)	(0)
Transportation	(9)	(8)	(6)	(4)	(2)
All Other	(4)	26	41	34	30
Subtotal	(45)	4	(3)	11	10
Mid-Year Update State-Related Debt Service	**6,006**	**6,631**	**6,946**	**7,106**	**7,103**

Statutory Debt Limitations

Debt Reform Act

The Debt Reform Act of 2000 imposed statutory limitations which restricted the issuance of State-supported debt to capital purposes and established a maximum term of 30 years for such debt. The statute also imposed phased-in caps that will ultimately limit 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 debt outstanding is fully phased-in during 2010-11, while the cap on debt service costs is expected to be fully phased-in during 2013-14.

The statute requires that the limitations on the amount of State-supported debt and debt service costs be calculated by October 31 of each year and reported in the October Update to the State's Financial Plan and are set forth below. If the actual amount of new State-supported debt outstanding and debt service costs for the prior fiscal year (2009-10) are below the caps at this time, State-supported debt may continue to be issued. However, if either the debt outstanding or the debt service cap is met or exceeded, the State would be precluded from issuing new State-supported debt until the next annual cap calculation is made and debt is found to be within the applicable limitations.

For the 2009-10 fiscal year, the cumulative debt outstanding and debt service caps are 3.98 percent each. As shown in the table below, the actual levels of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2010 the State issued new debt resulting in $29.9 billion of debt outstanding applicable to the debt reform cap. This is approximately $6.3 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled $2.4 billion in 2009-10 – or roughly $2.7 billion below the statutory debt service limitation.

Debt Outstanding Cap (millions of dollars)	
New Debt Outstanding	$29,883
Personal Income (Current Year 2009)	$907,886
Debt Outstanding (Percent of Per. Income)	3.29%
Cap Imposed by Debt Reform Act	3.98%

Debt Service Cap (millions of dollars)	
New Debt Service	$2,359
Governmental Funds Receipts	$126,748
Debt Service (Percent of Govt'l Fund Receipts)	1.86%
Cap Imposed by Debt Reform Act	3.98%

Current projections estimate that debt outstanding and debt service costs will continue to remain below the limits imposed by the Act throughout the next several years. However, the State is continuing through a period of declining debt capacity. In part, declines in debt capacity are a product of reduced forecasts for personal income levels resulting from ongoing recessionary factors. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $4.2 billion in 2010-11 to only $1.8 billion in 2012-13. Measures to further adjust capital spending and debt financing practices are expected to be taken as needed to stay within the statutory limitations.

Debt Outstanding Cap (millions of dollars)					
Year	Personal Income	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
2009-10 (Actual)	907,886	3.98%	3.29%	6,281	0.69%
2010-11 (Projected)	947,668	4.00%	3.56%	4,211	0.44%
2011-12 (Projected)	978,786	4.00%	3.77%	2,216	0.23%
2012-13 (Projected)	1,032,088	4.00%	3.82%	1,828	0.18%
2013-14 (Projected)	1,086,571	4.00%	3.80%	2,158	0.20%
2014-15 (Projected)	1,144,585	4.00%	3.75%	2,826	0.25%

Debt Service Cap (millions of dollars)					
Year	All Funds Receipts	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
2009-10 (Actual)	126,748	3.98%	1.86%	2,689	2.12%
2010-11 (Projected)	135,235	4.32%	2.31%	2,707	2.00%
2011-12 (Projected)	134,666	4.65%	2.64%	2,710	2.01%
2012-13 (Projected)	133,390	4.98%	2.94%	2,723	2.04%
2013-14 (Projected)	139,792	5.00%	3.02%	2,767	1.98%
2014-15 (Projected)	142,873	5.00%	3.06%	2,768	1.94%

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Year-to-Date Operating Results

General Fund

Through September 30, 2010, General Fund receipts, including transfers from other funds, totaled $25.5 billion, $485 million below the estimate in the Enacted Budget Financial Plan. General Fund disbursements, including transfers to other funds, totaled $25.4 billion, $390 million below the Enacted Budget Financial Plan. The General Fund ended September 2010 with a closing balance of $2.4 billion, $95 million lower than planned. Based in part on the operating results to date, DOB has revised the annual estimates for receipts and disbursements in this Updated Financial Plan. The following table compares planned and actual results through September 30, 2010.

GENERAL FUND RESULTS: APRIL to SEPTEMBER 2010
(millions of dollars)

	Enacted Budget	Results	Favorable/ (Unfavorable) vs. Plan	Increase/ (Decrease) from Prior Year
Opening Balance (April 1, 2010)	**2,302**	**2,302**	**0**	**354**
Receipts	**26,004**	**25,519**	**(485)**	**319**
Personal Income Tax*	15,685	15,555	(130)	670
User Taxes and Fees*	5,747	5,543	(204)	277
Business Taxes	2,312	2,069	(243)	(324)
Other Taxes*	762	829	67	252
Non-Tax Revenue	1,498	1,523	25	(556)
Disbursements	**25,830**	**25,440**	**390**	**724**
School Aid	8,725	8,609	116	1,451
Medicaid (including admin)	3,768	3,881	(113)	461
Children and Family Services	756	452	304	(267)
All Other Education	586	684	(98)	73
All Other Local	3,642	3,513	129	(718)
Personal Service	3,394	3,355	39	(154)
Non-Personal Service	941	928	13	(130)
General State Charges	1,372	1,395	(23)	(6)
Transfers To Other Funds	2,646	2,623	23	14
Change in Operations	**174**	**79**	**(95)**	**(405)**
Closing Balance (September 30, 2010)	**2,476**	**2,381**	**(95)**	**(51)**

* Includes transfers from other funds after debt service.

Through September 2010, General Fund tax receipts, including transfers after debt service, were $510 million below the Enacted Budget Financial Plan estimate. Collections for all three major tax categories, personal income taxes, user taxes, and business taxes, fell below expectations. The personal income tax and user tax results are expected to result in lower annual collections. Collections for business taxes to date have been adversely affected by the timing of audits. Business tax collections are expected to recover over the remaining months of the fiscal year. Receipts from non-tax sources, including legal recoveries, exceeded planned levels.

Actual disbursements were $390 million below planned levels through September 2010. The variance to date reflects, in part, slower than anticipated processing of payments following enactment of the budget for 2010-11 and implementation of the FMAP contingency plan. The annual estimate for disbursements has been revised upward based on trends in Medicaid and State Operations.

- Medicaid spending continues to exceed planned levels in nearly all categories of service, and enrollment in the program is growing even faster than expected. DOB has increased the annual estimate for Medicaid spending based in part on operating results to date.

- All other education spending to date has been affected by the processing of special education claims by SED. Claims for the year are still expected to remain within budgeted levels.

- Children and Families spending has been lower to date due to a combination of processing delays and claiming patterns. The annual spending estimate has been lowered.

- Lower school aid spending reflects, in part, the impact of FMAP contingency reductions on disbursements.

- State Operations spending is exceeding planned levels through the second quarter. Constraints affecting implementation of statewide agency reductions are expected to result in higher personal service costs in 2010-11 than previously anticipated.

- Other spending has been affected by the FMAP contingency reductions, payment processing, and other factors that are not expected to materially affect annual estimates.

General Fund Annual Change (Through September)

Receipts through September 2010 were $319 million, or 1.3 percent, higher than the same period in 2009 largely due to the increased collections in the personal income tax ($670 million), user taxes and fees ($277 million), and other taxes ($252 million). Business tax collections fell $324 million, largely the result of 2009 legislation which increased the March 2010 prepayment from 30 percent to 40 percent of liability; non-tax receipts are down $556 million primarily due to the timing of 18-A assessment payments.

Disbursements through September 2010 were $724 million, or 3.0 percent higher than for the same period in 2009. Growth is primarily due to the payment of the $2.06 billion end-of-school year payment in June 2010 instead of March 2010. Other sources of annual growth were driven by an additional Medicaid cycle through September 2010 compared to the same period in the prior year, and the timing of Medicaid offsets from HCRA during this period ($252 million). These increases are partially offset by lower spending in most areas of the budget.

All Governmental Funds Operating Results

SPENDING RESULTS: APRIL to SEPTEMBER 2010
(millions of dollars)

	Enacted Budget	Results	Favorable/ (Unfavorable) vs. Plan	Increase/ (Decrease) from Prior Year
State Operating Funds	**36,929**	**36,721**	**208**	**820**
General Fund (excl. transfers)	23,184	22,817	367	710
Other State Funds	11,491	11,676	(185)	(136)
Debt Service Funds	2,254	2,228	26	246
All Governmental Funds	**63,544**	**63,424**	**120**	**3,790**
State Operating Funds	36,929	36,721	208	820
Capital Projects Funds	3,651	3,611	40	225
Federal Operating Funds	22,964	23,091	(127)	2,742

State Operating Funds disbursements were $208 million below the Enacted Budget Financial Plan forecast and include the General Fund variances described above. The higher spending in other State funds is largely driven by earlier than expected payments related to industry assessments ($166 million).

Capital Projects spending was below the Enacted Budget Financial Plan estimates primarily due to slower than anticipated spending on economic development projects ($69 million), Higher Education ($60 million), and Transportation ($25 million).

Federal Operating Funds spending exceeded projections due to timing-related variances in social service, mental hygiene and education.

Economic Outlook

The National Economy

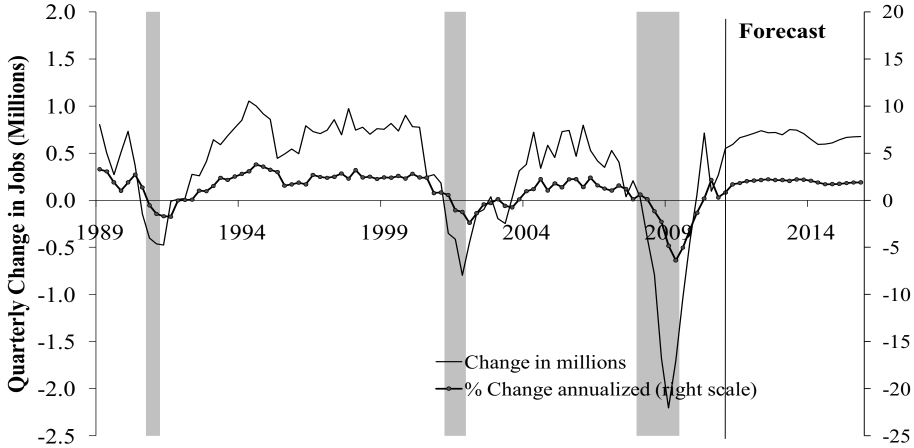
The slowdown anticipated in DOB's Enacted Budget Financial Plan forecast appears to be extending well into the fourth quarter of 2010. With a labor market recovery just getting underway, a shock emanating from euro-zone sovereign debt markets caused the nation's already fragile credit markets to tighten further, all against a backdrop of ongoing household deleveraging. Equity market prices, as represented by the S&P 500, fell 16 percent between late April and early July and virtually stagnated for the remainder of the summer. Whether acting as a bellwether for the condition of the real economy or operating via a negative wealth effect, the equity market decline coincided with a deceleration in both household spending and labor market growth. Real U.S. GDP growth fell from 3.7 percent in the first quarter of 2010 to 1.7 percent in the second quarter, and is estimated to remain there for the entire second half of the year. The national economy, as measured by real U.S. GDP, is now projected to grow 2.6 percent in 2010, followed by downwardly revised growth of 2.6 percent for 2011.

As distance from the expiration of the Federal homebuyers' credit increases, the residential housing market's intrinsic weakness has become increasingly apparent. DOB now expects a double-digit decline in residential fixed investment for the third quarter and a further decline in the fourth quarter, rather than the modest growth anticipated in August. Moreover, after a brief rally in the spring before the expiration of the credit, home prices have weakened again, though they remain slightly above their year-ago levels. Consequently, DOB has lowered its projection for private residential fixed investment to a decline of 2.4 percent for 2010, followed by growth of 4.1 percent for 2011.

The housing market's persistent weakness represents yet another temporary setback for the nation's labor market, depressing not only the demand for construction workers and building supplies, but also the demand for home appliances and other consumer durables. The softening of aggregate demand during the late spring and summer as the housing market cooled and equity markets languished coincided with a downshift in net private sector job growth, which averaged only 77,000 over the five months from May through September; this was down from an average of 200,000 for the prior two months.

An examination of the recent data provides little indication that a substantial ramp-up in hiring is imminent. Weekly initial claims for unemployment insurance benefits have remained stubbornly near or above 450,000 since the beginning of the year, although Census worker layoffs and the Federal extended benefits program may be distorting this series' value as a leading signal. Additional indicators such as growth in average workweek length and the hiring of temporary workers produce very little evidence of accelerating job growth. Therefore, DOB has revised down its near-term labor market outlook, with monthly job gains not expected to return to 200,000 until the middle of 2011, coinciding with a strengthening of domestic demand. An employment decline of 0.6 percent on an annual average basis is now projected for 2010, followed by growth of 1.1 percent for 2011. The unemployment rate projection for 2011 has been revised up to 9.4 percent, but remains unchanged at 9.7 percent for 2010.

The Nation's Labor Market Recovery Will Take Years



Note: Shaded areas represent U.S. recessions.
Source: Moody's Economy.com; DOB staff estimates.

U.S. corporate profits experienced strong quarterly growth in 2009 and the first quarter of 2010, led largely by financial corporations. Though financial sector profits fell substantially in the second quarter, and likely fell again in the third, corporate profits overall were stronger than anticipated in the second quarter, led by nonfinancial corporations. Although domestic demand has been generally weak, U.S. nonfinancial firms exporting to emerging markets, particularly in Asia and Latin America, have experienced strong earnings growth, which combined with weak hiring domestically, has buttressed profits. U.S. corporate profits, including the inventory valuation and capital consumption adjustments are now projected to rise a strong 27.9 percent in 2010, followed by 5.8 percent growth for 2011. After a strong September and October, equity markets are expected to resume a slow but steady recovery from the spring's tumult. The resulting boost to both household financial wealth and the confidence that the recovery is back on track should help buttress household spending going forward.

The weaker outlook for employment, combined with downward revisions to wages and some of the other components of personal income, have resulted in a weaker outlook for income growth. U.S. personal income growth of 3.1 percent is now projected for 2010, followed by growth of 3.3 percent for 2011. With the weak pace of the recovery continuing to keep price growth outside of the volatile food and energy sectors at bay, the Federal Reserve is almost certain to embark upon a further round of quantitative easing following the early November meeting of Federal Open Market Committee. This action is expected to keep long-term interest rates low for the near-term. Although record low mortgage rates have failed to spur home sales, they do appear to have generated a strong wave of refinancings as homeowners strive to reduce their debt loads. That relief is also expected to support stronger consumption growth going forward, with real quarterly consumption growth expected to exceed 3 percent for most of 2011. The central bank's interest rate policy target is like to remain between zero and 0.25 percent until the third quarter of 2011.

While the current outlook calls for continued weak growth for the remainder of 2010, support from continued low interest rates, a gradually rising stock market, and continued global growth should bolster consumer spending going into 2011. Healthy corporate earnings, particularly for export oriented firms are expected to return equity markets to a modestly upward path, accompanied by slow but steady employment and income growth. However, there are significant risks to this forecast. Although credit markets have improved substantially since a year ago, households and small businesses continue to have difficulty borrowing and credit continues to contract. The banking system remains fragile and vulnerable to negative shocks. If the labor market recovery should stumble further, household spending growth could be even lower than projected. Although the recent weakening of the U.S. dollar should support continued growth in U.S. exports, threats of currency wars add to global instability. A portion of Federal stimulus spending remains in the pipeline and has supported some job creation in the nonresidential construction sector. But if Federal support for the economy should cease before the private sector has gathered sufficient strength, already struggling state and local governments would have to tighten their belts yet more.

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

	2009 (Actual)	2010 (Forecast)	2011 (Forecast)
Real U.S. Gross Domestic Product	(2.6)	2.6	2.6
Consumer Price Index (CPI)	(0.3)	1.6	1.5
Personal Income	(1.7)	3.1	3.3
Nonagricultural Employment	(4.3)	(0.6)	1.1

Source: Moody's Economy.com; DOB staff estimates.

New York State Economy

The New York State economy appears to have emerged from recession during the first quarter of 2010, and like the nation, experienced a solid first quarter. Strong finance and insurance sector profits for 2009 resulted in a pick-up in securities industry bonuses in the first quarter, with some spillover into the second quarter as well. However, as anticipated in the Enacted Budget forecast, the State was not immune from the loss of momentum that plagued the nation during the spring and summer. The State Labor Department estimates that private sector employment fell during three of the five months from May through September 2010. Since these losses were in line with expectations, DOB's forecast for a decline in State employment of 0.3 percent for 2010 remains virtually unchanged. Growth for 2011 has been revised down slightly to 0.8 percent. Private sector jobs are projected to fall 0.4 percent for 2010 and grow 1.2 percent in 2011, again virtually unchanged from the Enacted Budget forecast. With financial markets taking longer to recover from the spring and summer's volatility than anticipated, DOB has revised down its forecast for State wage growth to 4.5 percent for 2010 and 2.9 percent for 2011.

Under current law, the Federal income tax cuts implemented in 2001 and 2003 are scheduled to expire on December 31, 2010, at which point ordinary income tax rates and the rate on capital gains realizations are slated to rise, and dividend income is to return to being taxed as ordinary income. DOB's forecast is predicated on the assumption that high-income taxpayers will behave strategically and shift bonus, dividend, and capital gains realizations income into 2010 to take advantage of the lower rates. That behavior is estimated to result in a significant increase in taxable income for the current tax year.

Consequently, the possibility that the Congress may decide to extend the lower rates represents a risk to the forecast. For example, if marginal tax rates on ordinary income remain constant, and no shifting of bonus income occurs, then New York State wages are projected to rise only 3.6 percent in 2010 and 4.8 percent in 2011.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, credit and equity market volatility pose a particularly large degree of uncertainty for New York. The impact of the Federal financial reform package on the profitability of the State's finance industry is as yet unknown and consequently represents a major risk to DOB's forecast for bonuses and income going forward. Lower bonuses than projected reduce a major segment of income subject to tax as well as cut the level of economic activity generated by the spending of those wages. Similarly, should equity markets fail to grow as anticipated, both financial sector income and taxable capital gains realizations could be negatively affected. These effects would ripple through the State economy, depressing both employment and wage growth. An even weaker labor market than projected could also result in lower wages, which in turn could result in weaker household consumption. 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 bonuses growth than projected.

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

	2009 (Actual)	2010 (Forecast)	2011 (Forecast)
Personal Income	(3.1)	4.4	3.3
Wages	(7.2)	4.5	2.9
Nonagricultural Employment	(2.9)	(0.3)	0.8

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

All Funds Receipts Projections

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.

2010-11 All Funds Receipts Overview

TOTAL RECEIPTS
(millions of dollars)

	2009-10 Actual	2010-11 Mid-Year Update	Annual $ Change	Annual % Change
General Fund	52,556	54,513	1,957	3.7%
State Funds	81,141	84,609	3,468	4.3%
All Funds	126,748	135,236	8,488	6.7%

All Funds receipts are projected to total $135.2 billion for 2010-11, comprising tax receipts ($61.4 billion), Federal grants ($50.6 billion) and miscellaneous receipts ($23.2 billion). The following table summarizes the actual receipts for 2009-10 and the updated projections for 2010-11 and 2011-12.

TOTAL RECEIPTS (millions of dollars)							
	2009-10 Actual	2010-11 Estimated	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**52,556**	**54,513**	**1,957**	**3.7%**	**57,056**	**2,543**	**4.7%**
Taxes	36,997	39,699	2,702	7.3%	42,515	2,816	7.1%
Miscellaneous Receipts	3,888	2,861	(1,027)	-26.4%	2,821	(40)	-1.4%
Federal Grants	71	60	(11)	-15.5%	60	0	0.0%
Transfers	11,600	11,893	293	2.5%	11,660	(233)	-2.0%
State Funds	**81,141**	**84,609**	**3,468**	**4.3%**	**88,387**	**3,778**	**4.5%**
Taxes	57,668	61,453	3,785	6.6%	65,516	4,063	6.6%
Miscellaneous Receipts	23,389	23,031	(358)	-1.5%	22,734	(297)	-1.3%
Federal Grants	84	125	41	48.8%	137	12	9.6%
All Funds	**126,748**	**135,236**	**8,488**	**6.7%**	**134,667**	**(569)**	**-0.4%**
Taxes	57,668	61,453	3,785	6.6%	65,516	4,063	6.6%
Miscellaneous Receipts	23,557	23,218	(339)	-1.4%	22,871	(347)	-1.5%
Federal Grants	45,523	50,565	5,042	11.1%	46,280	(4,285)	-8.5%

The total All Funds receipts estimate of $135.2 billion represents an increase of nearly $8.5 billion (6.7 percent) above 2009-10 results. This growth is comprised of increases in Federal grants of $5.0 billion (11.1 percent) and taxes of nearly $3.8 billion (6.6 percent), which is slightly offset by decreases in miscellaneous receipts of $339 million (1.4 percent).

Total State Funds receipts are estimated at $84.6 billion, an expected increase of $3.5 billion (4.3 percent) from 2009-10 actual results. State Funds taxes are estimated to increase by nearly $3.8 billion (6.6 percent).

Total General Fund receipts, including transfers, are estimated at nearly $54.5 billion, an increase of nearly $2.0 billion (3.7 percent) from 2009-10 results. The annual increase in General Fund tax receipts is estimated at 7.3 percent. General Fund miscellaneous receipts are estimated to decrease by 26.4 percent from 2009-10 results, primarily due to the loss of one-time revenues such as payments from the Power Authority of the State of New York ("PASNY"), and the timing of payments from public utility companies made pursuant to § 18a of the Public Service Law.

After controlling for the impact of Tax Law changes, base tax revenue is estimated to increase by 2.3 percent for fiscal year 2010-11.

Fiscal Year 2011-12 Overview

Total All Funds receipts are expected to reach nearly $134.7 billion, a decrease of $569 million (0.4 percent) from 2010-11 estimated receipts. All Funds tax receipts are projected to increase by nearly $4.1 billion (6.6 percent). All Funds Federal grants are expected to decrease by nearly $4.3 billion (8.5 percent). All Funds miscellaneous receipts are projected to decrease by $347 million (1.5 percent) over the prior year.

Total State Funds receipts are projected to be nearly $88.4 billion, an increase of close to $3.8 billion (4.5 percent) from 2010-11 estimated receipts.

Total General Fund receipts (including transfers from other funds) are projected to be nearly $57.1 billion, an increase of over $2.5 billion (4.7 percent) from 2010-11 estimated receipts. General Fund tax receipts are projected to increase by 7.1 percent from 2010-11 estimates, and General Fund miscellaneous receipts are projected to decrease by 1.4 percent.

After controlling for the impact of policy changes, base tax revenue is expected to grow by 8.1 percent for fiscal year 2011-12.

Change from Enacted Budget Financial Plan

CHANGE FROM ENACTED BUDGET FORECAST
(millions of dollars)

	2010-11				2011-12			
	Enacted Budget	Mid-Year Update	$ Change	% Change	Enacted Budget	Mid-Year Update	$ Change	% Change
General Fund[1]	**42,887**	**42,620**	**(267)**	**-0.6%**	**45,483**	**45,396**	**(87)**	**-0.2%**
Taxes	39,931	39,699	(232)	-0.6%	42,564	42,515	(49)	-0.1%
Miscellaneous Receipts	2,896	2,861	(35)	-1.2%	2,859	2,821	(38)	-1.3%
Federal Grants	60	60	0	0.0%	60	60	0	0.0%
State Funds	**84,783**	**84,609**	**(174)**	**-0.2%**	**88,784**	**88,387**	**(397)**	**-0.4%**
Taxes	61,796	61,453	(343)	-0.6%	65,573	65,516	(57)	-0.1%
Miscellaneous Receipts	22,870	23,031	161	0.7%	23,091	22,734	(357)	-1.5%
Federal Grants	117	125	8	6.8%	120	137	17	14.2%
All Funds	**134,296**	**135,236**	**940**	**0.7%**	**133,706**	**134,667**	**961**	**0.7%**
Taxes	61,796	61,453	(343)	-0.6%	65,573	65,516	(57)	-0.1%
Miscellaneous Receipts	23,014	23,218	204	0.9%	23,229	22,871	(358)	-1.5%
Federal Grants	49,486	50,565	1,079	2.2%	44,904	46,280	1,376	3.1%

[1] Excludes Transfers

All Funds receipts estimates for the current fiscal year have been revised upward slightly from the Enacted Budget Financial Plan. Current year All Funds tax receipt estimates have been lowered by $343 million since the Enacted Budget Financial Plan due to reductions in personal income and user taxes partially offset by increases in business and other taxes. The decrease in personal income and user taxes represent lower expected estimated payments and consumer spending, respectively, than previously anticipated. The increase in business and other taxes is the result of better than expected estimated payments from banks, and real estate sector performance, respectively. Miscellaneous receipts have been revised upward by $204 million, while Federal grants have been revised up by nearly $1.1 billion.

General Fund receipts for fiscal year 2010-11 have been revised down by $267 million from the Enacted Budget Financial Plan, reflecting a $232 million reduction in taxes and a $35 million reduction in miscellaneous receipts.

Multi-Year Receipts

TOTAL RECEIPTS (millions of dollars)							
	2010-11 Estimated	2011-12 Projected	Annual $ Change	2012-13 Projected	Annual $ Change	2013-14 Projected	Annual $ Change
General Fund	**54,513**	**57,056**	**2,543**	**57,066**	**10**	**59,871**	**2,805**
Taxes	39,699	42,515	2,816	42,823	308	45,022	2,199
State Funds	**84,609**	**88,387**	**3,778**	**89,023**	**636**	**92,451**	**3,428**
Taxes	61,453	65,516	4,063	66,354	838	69,654	3,300
All Funds	**135,236**	**134,667**	**(569)**	**133,391**	**(1,276)**	**139,790**	**6,399**
Taxes	61,453	65,516	4,063	66,354	838	69,654	3,300

The economic forecast calls for a gradual acceleration of the recovery in employment and wages that commenced earlier in the current fiscal year. This increases the economic base on which the outyear revenue forecast is built. Overall, receipts growth in the three fiscal years following 2011-12 is expected to grow consistently with the projected moderate growth in both the U.S. and New York economies.

All Funds tax receipts in 2012-13 are projected to reach nearly $66.4 billion, an increase of $838 million (1.3 percent) from 2011-12. All Funds tax receipts in 2013-14 are expected to increase by $3.3 billion (5.0 percent) over the prior year. General Fund tax receipts are projected to reach $42.8 billion in 2012-13 and $45.0 billion in 2013-14.

Revenue Risks

- DOB's forecast calls for the continuation of New York's economic recovery. Should the speed or magnitude of this recovery be inconsistent with the current forecast, revenue collections could be affected.

- Although real estate transfer tax receipts outperformed the year-to-date Enacted Budget Financial Plan estimate, recent disclosures concerning foreclosure practices by certain banks and stricter lending policies provide risk to the estimate.

- Personal income tax estimated payments grew 9.2 percent during the first half of 2010-11 from the same period one year ago, but fell $100 million short of the Enacted Budget Financial Plan for this period. This represents a risk for the remainder of the fiscal year as a significant portion of estimated payments is due during December and January.

- Personal income tax receipts will be affected by how employers and high-income taxpayers respond to the scheduled expiration of lower Federal tax rates on high incomes, capital gains, and dividends at the end of tax year 2010.

- New York’s statute to enforce the cigarette tax on Native American sales to non-tribal members is now in litigation in Federal court, preventing the State from collecting the tax. Absent a favorable decision, $130 million in annual outyear collections are at risk.

- A disproportionately large share of audit and compliance receipts is expected during the second half of the current fiscal year. This represents a risk to the Updated Financial Plan during this period.

GAAP-Basis Financial Plans/GASB Statement 45

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 pro forma GAAP-basis plans model, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided later in this AIS Update.

In 2010-11, the General Fund GAAP Financial Plan shows total revenues of $46.2 billion, total expenditures of $55.8 billion, and net other financing sources of $9.5 billion, resulting in an operating deficit of $80 million, which increases the projected accumulated deficit to $3.6 billion. These results reflect the net impact of the Enacted Budget Financial Plan gap-closing actions, and the carry-forward of the cash shortfall into 2010-11.

Other Post-Employment Benefits

Substantially all of the State's employees may become eligible for post retirement benefits if they reach retirement while working for the State. In accordance with GASB Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in note 13 of the Basic Financial Statements for fiscal year 2009-10, 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 2009-10, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008 with results projected to April 1, 2009 for the fiscal year ended March 31, 2010. The valuation calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2010 at $55.9 billion ($46.3 billion for the State and $9.6 billion for SUNY), 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 2009-10 totaled $3.3 billion ($2.7 billion for the State and $0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was $2.1 billion ($1.7 billion for the State and $0.4 billion for SUNY) above the payments for retiree costs made by the State in 2009-10. 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 2009-10 by $2.1 billion.

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs. The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for fiscal year 2010-11. The updated calculation shows the present value of the actuarial accrued total liability for benefits at $60.2 billion ($50.1 billion for the State and $10.1 billion for SUNY).

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

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)			
	Health Insurance		
Year	Active Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Actual)	1,639	1,068	2,707
2009-10 (Actual)	1,609	1,072	2,681
2010-11 (Projected)	1,838	1,223	3,061
2011-12 (Projected)	2,034	1,355	3,389
2012-13 (Projected)	2,244	1,493	3,737
2013-14 (Projected)	2,470	1,643	4,113

All numbers reflect the cost of health insurance for GSCs (Executive and Legislative branches) and the Office of Court Administration.

DOB's detailed GAAP Financial Plans for 2010-11 through 2013-14 are provided in the Financial Plan tables at the end of this Update.

As noted, there is no provision in the Updated Financial Plan to pre-fund the GASB 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.

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Special Considerations

The Updated Financial Plan forecast 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 Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from the Updated Financial Plan projections. In recent fiscal years, actual receipts collections have fallen substantially below the levels forecast in the Financial Plan. In response, the State has, among other things, made substantial reductions in planned spending. In 2009-10, the Enacted Budget Financial Plan authorized over $6 billion in reductions from planned spending. In 2010-11, the Enacted Budget Financial Plan includes over $6.3 billion in reductions from planned spending. In addition, the State has imposed substantial reductions in planned spending by State agencies during each of the last three fiscal years. However, large budget gaps are still projected for future years.

The Updated Financial Plan is based on numerous assumptions, including the performance of the national and State economies and the concomitant receipt of economically sensitive tax revenues in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecast include the impact of Federal statutory and regulatory changes concerning financial sector activities; the impact of Federal tax law changes; the impact of behavioral changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; the impact of an anticipated shift in monetary policy actions on interest rates and the financial markets; the impact of financial and real estate market developments on bonus income and capital gains realizations; and the impact of household deleveraging on consumer spending and the impact of that activity on State tax collections.

Other risks include increased demand in entitlement-based and claims-based programs such as Medicaid, public assistance and general public health, above the levels anticipated in the Updated Financial Plan; potential disruptions in the municipal bond market that could affect the timing of State bond sales; and litigation against the State, including, but not limited to, potential challenges to the constitutionality of actions authorized in the budget and the outcome of a class action suit alleging discrimination in the administration of a civil service test between 1996 and 2006.

The Updated Financial Plan may be adversely affected by actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. Most recently, the Federal CMS requested additional information pertaining to claims for services provided to individuals in developmental centers operated by OPWDD. Among other information, CMS requested that the State provide a detailed description of how these daily rates are developed as well as the current upper payment limit demonstration. Although no official audit has commenced and the rates paid for these services are established in accordance with the methodology set forth in the approved State Plan, adverse action by CMS relative to these claims could jeopardize a significant amount of Federal financial participation in the Medicaid program.

There can be no assurance that the budget gaps in the current year or future years will not increase materially from current projections. If this were to occur, the State would be required to take additional gap-closing actions beyond those described in this update. These may include, but are not limited to, additional reductions in State agency operations; suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In nearly all cases, the ability of the State to implement these actions requires the approval of the Legislature or other entities outside of the control of the Executive.

The Updated Financial Plan forecast contains specific transaction risks and other uncertainties including, but not limited to, the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Updated Financial Plan; and the achievement of cost-saving measures including, but not limited to, administrative savings in State agencies, including workforce management initiatives, and 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.

An additional risk is the cost of potential collective bargaining agreements and salary increases for judges (and possibly other elected officials) that may occur in 2010-11 and beyond, for the period covering 2007-08 through 2010-11. The current round of collective bargaining agreements expire at the end of 2010-11. The Updated Financial Plan does not include any costs for potential wage increases beyond that point.

For the first time, the Updated Financial Plan includes an initial estimate of potential effects resulting from Federal Health Care Reform Legislation enacted in 2010. Starting in 2010-11 and annually thereafter, these include the loss of State pharmacy rebate revenues resulting from a Federal increase in its share of rebates on drug manufactures. In 2013-14, the State estimates a net benefit associated with expanded Medicaid benefits to newly eligible populations and an enhanced Federal matching rate for certain existing populations beginning January 2014.

Recent Operating Results and Cash Position

The State's cash position continues to be a substantial concern. General Fund operating results through September 2010 were marginally unfavorable compared to the Enacted Budget Financial Plan projections, and DOB now estimates a potential budget gap of $315 million in the current fiscal year. (See "Year-to-Date Operating Results" herein.)

The 2009-10 Enacted Budget provided permanent authorization for the General Fund to borrow resources temporarily from other funds in the State's STIP for a period not to exceed four months or to the end of the fiscal year, whichever is shorter. Through the first six months of 2010-11, the General Fund used this authorization to meet payment obligations at times in May, June, July, and September 2010, and ended the month of June 2010 with a negative $87 million balance. During certain months of the fiscal year, there may be substantial swings in the level of the General Fund's daily balance due to the timing of when the State's General Fund realizes receipts, and when the State's payment obligations are required to be met. For example, while the State ended the month of June with a temporary STIP loan balance of $87 million, the State's General Fund had temporarily borrowed $1.1 billion from STIP at its lowest point during that month. Similarly, while the State ended the month of September with a positive General Fund balance of $2.4 billion, the State's General Fund temporarily borrowed $1.5 billion from STIP at its lowest point during September.

DOB expects that the General Fund will continue to rely on this temporary borrowing authority at times during the remainder of the fiscal year, with low balances expected during November and December 2010. However, the current cashflow forecast projects that the General Fund will end each month with a positive balance.

ACTUAL/PROJECTED MONTHLY CASH FLOW BALANCES
FISCAL YEAR 2010-11
(millions of dollars)

	General Fund	Other Funds	All Funds
April	4,274	3,048	7,322
May	1,648	3,767	5,415
June	(87)	3,719	3,632
July	590	4,354	4,944
August	528	4,462	4,990
September	2,381	2,649	5,030
October (prelim.)	2,071	3,700	5,771
November (est.)	803	3,318	4,121
December (est.)	864	1,575	2,439
January (est.)	5,545	2,424	7,969
February (est.)	5,794	2,350	8,144
March (est.)	1,385	2,191	3,576

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, as well as certain other money). The available balances on hand in STIP have declined compared to recent years.

DOB will continue to closely monitor and manage the State's liquidity position during the fiscal year, which may include temporarily reducing planned payments, and will continue to reserve money in advance of the upcoming quarter of 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.

Debt Reform Cap

Based on the revised forecasts in the Updated Financial Plan, debt outstanding and debt service costs over the plan period are expected to remain below the limits imposed by the Debt Reform Act. However, the available room under the outstanding debt cap is expected to decline from $4.2 billion in 2010-11 to $1.8 billion in 2012-13. The current projections represent a decline in projected debt capacity as compared to the Enacted Budget Financial Plan, which estimated that about $2.3 billion in capacity would be available in 2012-13. In part, declines in debt capacity are a product of reduced forecasts for personal income levels. The changes to the debt reform projections over the past two years demonstrate the sensitivity of the cap calculations to volatility in State personal income levels and other economic factors. Measures to further adjust capital spending and debt financing practices are expected to be taken as needed to stay within the statutory limitations.

Secured Hospital Program

The financial position of certain hospitals that are part of the State's Secured Hospitals Revenue Bond Program has continued to deteriorate. Currently, there are nine hospitals in the program with a total of $628 million in bonds outstanding as of October 31, 2010 and required debt service of $56.7 million due during the balance of State fiscal year 2010-11. In this program, the State is responsible for making debt service payments to bondholders if there are insufficient monies available therefor. The secured hospitals are contractually obligated to fund these payments in the first instance under their loan agreements with the Dormitory Authority. However, three hospitals are delinquent on their payment obligations, including one hospital (North General Hospital) that closed in July 2010 and is not expected to make further payments under its loan agreement to meet its debt service payments on $117 million of debt outstanding. Funds held by the Dormitory Authority in a fund not pledged to bondholders have been used to fund shortfalls to date by those hospitals that have failed to make the necessary debt service payments under their respective loan agreements. However, the resources in this fund are expected to be depleted by fiscal year 2011-12. Therefore, based upon existing circumstances, it may be necessary to use pledged reserve funds and, ultimately, for the State to make payments in the future under a contingent contractual appropriation. The annual debt service payment for the North General Hospital is $12 million annually until fiscal year 2025. Any debt service costs not covered by these delinquent hospitals, will be incorporated into the 2011-12 Executive Budget.

Future Budget Gaps

The incremental increases in the General Fund budget gaps identified in recent quarterly updates are largely due to deviations in projected receipts from forecast. The profitability of the financial services sector has traditionally represented a significant driver of General Fund tax receipts for the State. Accordingly, uncertainties surrounding the performance of the financial services sector represent an ongoing risk to the State's Financial Plan.

However, sustained growth in spending commitments in major programs and activities over the four-year Financial Plan period is a principal contributor to the State’s long-term budget gaps. The State-financed portion of the budget has grown faster than both personal income and inflation over the past ten years, and is projected to do so over the next four years, absent measures to control spending. The following table summarizes the growth in State spending for 1999-00 through 2009-10.

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TEN-YEAR DRIVERS OF SPENDING GROWTH (ADJUSTED)
(millions of dollars)

	10-Year Growth		
	1999-00	2009-10 [1, 2]	Compound Annual Growth
Local Assistance	**30,775**	**53,938**	**5.8%**
School Aid	11,962	20,373	5.5%
School Aid Without ARRA Funding	11,962	20,919	5.7%
ARRA Funding	n/ap	(546)	n/ap
Medicaid (incl. administration):	6,740	11,458	5.4%
Medicaid Without ARRA Funding	6,740	14,498	8.0%
ARRA Funding	n/ap	(3,040)	n/ap
Transportation	1,628	3,823	8.9%
School Tax Relief Program	1,195	3,414	11.1%
Mental Hygiene	1,448	3,199	8.2%
Higher Education	1,649	2,817	5.5%
Public Health/Aging/Insurance	893	2,431	10.5%
Special/Other Education	1,201	1,534	2.5%
Local Government Assistance	906	1,080	1.8%
All Other	3,153	3,809	1.9%
State Operations	**12,678**	**20,035**	**4.7%**
Wages/Fringe Benefits	**8,987**	**15,150**	**5.4%**
Personal Service	**6,716**	**10,874**	**4.9%**
Executive Agencies	3,740	4,875	2.7%
SUNY	1,806	3,243	6.0%
Judiciary	894	1,537	5.6%
Legislature	140	178	2.4%
Department of Law	72	124	5.6%
Audit & Control	64	115	6.0%
ARRA Funding (Mental Hygiene Agencies)	0	532	n/ap
Retro Settlements (All Agencies) [3]	0	270	n/ap
Fringe Benefits	**2,271**	**4,276**	**6.5%**
Pensions	215	1,155	18.3%
Health Insurance	1,243	2,681	8.0%
Health Insurance (Active Employees)	777	1,609	7.6%
Health Insurance (Retired Employees)	466	1,072	8.7%
Fringe Benefit Escrow	(430)	(2,236)	17.9%
All Other Fringe Benefits	1,243	2,676	8.0%
Non-Personal Service/Fixed Costs	**3,691**	**4,885**	**2.8%**
Debt Service	**3,577**	**4,961**	**3.3%**
Total State Operating Funds Spending	**47,030**	**78,934**	**5.3%**
Capital Projects (State Funded)	2,811	5,160	6.3%
Total State Funds Spending	**49,841**	**84,094**	**5.4%**
Federal Aid (Including Capital Grants)	23,472	46,843	7.2%
Total All Governmental Funds Spending	**73,313**	**130,937**	**6.0%**
		Personal Income Growth (10-Year)	**3.7%**
		Inflation (CPI) Growth (10-Year)	**2.5%**

1 Spending is adjusted to exclude the impact of paying the end-of-year school aid payment ($2.06 billion) scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute. This was done to carry forward the 2009-10 budget shortfall into 2010-11. See Financial Plan tables for 2009-10 actual results.

2 2009-10 Federal and All Funds disbursements and receipts have been adjusted to include $2.0 billion in Federal aid that passes through the State's All Funds Financial Plan under the ARRA. This "pass-through" money, which provides no gap-closing benefit and is subject to a range of factors that make the timing of disbursements highly uncertain, was expected to total approximately $4.4 billion in 2009-10. Actual disbursements, however, totaled only $2.4 billion. Thus, 2009-10 results have been adjusted for the difference. See Financial Plan tables for 2009-10 actual results.

3 Reflects payment of retroactive salary increases pursuant to collective bargaining settlements with unions (for NYSCOPBA, PBA and BCI) that have been excluded from agency totals above.

From 2010-11 through 2013-14, General Fund disbursements are projected to increase at an average annual rate of approximately 8.7 percent; State Operating Funds disbursements, which capture activity in State special revenue funds and debt service funds, as well as the General Fund, are projected to increase at 6.9 percent annually.[4] In comparison, State tax receipts over the plan period are projected to grow at 4.3 percent annually, consistent with DOB's economic forecast for the recession and recovery. Accordingly, it is expected that the 2011-12 Executive Budget will propose substantial reductions in State spending commitments. (See "Outyear Financial Plan Projections" herein.)

State Workforce

The State workforce directly subject to Executive control is expected to total 126,493 at the end of 2010-11, a decline of 5,248 from 2009-10 levels. This projected decline mainly reflects the continuation of statewide hiring controls, a Retirement Incentive Program, and layoffs.

In 2011-12, the workforce is expected to increase to 127,032 by year-end and is primarily due to actions impacting institutional programs. Specifically, increasing census for the SOMTA program, which results in more individuals being civilly confined in OMH-operated facilities, is expected to add 224 positions; the multi-year closure plan to convert all of the State's OPWDD Developmental Centers to community-based settings by 2014 will add 215 positions; and the planned opening of a second Residential Mental Health Unit in July 2011, expanding mental health programs associated with a private settlement agreement and staffing the new central pharmacy located in Oneida county, will add 100 positions for DOCS.

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[4] Adjusted to exclude the impact of Federal stimulus funding that provides direct State aid. The unadjusted growth rates are approximately 12.8 percent in the General Fund and 9.8 percent in State Operating Funds.

Litigation and Arbitration

Real Property Claims

In *Oneida Indian Nation of New York v. State of New York*, 74-CV-187 (NDNY), the 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 beginning in 1795 and ending in 1846, and ejectment of the State and Madison and Oneida Counties from all publicly-held lands in the claim area. This case remained dormant while the Oneidas pursued an earlier action which sought limited relief relating to a single 1795 transaction and the parties engaged in intermittent, but unsuccessful, efforts to reach a settlement. In 1998, the United States filed a complaint in intervention in *Oneida Indian Nation of New York*. In December 1998, both the United States and the tribal plaintiffs moved for leave to amend their complaints to assert claims for 250,000 acres, including both monetary damages and ejectment, to add the State as a defendant, and to certify a class made up of all individuals who currently purport to hold title within the affected 250,000 acre area. On September 25, 2000, the District Court granted the motion to amend the complaint to the extent that it sought to add the State as a defendant and to assert money damages with respect to the 250,000 acres and denied the motion to certify a class of individual landowners and to seek the remedy of ejectment.

In a decision dated March 29, 2002, the District Court granted, in part, plaintiffs' motion to strike the State's defenses and counterclaims. The District Court also denied the State's motion to dismiss for failure to join indispensable parties.

Further efforts at settlement of this action failed to reach a successful outcome. While such discussions were underway, two significant decisions were rendered by the 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. These decisions prompted the District Court to reassess its 2002 decision, which in part had struck such defenses, and to permit the filing of a motion for summary judgment predicated on the *Sherrill* and *Cayuga* holdings. On August 11, 2006, the defendants moved for summary judgment dismissing the action, based on the defenses of laches, acquiescence, and impossibility. By order dated May 21, 2007, the District Court dismissed plaintiffs' claims to the extent that they asserted a possessory interest, but permitted plaintiffs to pursue a claim seeking the difference between the amount paid and the fair market value of the lands at the time of the transaction. The District Court certified the May 21, 2007 order for interlocutory appeal and, on July 13, 2007, the Second Circuit granted motions by both sides seeking leave to pursue interlocutory appeals of that order. On August 9, 2010, the Circuit Court rendered a decision which affirmed the summary judgment order insofar as it dismissed the *Oneida* land claim and reversed it insofar as it would have allowed plaintiffs to pursue a fair compensation claim against the State. *Oneida Indian Nation et al v. County of Oneida et al*, 617 F.3d 114 (2d Cir. 2010). This decision mandates dismissal of the *Oneida* land claim. The U.S. and the Oneidas filed an application for *en banc* review before the Second Circuit on October 21, 2010, which awaits a decision at this time.

Other Indian land claims include *Canadian St. Regis Band of Mohawk Indians, et al., v. State of New York, et al.*, and *The Onondaga Nation v. The State of New York, et al.* both in the United States District Court for the Northern District of New York.

In the *Canadian St. Regis Band of Mohawk Indians* case, plaintiffs seek ejectment and monetary damages with respect to their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. By decision dated July 28, 2003, the District Court granted, in most respects, a motion by plaintiffs to strike defenses and dismiss counterclaims contained in defendants' answers. By decision dated October 20, 2003, the District Court denied the State's motion for reconsideration of that portion of the July 28, 2003 decision which struck a counterclaim against the United States for contribution. On February 10, 2006, after renewed efforts at settlement failed to resolve this action, and recognizing the potential significance of the *Sherrill* and *Cayuga* appeals, the District Court stayed all further proceedings in this case until 45 days after the United States Supreme Court issued a final decision in the *Cayuga Indian Nation of New York* Case. On November 6, 2006, after certiorari was denied in *Cayuga*, the defendants moved for judgment on the pleadings. Although the motion is fully briefed and awaiting decision, on April 16, 2008, the District Court issued an order staying the case until a decision is rendered with respect to the appeal in the *Oneida* case. The court has requested that the parties consult and seek agreement by November 2010 on the issue of lifting the stay and supplemental briefing schedules.

In *The Onondaga Nation v. The State of New York, et al*., 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 pursuant to treaties 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 August 15, 2006, based on *Sherrill* and *Cayuga,* the defendants moved for an order dismissing this action, based on laches. The motion is now fully briefed and awaiting decision.

Cayuga Indian Nation of New York, et al. v Pataki, et al., USDC, NDNY, 80-CV-930 (McCurn, DJ) (2d Cir. [02-6111]) involved approximately 64,000 acres in Seneca and Cayuga Counties surrounding the northern portion of Cayuga Lake that the historic Cayuga Nation sold to the State in 1795 and 1807 in alleged violation of the Nonintercourse Act ("NIA") (first enacted in 1790 and now codified at 25 U.S.C. § 177) because the transactions were not held under federal supervision, and were not formally ratified by the United States Senate and proclaimed by the President. After two lengthy trials, in 2001 the District Court denied ejectment as a remedy, and rendered a judgment against the State for damages and prejudgment interest in the net amount of $250 million. The State appealed. The tribal plaintiffs (but not the U.S.) cross-appealed, seeking ejectment of all of the present day occupants of the land in the 64,000 acre claim area and approximately $1.5 billion in additional prejudgment interest.

On June 28, 2005, the Second Circuit reversed and entered judgment dismissing the Cayuga action, based upon the intervening Supreme Court decision in *Oneida Indian Nation v. City of Sherrill*, 544 U.S. 197 (2005) which held (in the context of a property tax dispute involving a parcel that the tribe had purchased in fee within the Oneida claim area) that disruptive claims of Indian sovereignty could be barred by equitable defenses, including laches, acquiescence and impossibility. *Cayuga Indian Nation v. Pataki*, 413 F.3d 266 (2d Cir. 2005). The Second Circuit concluded that the same equitable considerations that the Supreme Court relied on in *City of Sherrill* applied to the Cayugas' possessory claim and required dismissal of the entire lawsuit, including plaintiffs' claim for money damages and their claim for ejectment. The Court also held that the United States' complaint-in-intervention was barred by laches. The Supreme Court denied certiorari in *Cayuga* on May 15, 2006. 126 S. Ct. 2021, 2022.

This case was closed but recently became active when the Cayuga plaintiffs filed a FRCP 60(b)(6) motion to have the judgment vacated. Along with this motion a letter was sent to Judge McCurn's chamber seeking a stay of the 60 (b)(6) motion until after the Second Circuit decides the appeal in the *Oneida* Land Claim case. The motion is premised on Judge Kahn's ruling in *Oneida*, discussed above, that in spite of the Second Circuit decision in *Cayuga*, the tribe may proceed to prove a non-possessory claim for unjust compensation against the State defendant. By stipulation of the parties, so-ordered by Judge McCurn, further briefing on the Cayugas' motion for relief from judgment was suspended, pending the outcome of the Oneida appeal. That stay was recently lifted in light of the August 9, 2010 *Oneida* decision, and further briefing regarding the pending Rule 60(b) motion was filed on September 10, 2010.

Metropolitan Transportation Authority

In *Hampton Transportation Ventures, Inc. et al. v. Silver et al. (Sup. Ct, Suffolk Co.), and other similar cases, including William Floyd Union Free School District v. State (Sup. Ct., Suffolk Co.), Town of Brookhaven v. Silver, et al (Sup. Ct., Suffolk Co.), Town of Southampton and Town of Southold v. Silver (Sup. Ct. Suffolk Co.), Town of Huntington v. Silver (Sup. Ct. Suffolk Co.), Town of Smithtown v. Silver (Sup. Ct. Suffolk Co.), Mangano v. Silver (Sup. Ct. Nassau Co) and Vanderhoef v. Silver (now in Sup. Ct. Albany Co),* plaintiffs challenge the constitutionality of 2009 Laws of New York chapter 25, which imposed certain taxes and fees, including a regional payroll tax, in the Metropolitan Commuter Transportation District, the revenue from which is directed to the Metropolitan Transportation Authority. Plaintiffs seek a judgment declaring that 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 bills, and liability for the debts of public authorities. Plaintiffs also seek a judgment declaring that enactment of chapter 25 violated provisions of the Public Authority Law § 1266 requiring that the Metropolitan Transportation Authority be self-sustaining.

With the consent of the plaintiff (the County Executive of Rockland County), the Vanderhoef case was transferred to Albany County from Rockland County and the defendants intend to move for judgment in their favor. Defendants in each of the other cases have moved to change the venue of their respective cases to Albany County or New York County. A number of additional towns and a village in various counties, Suffolk County and the Orange County Chamber of Commerce have joined the Mangano case as plaintiffs.

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 have been 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-direct schedule, following defendants' answer, plaintiffs moved for summary judgment on March 5, 2010. Defendants cross-moved for summary judgment on April 15, 2010. The plaintiffs replied on May 7, 2010 and defendants filed their sur-reply on May 21, 2010. The motions were argued on June 24, 2010 and the parties await decision.

In a second case involving the parties (Becker et al. v. Paterson [Sup. Ct., Albany Co.]),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 have also been released. The defendants answered, claiming that the statue 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. The plaintiffs waived their right to reply on their motion and submitted no opposition to the cross-motion. The parties waived oral argument and await decision.

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. In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. The State has appealed this denial to the Appellate Division, Third Department. The appeal will be argued in November, 2010.

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. On March 18, 2010, claimants filed a notice of appeal.

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. The State's summary judgment motion is *sub judice*. 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. The time in which claimants may appeal from this decision and order has not yet expired.

Sales Tax

In *Seneca Nation of Indians v. Paterson et al. (USDC WDNY), St. Regis Mohawk Tribe v. Paterson, et al. (USDC WDNY),, Unkechauge Indian Nation v Paterson, et al. (USDC WDNY),* and *Oneida Indian Nation of New York v Paterson, et al. (USDC NDNY)*, 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. On August 26, 2010, in *Seneca*, the District Court granted a motion to intervene brought by the Cayuga Indian Nation of New York. In *Seneca*, in an order dated August 31, 2010, the District Court ordered that defendants are temporarily restrained from implementing, administering and enforcing the challenged provisions of the Tax Law and the implementing regulations as applied to the Seneca Nation of Indians and the Cayuga Indian Nation of New York pending further order of the Court. On October 15, 2010 the District Court granted a similar temporary restraining order in the *St. Regis* and *Unkechauge* cases.

On October 14, 2010, the District Court in *Seneca* denied plaintiffs' motion for a preliminary injunction but granted a stay of enforcement of the Tax Law amendments pending plaintiffs' appeal. The Cayuga Indian Nation moved in the District Court for reconsideration of the denial of the preliminary injunction and to refer the case to mediation. On October 14, 2010, the District Court in *Oneida* granted plaintiff's motion for a preliminary injunction and also referred the case to mediation. Defendants appealed to the Second Circuit from the stay pending appeal in *Seneca* and the preliminary injunction in *Oneida*, and the Seneca Nation of Indians appealed from the denial of the preliminary injunction in *Seneca*. Defendants moved in the Second Circuit in *Seneca* and in *Oneida* to vacate pending appeal the orders that defendants appealed in those cases. Those motions have been referred to a motions panel of the Second Circuit which is scheduled to consider them on November 9, 2010.

On October 26, 2010, the District Court heard argument on the plaintiffs' motions for a preliminary injunction in *St. Regis* and *Unkechauge*. It also extended the temporary restraining order in those cases until November 12, 2010.

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.

Bottle Bill Litigation

In *International Bottled Water Association, et al. v. Paterson, et al.,* plaintiffs seek declaratory and injunctive relief declaring that certain amendments to the State's Bottle Bill enacted on April 7, 2009 as part of the 2009-2010 budget violate the due process clause, the equal protection clause and the commerce clause of the United States Constitution. On May 27, 2009, the United States District Court for the Southern District of New York issued a preliminary injunction staying the June 1, 2009 effective date of the amendments to the Bottle Bill and declared that the section of the amendments which requires that the plaintiffs and other beverage manufacturers and distributors place a unique New York-exclusive universal product code on all bottles covered by the law that are offered for sale in the State violates the commerce clause of the United States Constitution. By order entered May 29, 2009 that superseded the above-referenced May 27, 2009 preliminary injunction, the district court granted a preliminary injunction that (1) enjoined the State from implementing or enforcing the New-York exclusive universal product code provision of the Bottle Bill and (2) enjoined the State from implementing or enforcing any and all other amendments to the Bottle Bill signed into law on April 7, 2009, until April 1, 2010, to allow persons subject to the amendments sufficient time to comply with the law's requirements.

The State defendants moved to modify the preliminary injunction. On August 13, 2009 the Court modified the injunction so that its provisions applied only to water bottles, stating that the injunction would dissolve by October 22, 2009 unless the bottlers showed cause that due process required that the injunction should continue. On October 23, 2009, after reviewing the parties' submissions, the Court lifted the injunction, allowing most parts of the State law requiring a five cent deposit on water bottles to take effect October 31, 2009. The Court’s decision, however, permanently enjoined the State from implementing a provision that required water bottles to bear a New York-exclusive universal product code on each bottle.

On March 22, 2010, the Court endorsed stipulated final judgments making final the permanent injunction on the New York-exclusive UPC provisions and lifting the preliminary injunctions in the August 13, 2009 and October 23, 2009 orders. On March 23, 2010, the Court endorsed plaintiffs' voluntary dismissal of all remaining claims, including their challenge to the Sugar Water Exemption. An interlocutory appeal by a non-party to the Second Circuit challenging a September 14, 2009 clarification order that the August 13, 2009 order lifting the preliminary injunction as to all non-bottled water products was not intended to be retroactive remains pending. Negotiations over plaintiffs' attorney fees have been completed.

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.

Plaintiffs appealed from the dismissal of their complaint. The appeal was argued in the Appellate Division, Third Department, on April 26, 2010. On June 24, 2010, the Appellate Division reversed the dismissal of the case and remanded the matter back to the lower court. The Appellate Division order directed the defendants to answer the complaint thirty days after the date of the decision. On September 13, 2010, the Appellate Division granted the defendants' motion for leave to appeal to the Court of Appeals.

Eminent Domain

In *Gyrodine 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.

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. Plaintiffs have filed a motion for permission to conduct discovery prior to responding to the State’s motion for summary judgment. Plaintiffs’ motion is returnable on December 13, 2010, but plaintiffs have indicated that they intend to file an amended complaint prior to that time.

Tobacco Master Settlement Agreement (MSA)

In *Freedom Holdings Inc. et al. v. Spitzer et ano*., two cigarette importers brought an action in 2002 challenging portions of laws enacted by the State under the 1998 Tobacco Master Settlement Agreement (MSA) that New York and many other states entered into with the major tobacco manufacturers. The initial complaint alleged: (1) violations of the Commerce Clause of the United States Constitution; (2) the establishment of an “output cartel” in conflict with the Sherman Act; and (3) selective nonenforcement of the laws on Native American reservations in violation of the Equal Protection Clause of the United States Constitution. The United States District Court for the Southern District of New York granted defendants’ motion to dismiss the complaint for failure to state a cause of action. Plaintiffs appealed from this dismissal. In an opinion dated January 6, 2004, the United States Court of Appeals for the Second Circuit (1) affirmed the dismissal of the Commerce Clause claim; (2) reversed the dismissal of the Sherman Act claim; and (3) remanded the selective enforcement claim to the District Court for further proceedings. Plaintiffs have filed an amended complaint that also challenges the MSA itself (as well as other related State statutes) primarily on preemption grounds. On September 14, 2004, the District Court denied all aspects of plaintiffs' motion for a preliminary injunction, except that portion of the motion relating to the ability of tobacco manufacturers to obtain the release of certain funds from escrow. Plaintiffs have appealed from the denial of the remainder of the motion to the United States Court of Appeals for the Second Circuit. In May 2005, the Second Circuit affirmed the denial of the preliminary injunction. In December 2006, the motions and cross-motions of the parties for summary judgment were fully submitted to the District Court. By order dated July 7, 2008, the District Court requested updated statistical information and other information needed to resolve certain material questions. Following an evidentiary hearing, by December 15, 2008 order summarizing a preliminary decision, the District Court dismissed all of plaintiff's claims. On January 12, 2009, the Court issued its opinion and order granting judgment dismissing the complaint. Plaintiff has appealed and the appeal is pending before the Second Circuit.

In Grand *River Ent. v. King*, a cigarette importer raises the same claims as those brought by the plaintiffs in *Freedom Holdings*, in a suit against the attorneys general of thirty states, including New York. The parties have cross-moved for summary judgment in the United States District Court for the Southern District of New York; oral argument was held on April 27, 2010 and the parties are awaiting the decision from Judge Keenan.

MSA Arbitration

Each year in perpetuity, under the MSA between tobacco manufacturers who are party to the MSA ("PMs") and 46 settling states, plus some territories and the District of Columbia, (collectively the "Settling States") the PMs pay the Settling States a base payment to compensate for financial harm to the Settling States for smoking-related illness. New York's allocable share of the total payment is approximately 12.8% of the total, or approximately $800 million annually. 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 ("NPMs") to deposit in escrow an amount roughly equal to the amount that the PMs pay per pack sold. The PMs have brought a nationwide arbitration against the Settling States (minus Montana) asserting that those States failed to diligently enforce their respective escrow statutes in 2003. Any such claim for the years prior to 2003 were settled in 2003. The PMs are making the same claim for years 2004-2006, but none of those years are yet in arbitration. The full panel of arbitrators, all of whom are retired Art. III federal judges, has been selected. An Administrative Conference was held on July 20, 2010; the Initial Conference took place in Chicago on October 5, 2010; the next hearing on several preliminary legal issues will be held in Chicago on December 6-7, 2010.

Glossary of Acronyms

(ADAP) .... Aids Drug Assistance Program
(AFSCME) .... American Federation of State, County, and Municipal Employees
(AHC) .... Affordable Housing Corporation
(AIG) .... American International Group
(AIM) .... Aid and Incentive for Municipalities
(AP/DV) .... Adult Protective/Domestic Violence
(ARC) .... Annual Required Contribution
(ARRA) .... American Recovery and Reinvestment Act of 2009
(ARS) .... Auction Rate Securities
(ATC) .... Addiction Treatment Center
(AWP) .... Average Wholesale Price
(BABs) .... Build America Bonds
(BANS) .... Bond Anticipation Notes
(BCI) .... Bureau of Criminal Investigation
(BIC) .... Bond Issuance Change
(BMA) .... Bond Market Association
(BOCES) .... Board of Cooperative Education Services
(BPCA) .... Battery Park City Authority
(CAFR) .... Comprehensive Annual Financial Report
(CAP) .... Comprehensive Attendance Program
(CDT) .... Continuing Day Treatment Clinic
(CEFAP) .... Community Enhancement Facilities Assistance Program
(CFE) .... Campaign for Fiscal Equity
(CFIA) .... Court Facilities Incentive Aid
(CHCCDP) .... Community Health Care Conversion Demonstration Project
(CHIPs) .... Consolidated Highway Improvement Programs
(CHIPRA) .... Children's Health Insurance Program Reauthorization Act
(CHP) .... Child Health Plus
(CMS) .... Centers for Medicare and Medicaid Services
(CLCs) .... 21st Century Community Learning Centers
(CLRN) .... Community Legal Resources Network
(COLA) .... Cost-of-Living Adjustment
(COPS) .... Community Optional Preventative Services
(CPFs) .... Community Projects Funds
(CPI) .... Consumer Price Index
(CPSE) .... Committee on Preschool Special Education
(CQCAPD) .... Commission on Quality Care and Advocacy for Persons with Disabilities
(CRF) .... Contingency Reserve Fund
(CSEA) .... Civil Service Employees Association
(CSTEP) .... Collegiate Science and Technology Entry Program
(CUNY) .... City University of New York
(CVB) .... Crime Victims Board
(CW/CA) .... Clean Water/Clean Air

(CWSRF) ....Clean Water State Revolving Fund
(CEFAP) .... Community Enhancement Facilities Assistance Program
(DANY) ....Doctors Across New York
(DASNY) ....Dormitory Authority of the State of New York
(DBE) ....Disadvantaged Business Enterprise
(DCJS)...Division of Criminal Justice Services
(DDPC) ....Developmental Disabilities Planning Council
(DEC) .... Department of Environmental Conservation
(DHBTF)... Dedicated Highway and Bridge Trust Fund
(DHCR)..Division of Housing and Community Renewal
(DMNA)..Department of Military and Naval Affairs
(DMV)... Department of Motor Vehicles
(DOB) ....Division of the Budget
(DOCS) ....Department of Correctional Services
(DOH) ....Department of Health
(DOS) .... Department of State
(DOT)...Department of Transportation
(DPCA) ....Division of Probation and Correctional Alternatives
(DRRF) .... Debt Reduction Reserve Fund
(DRP) ....Deficit Reduction Plan
(DSFs) ....Debt Service Funds
(DSH)...Disproportionate Share Hospital
(DSP)... Division of State Police
(DTF) ....Department of Tax and Finance
(DWSRF) .... Drinking Water Revolving Fund
(EFC)...Environmental Facilities Corporation
(EI) .... Early Intervention
(EITC) ....Earned Income Tax Credit
(EMSC)...................................Elementary, Middle, Secondary and Continuing Education
(EOCs) ....Educational Opportunity Centers
(EOP) .... Educational Opportunity Program
(EPF)... Environmental Protection Fund
(EPIC) .... Elderly Pharmaceutical Insurance Coverage
(ERDA).. Energy Research and Development Authority
(ERS)...Employees' Retirement System
(ESDC)...Empire State Development Corporation
(ESCO)..Energy Service Companies
(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
(FSA)..Financial Security Assurance
(GAAP) ....Generally Accepted Accounting Principles
(GASB) .... Governmental Accounting Standards Board
(GASB 45) .... Governmental Accounting Standards Board Statement 45

(GDP) .... Gross Domestic Product
(GHI) .... Group Health Insurance
(GME) .... Graduate Medical Education
(GOER) .... Governor's Office of Employee Relations
(GPHW) .... General Public Health Works
(GRT) .... Gross Receipts Tax
(GSCs) .... General State Charges
(GSEW) .... Graduate Student Employees Union
(HAF) .... Housing Assistance Fund
(HCA-EIA) .... Home Care Association Efficiency and Improvement Act
(HCBS) .... Home and Community Based Services
(HCRA) .... Health Care Reform Act
(HEAL NY) .... Health Care Equity and Affordability Law for New Yorkers
(HEAP) .... Home Energy Assistance Program
(HELP) .... Higher Education Loan Program
(HESC) .... Higher Education Services Corporation
(HFA) .... Housing Finance Agency
(HHC) .... Health and Hospital Corporation
(HHAC) .... Homeless Housing Assistance Corporation
(HHAP) .... Homeless Housing Assistance Program
(HIP) .... Health Insurance Plan
(HMO) .... Health Maintenance Organization
(HRPT) .... Hudson River Park Trust
(HTFC) .... Housing Trust Fund Corporation
(IDEA) .... Individuals with Disabilities Education Act
(IFP) .... Industrial Finance Program
(IGT/DSH) .... Intergovernmental Disproportionate Share
(IME) .... Indirect Medical Expense
(IPO) .... Initial Public Offering
(IT) .... Information Technology
(ITC) .... Investment Tax Credit
(JDA) .... Job Development Authority
(LGAC) .... Local Government Assistance Corporation
(LIBOR) .... London Inter Bank Offered Rates
(LIPA) .... Long Island Power Authority
(LLC) .... Limited Liability Company
(MAC) .... Municipal Assistance Corporation
(MCFFA) .... Medical Care Facilities Finance Agency
(MCTD) .... Metropolitan Commuter Transportation District
(MMTOA) .... Metropolitan Mass Transportation Operating Assistance Fund
(MOU) .... Memorandum of Understanding
(MSC) .... Medicaid Service Coordination
(MTA) .... Metropolitan Transportation Authority
(MTASP) .... Metropolitan Transport Authority Support Program
(MTOA) .... Mass Transportation Operating Assistance Fund
(M/WBE) .... Minority/Women-Owned Business Enterprises

(NAICS)..North American Industry Classification System
(NBER)..National Bureau of Economic Research
(NPS)..Non-Personal Service
(NTI)...New York State Net Taxable Income
(NYCOMB)...New York City Office of Management and Budget
(NYHELPS)..New York Higher Education Loan Program
(NYRA)..New York Racing Authority
(NYSCOPBA)...New York State Correctional Officers and Police Benevolent Association
(NYSHIP)..New York State Health Insurance Plan
(NYSTAR)...................................Office of Science, Technology and Academic Research
(NYS-OPTS)..................................New York State Options for People Through Services
(OASAS)...Office of Alcoholism and Substance Abuse Services
(OCA)..Office of Court Administration
(OCFS)...Office of Children and Family Services
(OCR)...Department of Transportation's Office of Civil Rights
(OFT)...Office for Technology
(OGS)..Office of General Services
(OHS)..Office of Homeland Security
(OMH)...Office of Mental Health
(OMIG)...Office of the Medicaid Inspector General
(OPDV)...Office for the Prevention of Domestic Violence
(OPEB)...Other Post-Employment Benefits
(OPWDD)..Office for People with Developmental Disabilities
(ORPS)...Office of Real Property Services
(OSC)...Office of the State Comptroller
(OTDA)...Office of Temporary and Disability Assistance
(PACB)..Public Authorities Control Board
(PAID)..Penalty and Interest Discount Program
(PASNY)..Power Authority of the State of New York
(PAYGO)...Pay-as-you-go
(PBA)...Police Benevolent Association
(PBT)...Petroleum Business Tax
(PEF)...Public Employees Federation
(PEP)...Professional Education Pool
(PFJ)...Power for Jobs
(PFM)...Public Financial Management
(PFRS)...Police and Fire Retirement System
(PIA)...Patient Income Account
(PILOT)...Payment in Lieu of Taxes
(PIT)..Personal Income Tax
(PPA)...Permanent Place of Abode
(PPI)...Petroleum Price Index
(PRAG)...Public Resources Advisory Group
(PSYCKES)...............Psychiatric Services and Clinical Knowledge Enhancement System
(PYCs)...Prior Year Claims

(QCEW) .... Quarterly Census of Employment and Wages
(QPAI) .... Qualified Production Activity Income
(RBTF) .... Revenue Bond Tax Fund
(REIT) .... Real Estate Investment Fund
(RESCUE) .... Rebuilding Schools to Uphold Education
(RGGI) .... Regional Greenhouse Gas Initiative
(RIC) .... Regulated Investment Company
(SAFETEA-LU) .... Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
(SBE) .... Sound Basic Education
(SED) .... State Education Department
(SEIP) .... Supplemental Education Improvement Program
(SEMO) .... State Emergency Management Office
(SFSF) .... State Fiscal Stabilization Fund
(SFY) .... State Fiscal Year
(SHU) .... Special Housing Unit
(SIP) .... Strategic Investment Program
(SOMTA) .... Sex Offenders Management Treatment Act
(SPIF) .... State Parks Infrastructure Fund
(SRFs) .... Special Revenue Funds
(SSHS) .... School Supportive Health Services
(SSI) .... Supplemental Security Income
(STAR) .... School Tax Relief
(STARC) .... State Tax Asset Receivable Corporation
(STEP) .... Science and Technology Entry Programs
(ST&I) .... Science, Technology, and Innovation
(STIP) .... Short-Term Investment Pool
(SWN) .... Statewide Wireless Network
(SONYMA) .... State of New York Mortgage Agency
(SUNY) .... State University of New York
(TA) .... Thruway Authority
(TAG) .... Technical Assistance Grant
(TANF) .... Temporary Assistance for Needy Families
(TAP) .... Tuition Assistance Program
(TARP) .... Troubled Asset Relief Plan
(TAS) .... Technical Advisory Service
(TFA) .... Transitional Finance Authority
(TMT) .... Truck Mileage Tax
(TRANs) .... Tax and Revenue Anticipation Notes
(TSA) .... Teacher Support Aid
(TSFC) .... Tobacco Settlement Financing Corporation
(TSRF) .... Tax Stabilization Reserve Fund
(UDC) .... Urban Development Corporation
(UPK) .... Universal Pre-Kindergarten
(UUP) .... United University Professions
(VCI) .... Voluntary Compliance Initiative

(VESID) .... Vocational and Educational Services for Individuals with Disabilities
(VLT) .... Video Lottery Terminal
(VOIRA) .... Voluntary-Operated Individualized Residential Alternative
(VRDBs) .... Variable-Rate Demand Bonds
(VRWS) .... Voluntary Reduction in Work Schedule
(WHTI) .... Western Hemisphere Travel Initiative
(WMS) .... Welfare Management System
(WRP) .... Workforce Reduction Plan

CASH FINANCIAL PLAN
GENERAL FUND
2009-2010 and 2010-2011
(millions of dollars)

	2009-2010 Actuals	2010-2011 Projected	Annual $ Change	Annual % Change
Opening fund balance	1,948	2,302	354	18.2%
Receipts:				
Taxes:				
Personal income tax	22,655	24,148	1,493	6.6%
User taxes and fees	8,086	8,736	650	8.0%
Business taxes	5,371	5,783	412	7.7%
Other taxes	885	1,034	149	16.8%
Miscellaneous receipts	3,888	2,861	(1,027)	-26.4%
Federal grants	71	60	(11)	-15.5%
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,641	7,771	130	1.7%
Sales tax in excess of LGAC debt service	2,123	2,298	175	8.2%
Real estate taxes in excess of CW/CA debt service	182	332	150	82.4%
All other transfers	1,654	1,491	(163)	-9.9%
Total receipts	52,556	54,514	1,958	3.7%
Disbursements:				
Grants to local governments	34,234	37,748	3,514	10.3%
State operations:				
Personal service	6,610	6,189	(421)	-6.4%
Non-personal service	1,977	1,949	(28)	-1.4%
General State charges	3,594	4,119	525	14.6%
Transfers to other funds:				
Debt service	1,844	1,650	(194)	-10.5%
Capital projects	565	878	313	55.4%
State Share Medicaid	2,401	2,435	34	1.4%
Other purposes	977	778	(199)	-20.4%
Total disbursements	52,202	55,746	3,544	6.8%
Change in fund balance	354	(1,232)	(1,586)	-448.0%
Closing fund balance	2,302	1,070	(1,232)	-53.5%
Net Proposed Reductions		315		
ProposedClosing fund balance	2,302	1,385	(917)	-39.8%
Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	96	85	(11)	
Reserved for Debt Reduction	73	73	0	
Reserve for Fiscal Uncertainties	906	0	(906)	

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2010-2011 through 2013-2014
(millions of dollars)

	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Receipts:				
Taxes:				
Personal income tax	24,148	26,040	25,881	27,356
User taxes and fees	8,736	9,035	9,255	9,687
Business taxes	5,783	6,452	6,658	6,895
Other taxes	1,034	989	1,029	1,084
Miscellaneous receipts	2,861	2,821	2,786	2,734
Federal grants	60	60	60	60
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,771	8,151	7,974	8,406
Sales tax in excess of LGAC debt service	2,298	2,363	2,439	2,590
Real estate taxes in excess of CW/CA debt service	332	354	464	539
All other transfers	1,491	792	520	520
Total receipts	54,514	57,057	57,066	59,871
Disbursements:				
Grants to local governments	37,748	46,012	50,697	54,896
State operations:				
Personal service	6,189	6,659	6,556	6,663
Non-personal service	1,949	2,090	2,242	2,363
General State charges	4,119	4,583	4,989	5,437
Transfers to other funds:				
Debt service	1,650	1,766	1,757	1,686
Capital projects	878	1,197	1,310	1,462
State Share Medicaid	2,435	3,013	3,110	3,073
Other purposes	778	811	1,120	1,548
Total disbursements	55,746	66,131	71,781	77,128
Deposit to/(use of) Community Projects Fund	(11)	(48)	(71)	(25)
Reserves	(906)	0	0	0
HCRA Operating Surplus/(Gap)	0	0	0	0
Cash Surplus/(Gap)	(315)	(9,026)	(14,644)	(17,232)
Net Proposed Reductions	315			
Proposed Cash Surplus/(Gap)	0			

Source: NYS DOB

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
2010-2011 THROUGH 2013-2014
(millions of dollars)

	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Taxes:				
Withholdings	31,301	32,302	32,756	34,835
Estimated Payments	10,351	11,225	11,178	11,510
Final Payments	1,973	2,303	2,106	2,154
Other Payments	1,161	1,199	1,239	1,316
Gross Collections	44,786	47,029	47,279	49,815
State/City Offset	(297)	(298)	(298)	(298)
Refunds	(7,891)	(7,454)	(7,694)	(8,012)
Reported Tax Collections	36,598	39,277	39,287	41,505
STAR (dedicated deposits)	(3,300)	(3,418)	(3,584)	(3,772)
RBTF (dedicated transfers)	(9,150)	(9,819)	(9,822)	(10,377)
Personal income tax	24,148	26,040	25,881	27,356
Sales and use tax	10,696	11,040	11,336	11,916
Cigarette and tobacco taxes	485	522	515	508
Motor fuel tax	0	0	0	0
Alcoholic beverage control license fees	228	233	238	242
Highw ay Use tax	0	0	0	0
Auto rental tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and fees	11,409	11,795	12,089	12,666
LGAC Sales Tax (dedicated transfers)	(2,673)	(2,760)	(2,834)	(2,979)
User Taxes and fees	8,736	9,035	9,255	9,687
Corporation franchise tax	2,886	3,234	3,293	3,381
Corporation and utilities tax	665	743	766	790
Insurance taxes	1,278	1,335	1,393	1,454
Bank tax	954	1,140	1,206	1,270
Petroleum business tax	0	0	0	0
Business taxes	5,783	6,452	6,658	6,895
Estate tax	1,015	970	1,010	1,065
Real estate transfer tax	566	581	686	754
Gift tax	0	0	0	0
Real property gains tax	0	0	0	0
Pari-mutuel taxes	18	18	18	18
Other taxes	1	1	1	1
Gross Other taxes	1,600	1,570	1,715	1,838
Real estate transfer tax (dedicated)	(566)	(581)	(686)	(754)
Other taxes	1,034	989	1,029	1,084
Payroll tax	0	0	0	0
Total Taxes	39,701	42,516	42,823	45,022
Licenses, fees, etc.	667	587	583	569
Abandoned property	650	645	610	600
Motor vehicle fees	42	54	31	(42)
ABC License Fee	46	49	51	50
Reimbursements	222	222	222	222
Investment income	10	10	30	50
Other transactions	1,224	1,254	1,259	1,285
Miscellaneous receipts	2,861	2,821	2,786	2,734
Federal grants	60	60	60	60
Total	42,622	45,397	45,669	47,816

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2010-2011
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,302	1,957	410	4,669
Receipts:				
Taxes	39,701	8,151	12,272	60,124
Miscellaneous receipts	2,861	14,987	790	18,638
Federal grants	60	1	58	119
Total receipts	42,622	23,139	13,120	78,881
Disbursements:				
Grants to local governments	37,748	18,011	0	55,759
State operations:				
Personal service	6,189	4,081	0	10,270
Non-personal service	1,949	2,572	92	4,613
General State charges	4,119	1,027	0	5,146
Debt service	0	0	5,471	5,471
Capital projects	0	2	0	2
Total disbursements	50,005	25,693	5,563	81,261
Other financing sources (uses):				
Transfers from other funds	11,892	3,968	7,024	22,884
Transfers to other funds	(5,741)	(1,691)	(14,627)	(22,059)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,151	2,277	(7,603)	825
Change in fund balance	(1,232)	(277)	(46)	(1,555)
Closing fund balance	1,070	1,680	364	3,114
Net Proposed Reductions	315			315
Proposed Closing fund balance	1,385	1,680	364	3,429

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2011-2012
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	1,680	364	2,044
Receipts:				
Taxes	42,516	8,606	13,041	64,163
Miscellaneous receipts	2,821	14,856	809	18,486
Federal grants	60	1	71	132
Total receipts	45,397	23,463	13,921	82,781
Disbursements:				
Grants to local governments	46,012	18,463	0	64,475
State operations:				
Personal service	6,659	4,601	0	11,260
Non-personal service	2,090	2,608	92	4,790
General State charges	4,583	1,166	0	5,749
Debt service	0	0	6,039	6,039
Capital projects	0	2	0	2
Total disbursements	59,344	26,840	6,131	92,315
Other financing sources (uses):				
Transfers from other funds	11,660	4,505	6,717	22,882
Transfers to other funds	(6,787)	(1,183)	(14,518)	(22,488)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,873	3,322	(7,801)	394
Deposit to/(use of) Reserves	(48)	0	0	(48)
Change in fund balance	(9,026)	(55)	(11)	(9,092)
Closing fund balance	(9,026)	1,625	353	(7,048)

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2012-2013
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	1,625	353	1,978
Receipts:				
Taxes	42,823	8,943	13,223	64,989
Miscellaneous receipts	2,786	15,307	833	18,926
Federal grants	60	1	71	132
Total receipts	45,669	24,251	14,127	84,047
Disbursements:				
Grants to local governments	50,697	19,488	0	70,185
State operations:				
Personal service	6,556	4,567	0	11,123
Non-personal service	2,242	2,555	92	4,889
General State charges	4,989	1,332	0	6,321
Debt service	0	0	6,354	6,354
Capital projects	0	2	0	2
Total disbursements	64,484	27,944	6,446	98,874
Other financing sources (uses):				
Transfers from other funds	11,397	4,881	6,692	22,970
Transfers to other funds	(7,297)	(620)	(14,414)	(22,331)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,100	4,261	(7,722)	639
Deposit to/(use of) Reserves	(71)	0	0	(71)
Change in fund balance	(14,644)	568	(41)	(14,117)
Closing fund balance	(14,644)	2,193	312	(12,139)

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2013-2014
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	2,193	312	2,505
Receipts:				
Taxes	45,022	9,276	13,990	68,288
Miscellaneous receipts	2,734	15,578	855	19,167
Federal grants	60	1	71	132
Total receipts	47,816	24,855	14,916	87,587
Disbursements:				
Grants to local governments	54,896	20,088	0	74,984
State operations:				
Personal service	6,663	4,610	0	11,273
Non-personal service	2,363	2,620	92	5,075
General State charges	5,437	1,423	0	6,860
Debt service	0	0	6,515	6,515
Capital projects	0	2	0	2
Total disbursements	69,359	28,743	6,607	104,709
Other financing sources (uses):				
Transfers from other funds	12,055	5,098	6,620	23,773
Transfers to other funds	(7,769)	(548)	(14,980)	(23,297)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,286	4,550	(8,360)	476
Deposit to/(use of) Community Projects Fund	(25)	0	0	(25)
Change in fund balance	(17,232)	662	(51)	(16,621)
Closing fund balance	(17,232)	2,855	261	(14,116)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL FUNDS
2010-2011
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,302	2,400	(253)	410	4,859
Receipts:					
Taxes	39,701	8,151	1,329	12,272	61,453
Miscellaneous receipts	2,861	15,174	4,393	790	23,218
Federal grants	60	47,986	2,461	58	50,565
Total receipts	42,622	71,311	8,183	13,120	135,236
Disbursements:					
Grants to local governments	37,748	59,855	1,308	0	98,911
State operations:					
Personal service	6,189	6,846	0	0	13,035
Non-personal service	1,949	4,417	0	92	6,458
General State charges	4,119	2,201	0	0	6,320
Debt service	0	0	0	5,471	5,471
Capital projects	0	2	7,200	0	7,202
Total disbursements	50,005	73,321	8,508	5,563	137,397
Other financing sources (uses):					
Transfers from other funds	11,892	7,292	1,144	7,024	27,352
Transfers to other funds	(5,741)	(5,580)	(1,419)	(14,627)	(27,367)
Bond and note proceeds	0	0	578	0	578
Net other financing sources (uses)	6,151	1,712	303	(7,603)	563
Change in fund balance	(1,232)	(298)	(22)	(46)	(1,598)
Closing fund balance	1,070	2,102	(275)	364	3,261
Net Proposed Reductions	315				315
Proposed Closing fund balance	1,385	2,102	(275)	364	3,576

Source: NYS DOB

CASH FINANCIAL PLAN
ALL FUNDS
2011-2012
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	2,102	(275)	364	2,191
Receipts:					
Taxes	42,516	8,606	1,353	13,041	65,516
Miscellaneous receipts	2,821	14,993	4,248	809	22,871
Federal grants	60	43,840	2,309	71	46,280
Total receipts	45,397	67,439	7,910	13,921	134,667
Disbursements:					
Grants to local governments	46,012	56,742	1,421	0	104,175
State operations:					
Personal service	6,659	6,899	0	0	13,558
Non-personal service	2,090	4,328	0	92	6,510
General State charges	4,583	2,254	0	0	6,837
Debt service	0	0	0	6,039	6,039
Capital projects	0	2	7,195	0	7,197
Total disbursements	59,344	70,225	8,616	6,131	144,316
Other financing sources (uses):					
Transfers from other funds	11,660	7,342	1,652	6,717	27,371
Transfers to other funds	(6,787)	(4,607)	(1,463)	(14,518)	(27,375)
Bond and note proceeds	0	0	488	0	488
Net other financing sources (uses)	4,873	2,735	677	(7,801)	484
Deposit to/(use of) Reserves	(48)	0	0	0	(48)
Change in fund balance	(9,026)	(51)	(29)	(11)	(9,117)
Closing fund balance	(9,026)	2,051	(304)	353	(6,926)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL FUNDS
2012-2013
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	2,051	(304)	353	2,100
Receipts:					
Taxes	42,823	8,943	1,365	13,223	66,354
Miscellaneous receipts	2,786	15,443	3,606	833	22,668
Federal grants	60	42,375	1,863	71	44,369
Total receipts	45,669	66,761	6,834	14,127	133,391
Disbursements:					
Grants to local governments	50,697	56,447	1,306	0	108,450
State operations:					
Personal service	6,556	6,813	0	0	13,369
Non-personal service	2,242	4,189	0	92	6,523
General State charges	4,989	2,442	0	0	7,431
Debt service	0	0	0	6,354	6,354
Capital projects	0	2	5,936	0	5,938
Total disbursements	64,484	69,893	7,242	6,446	148,065
Other financing sources (uses):					
Transfers from other funds	11,397	7,634	1,451	6,692	27,174
Transfers to other funds	(7,297)	(3,935)	(1,502)	(14,414)	(27,148)
Bond and note proceeds	0	0	425	0	425
Net other financing sources (uses)	4,100	3,699	374	(7,722)	451
Deposit to/(use of) Reserves	(71)	0	0	0	(71)
Change in fund balance	(14,644)	567	(34)	(41)	(14,152)
Closing fund balance	(14,644)	2,618	(338)	312	(12,052)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL FUNDS
2013-2014
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	2,618	(338)	312	2,592
Receipts:					
Taxes	45,022	9,276	1,366	13,990	69,654
Miscellaneous receipts	2,734	15,715	3,493	855	22,797
Federal grants	60	45,384	1,824	71	47,339
Total receipts	47,816	70,375	6,683	14,916	139,790
Disbursements:					
Grants to local governments	54,896	60,144	1,275	0	116,315
State operations:					
Personal service	6,663	6,860	0	0	13,523
Non-personal service	2,363	4,253	0	92	6,708
General State charges	5,437	2,600	0	0	8,037
Debt service	0	0	0	6,515	6,515
Capital projects	0	2	5,710	0	5,712
Total disbursements	69,359	73,859	6,985	6,607	156,810
Other financing sources (uses):					
Transfers from other funds	12,055	7,934	1,516	6,620	28,125
Transfers to other funds	(7,769)	(3,788)	(1,549)	(14,980)	(28,086)
Bond and note proceeds	0	0	341	0	341
Net other financing sources (uses)	4,286	4,146	308	(8,360)	380
Deposit to/(use of) Community Projects Fund	(25)	0	0	0	(25)
Change in fund balance	(17,232)	662	6	(51)	(16,615)
Closing fund balance	(17,232)	3,280	(332)	261	(14,023)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2010-2011
(dollars in millions)

	2010 April Acutals	May Actuals	June Actuals	July Actuals	August Actuals	September Actuals	October Actuals*	November Projected	December Projected	2011 January Projected	February Projected	March Projected	Total
OPENING BALANCE	2,302	4,274	1,648	(87)	590	528	2,381	2,071	803	864	5,545	5,794	2,302
RECEIPTS:													
Personal Income Tax	3,069	783	2,164	1,575	1,669	2,571	1,526	1,344	523	5,260	2,016	1,648	24,148
User Taxes and Fees	669	589	858	666	666	863	696	684	880	753	628	784	8,736
Business Taxes	60	2	915	80	21	990	(7)	131	1,431	43	70	2,047	5,783
Other Taxes	93	83	103	155	81	116	67	67	67	67	67	68	1,034
Total Taxes	3,891	1,457	4,040	2,476	2,437	4,540	2,282	2,226	2,901	6,123	2,781	4,547	39,701
Licenses, Fees, etc.	47	56	55	77	53	69	50	50	50	45	65	50	667
Abandoned Property	0	(4)	77	3	28	43	16	120	40	70	60	197	650
ABC License Fee	9	1	6	4	4	4	3	3	3	3	3	3	46
Motor vehicle fees	0	0	0	0	0	0	0	0	0	0	0	42	42
Reimbursements	7	13	35	13	6	47	6	11	36	6	11	31	222
Investment Income	1	0	0	1	0	0	(3)	1	1	2	4	3	10
Other Transactions	26	33	80	41	69	423	54	49	99	73	77	200	1,224
Total Miscellaneous Receipts	90	99	253	139	160	586	126	234	229	199	220	526	2,861
Federal Grants	1	13	0	0	0	0	14	0	14	0	0	18	60
PIT in Excess of Revenue Bond Debt Service	1,022	108	887	509	232	964	348	165	1,080	1,331	303	822	7,771
Sales Tax in Excess of LGAC Debt Service	180	100	350	202	132	267	210	206	264	227	2	158	2,298
Real Estate Taxes in Excess of CW/CA Debt Service	32	34	33	39	33	28	22	22	22	22	22	23	332
All Other	4	1	62	87	20	11	15	39	190	144	185	733	1,491
Total Transfers from Other Funds	1,238	243	1,332	837	417	1,270	595	432	1,556	1,724	512	1,736	11,892
TOTAL RECEIPTS	5,220	1,812	5,625	3,452	3,014	6,396	3,017	2,892	4,700	8,046	3,513	6,827	54,514
DISBURSEMENTS:													
School Aid	491	2,616	3,767	100	574	1,063	397	1,004	1,560	300	514	6,379	18,765
Higher Education	16	16	379	198	14	314	58	361	149	50	420	473	2,448
All Other Education	17	14	17	24	88	523	25	420	38	94	151	77	1,488
Medicaid - DOH	1,085	633	668	516	590	389	259	785	538	714	927	321	7,425
Public Health	40	30	122	16	65	117	17	46	129	30	30	144	786
Mental Hygiene	10	5	362	50	130	392	164	21	401	128	127	428	2,218
Children and Families	9	15	14	66	274	74	338	139	214	165	88	301	1,697
Temporary & Disability Assistance	61	140	61	62	114	83	152	110	153	62	6	148	1,152
Transportation	0	0	0	11	9	18	0	24	9	0	25	2	98
Unrestricted Aid	3	12	274	1	1	96	9	2	212	2	2	166	780
All Other	19	16	189	(27)	45	48	(46)	73	52	39	40	443	891
Total Local Assistance Grants	1,751	3,497	5,853	1,017	1,904	3,117	1,373	2,985	3,455	1,584	2,330	8,882	37,748
Personal Service	514	547	586	619	465	622	403	459	593	409	379	593	6,189
Non-Personal Service	143	108	151	171	180	175	122	166	180	212	169	172	1,949
Total State Operations	657	655	737	790	645	797	525	625	773	621	548	765	8,138
General State Charges	122	30	485	112	348	298	441	293	104	385	165	1,336	4,119
Debt Service	414	38	3	470	(5)	(133)	599	0	(1)	457	(15)	(177)	1,650
Capital Projects	14	21	4	121	(42)	63	88	59	63	127	120	240	878
State Share Medicaid	180	162	244	185	184	363	179	144	229	172	181	212	2,435
Other Purposes	110	35	34	80	42	38	122	54	46	49	(15)	183	778
Total Transfers to Other Funds	718	256	285	856	179	331	988	257	337	805	271	458	5,741
TOTAL DISBURSEMENTS	3,248	4,438	7,360	2,775	3,076	4,543	3,327	4,160	4,669	3,395	3,314	11,441	55,746
Excess/(Deficiency) of Receipts over Disbursements	1,972	(2,626)	(1,735)	677	(62)	1,853	(310)	(1,268)	31	4,651	199	(4,614)	(1,232)
CLOSING BALANCE	4,274	1,648	(87)	590	528	2,381	2,071	803	834	5,515	5,744	1,180	1,070
Net Proposed Reductions	0	0	0	0	0	0	0	0	30	30	50	205	315
Closing Fund Balance After Proposed Reductions	4,274	1,648	(87)	590	528	2,381	2,071	803	864	5,545	5,794	1,385	1,385

**Preliminary Results*

Source: NYS DOB

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Actuals	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT					
Agriculture and Markets, Department of	109,449	100,822	111,324	126,235	105,146
Alcoholic Beverage Control	17,012	17,774	19,658	20,176	20,993
Banking Department	87,166	90,845	93,975	97,677	100,817
Developmental Authority North	36	200	162	162	162
Consumer Protection Board	2,295	2,684	2,748	2,633	2,657
Economic Development Capital Programs	18,306	6,500	2,500	2,500	2,500
Economic Development, Department of	76,889	92,189	64,915	66,420	81,105
Energy Research and Development Authority	29,380	34,858	31,307	30,158	31,178
Insurance Department	657,937	464,700	463,468	471,900	479,183
Empire State Development Corporation	606,568	1,012,595	760,671	291,301	382,996
Olympic Regional Development Authority	7,966	4,815	5,025	5,025	5,152
Public Service, Department of	77,313	75,266	78,822	82,617	85,830
Racing and Wagering Board, State	22,575	23,733	24,638	22,625	23,405
Science, Technology and Innovation, Foundation for	29,083	31,024	29,111	26,827	23,387
Strategic Investment	8,827	10,000	4,000	5,000	5,000
Functional Total	1,750,802	1,968,005	1,692,324	1,251,256	1,349,511
PARKS AND THE ENVIRONMENT					
Adirondack Park Agency	5,292	5,118	4,667	4,669	4,669
Environmental Conservation, Department of	864,001	1,038,671	991,615	787,219	757,919
Environmental Facilities Corporation	10,025	9,067	9,249	9,433	9,433
Hudson River Park Trust	11,977	10,000	0	0	0
Parks, Recreation and Historic Preservation, Office of	305,485	238,211	218,789	220,456	221,198
Functional Total	1,196,780	1,301,067	1,224,320	1,021,777	993,219
TRANSPORTATION					
Motor Vehicles, Department of	320,230	326,441	310,740	319,237	325,565
Thruw ay Authority	1,403	1,800	1,800	1,800	1,800
Metropolitan Transportation Authority	184,681	217,100	194,500	183,600	183,600
Transportation, Department of	7,376,584	8,171,039	8,156,431	8,001,729	7,999,715
Functional Total	7,882,898	8,716,380	8,663,471	8,506,366	8,510,680
HEALTH					
Aging, Office for the	229,966	226,863	219,285	219,338	219,381
Health, Department of	42,156,549	44,707,035	49,012,901	50,810,999	55,398,469
Medical Assistance	37,025,209	39,146,472	43,028,745	45,049,303	49,581,347
Medicaid Administration	939,296	1,098,413	1,147,500	1,193,500	1,241,300
Public Health	4,192,044	4,462,150	4,836,656	4,568,196	4,575,822
Health - Medicaid Assistance	0	0	0	0	0
Medicaid Inspector General, Office of	64,868	73,770	87,434	90,014	91,724
Stem Cell and Innovation	17,676	44,700	50,000	61,373	63,673
Functional Total	42,469,059	45,052,368	49,369,620	51,181,724	55,773,247
SOCIAL WELFARE					
Children and Family Services, Office of	3,189,020	3,241,227	3,327,980	3,511,844	3,733,849
OCFS	3,139,542	3,134,526	3,196,618	3,376,657	3,594,824
OCFS - Medicaid	49,478	106,701	131,362	135,187	139,025
Human Rights, Division of	20,300	19,339	18,990	19,596	19,881
Labor, Department of	728,721	797,210	738,445	733,468	716,357
Housing and Community Renew al, Division of	417,003	467,490	403,257	263,395	280,349
National Commission Services	16,862	20,732	14,627	14,629	14,715
Prevention of Domestic Violence, Office for	2,167	1,947	1,962	1,983	1,983

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Actuals	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Temporary and Disability Assistance, Office of	5,275,993	5,247,194	5,287,681	5,273,384	5,312,525
Welfare Assistance	3,857,439	3,829,675	3,882,371	3,855,288	3,895,942
Welfare Administration	51,263	0	0	0	0
All Other	1,367,291	1,417,519	1,405,310	1,418,096	1,416,583
Welfare Inspector General, Office of	727	1,432	1,456	1,472	1,492
Workers' Compensation Board	190,135	208,012	206,237	211,570	218,476
Functional Total	9,840,928	10,004,583	10,000,635	10,031,341	10,299,627
MENTAL HYGIENE					
Mental Health, Office of	3,121,486	3,415,756	3,581,211	3,806,640	3,982,475
OMH	1,423,971	1,611,503	1,665,765	1,807,086	1,904,465
OMH - Medicaid	1,697,515	1,804,253	1,915,446	1,999,554	2,078,010
Mental Hygiene, Department of	175	0	0	0	0
People w ith Developmental Disabilities, Office for	4,397,581	4,468,924	4,635,169	4,851,926	5,119,400
OPWDD	522,032	577,017	596,218	619,559	646,529
OPWDD - Medicaid	3,875,549	3,891,907	4,038,951	4,232,367	4,472,871
Alcoholism and Substance Abuse Services, Office of	550,090	584,052	656,628	752,668	767,089
OASAS	456,695	479,620	546,034	638,730	650,476
OASAS - Medicaid	93,395	104,432	110,594	113,938	116,613
Developmental Disabilities Planning Council	3,397	4,200	4,200	4,200	4,200
Quality of Care and Advocacy for Persons w ith Disabilities, Commission	15,508	16,155	16,305	16,707	17,159
Functional Total	8,088,237	8,489,087	8,893,513	9,432,141	9,890,323
PUBLIC PROTECTION/CRIMINAL JUSTICE					
Capital Defenders Office	21	0	0	0	0
Correction, Commission of	2,628	2,701	2,740	2,792	2,824
Correctional Services, Department of	2,909,312	2,702,173	2,779,192	2,842,665	2,914,440
Criminal Justice Services, Division of	241,767	343,785	326,406	311,301	306,727
Office of Victim Services	67,342	67,372	64,910	65,310	65,447
Statew ide Financial System	0	30,643	40,072	49,656	49,756
Homeland Security and Emergency Services	296,589	383,650	403,890	411,478	374,077
Homeland Security	800	34,298	34,710	35,125	35,547
Office of Indigent Legal Services	0	73,691	79,997	80,125	80,237
Investigation, Temporary State Commission of	395	0	0	0	0
Judicial Commissions	5,145	5,292	5,542	5,616	5,696
Military and Naval Affairs, Division of	276,622	218,975	194,775	189,822	189,034
Parole, Division of	188,383	179,398	174,844	177,540	182,735
Probation and Correctional Alternatives, Division of	74,852	0	0	0	1,468
State Emergency Management Office	0	0	0	0	0
State Police, Division of	776,340	717,985	728,556	715,148	719,889
Wireless Netw ork	6,672	3,586	1,786	1,786	786
Functional Total	4,846,868	4,763,549	4,837,420	4,888,364	4,928,663

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Actuals	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
HIGHER EDUCATION					
City University of New York	1,655,773	1,360,973	1,433,517	1,532,689	1,625,290
Higher Education Services Corporation	1,022,235	970,402	1,026,434	1,092,691	1,098,598
Higher Education Capital Grants	37,320	28,000	48,000	29,000	0
Higher Education Miscellaneous	378	355	355	355	355
State University Construction Fund	18,595	25,678	26,172	27,074	27,854
State University of New York	6,989,582	7,391,075	7,493,950	7,272,786	7,352,953
Functional Total	9,723,883	9,776,483	10,028,428	9,954,595	10,105,050
EDUCATION					
Arts, Council on the	43,436	44,768	40,466	40,503	40,563
Education, Department of	27,725,560	33,023,723	33,460,206	35,179,591	37,803,074
School Aid	21,484,784	26,209,910	26,554,814	28,217,163	30,529,973
School Aid - Medicaid Assistance	63,757	125,820	0	0	0
STAR Property Tax Relief	3,413,542	3,269,866	3,417,620	3,584,167	3,772,475
Special Education Categorical Programs	1,680,004	2,303,888	2,282,245	2,133,136	2,265,616
All Other	1,083,473	1,114,239	1,205,527	1,245,125	1,235,010
Functional Total	27,768,996	33,068,491	33,500,672	35,220,094	37,843,637
GENERAL GOVERNMENT					
Budget, Division of the	40,775	39,212	40,751	41,825	42,755
Civil Service, Department of	21,384	17,406	17,561	17,820	18,113
Deferred Compensation	673	826	774	796	823
Elections, State Board of	50,405	101,615	56,577	36,154	6,099
Employee Relations, Office of	3,204	3,202	3,223	3,257	3,297
Financial Plan Control Board	2,630	3,190	3,330	3,494	3,638
General Services, Office of	197,766	196,027	201,742	213,048	215,935
Inspector General, Office of	6,079	6,024	6,187	6,272	6,359
Labor Management Committee	33,609	45,300	50,300	56,918	25,765
Lottery, Division of	185,777	173,408	176,790	177,280	181,544
Public Employment Relations Board	3,785	4,208	4,164	4,216	4,268
Public Integrity, Commission on	4,209	4,054	4,463	4,643	4,720
Real Property Services, Office of	42,806	0	0	0	0
Regulatory Reform, Governor's Office of	2,449	1,625	1,543	1,561	1,579
State, Department of	176,349	203,585	137,587	135,217	136,871
Tax Appeals, Division of	3,458	2,952	2,787	2,787	2,825
Taxation and Finance, Department of	417,898	457,613	439,812	442,768	449,534
Technology, Office for	23,549	27,598	79,091	83,294	42,817
Lobbying, Temporary State Commission on	0	0	0	0	0
Veterans' Affairs, Division of	16,072	17,000	16,859	16,860	16,982
Functional Total	1,232,877	1,304,845	1,243,541	1,248,210	1,163,924

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Actuals	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
ELECTED OFFICIALS					
Legislature	226,089	218,795	223,196	227,685	232,263
Judiciary	2,520,040	2,608,663	2,843,604	2,962,976	3,088,947
Audit and Control, Department of	242,702	178,908	185,420	193,444	195,966
Law , Department of	220,152	206,266	216,686	221,210	225,132
Executive Chamber	17,056	15,473	16,097	16,374	16,632
Lieutenant Governor, Office of the	0	516	1,051	1,066	1,066
Functional Total	3,226,039	3,228,621	3,486,054	3,622,755	3,760,006
LOCAL GOVERNMENT ASSISTANCE					
Aid and Incentives for Municipalities	1,039,488	740,716	1,030,259	1,030,300	1,030,468
Efficiency Incentive Grants Program	3,293	7,595	7,632	7,533	0
Miscellaneous Financial Assistance	8,920	3,920	3,920	3,920	3,920
Municipalities w ith VLT Facilities	26,489	25,801	25,801	25,801	25,801
Small Government Assistance	2,089	2,065	2,088	2,088	2,088
Functional Total	1,080,279	780,097	1,069,700	1,069,642	1,062,277
ALL OTHER CATEGORIES					
Long-Term Debt Service	5,012,102	5,562,704	6,131,145	6,445,769	6,606,424
Capital Projects	0	0	0	0	0
General State Charges	2,920,603	3,371,678	3,791,365	4,146,112	4,532,588
Miscellaneous	(162,872)	8,871	384,472	44,085	(11,037)
Functional Total	7,769,833	8,943,253	10,306,982	10,635,966	11,127,975
TOTAL ALL FUNDS SPENDING	126,877,479	137,396,829	144,316,680	148,064,231	156,808,139

GSC: Agency disbursements include grants to local governments, state operations and general state charges, which is a departure from prior Financial plan publications. In prior reports, general state charges were excluded from agency spending totals.

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
2010-11
(millions of dollars)

	Enacted	Change	Mid-Year
Revenues:			
Taxes:			
Personal income tax	24,794	(675)	24,119
User taxes and fees	8,893	(78)	8,815
Business taxes	5,631	69	5,700
Other taxes	914	0	914
Miscellaneous revenues	6,632	(53)	6,579
Federal grants	60	1	61
Total revenues	46,924	(736)	46,188
Expenditures:			
Grants to local governments	38,406	381	38,787
State operations	11,875	38	11,913
General State charges	5,148	(37)	5,111
Debt service	0	0	0
Capital projects	0	0	0
Total expenditures	55,429	382	55,811
Other financing sources (uses):			
Transfers from other funds	15,380	1	15,381
Transfers to other funds	(6,504)	263	(6,241)
Proceeds from financing arrangements/ advance refundings	403	0	403
Net other financing sources (uses)	9,279	264	9,543
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	774	(854)	(80)
Accumulated Surplus/(Deficit)	(2,764)	(854)	(3,618)

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
2010-2011 THROUGH 2013-2014
(millions of dollars)

	2010-11 Mid-Year	2011-12 Projected	2012-13 Projected	2013-14 Projected
Revenues:				
Taxes:				
Personal income tax	24,119	25,170	25,494	27,147
User taxes and fees	8,815	9,053	9,268	9,714
Business taxes	5,700	6,469	6,661	6,899
Other taxes	914	1,017	1,067	1,122
Miscellaneous revenues	6,579	6,387	6,383	6,388
Federal grants	61	60	60	60
Total revenues	46,188	48,156	48,933	51,330
Expenditures:				
Grants to local governments	38,787	49,146	53,916	58,092
State operations	11,913	12,499	12,491	12,846
General State charges	5,111	5,389	5,992	6,499
Debt service	0	0	0	0
Capital projects	0	0	0	0
Total expenditures	55,811	67,034	72,399	77,437
Other financing sources (uses):				
Transfers from other funds	15,381	15,235	14,857	14,857
Transfers to other funds	(6,241)	(6,902)	(7,110)	(7,121)
Proceeds from financing arrangements/ advance refundings	403	400	400	400
Net other financing sources (uses)	9,543	8,733	8,147	8,136
Operating Surplus/(Deficit)	(80)	(10,145)	(15,319)	(17,971)

Source: NYS DOB

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Annual Information Statement

State of New York

September 7, 2010

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Annual Information Statement
State of New York
Dated: September 7, 2010

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Annual Information Statement
of the State of New York

Introduction

This Annual Information Statement ("AIS") is dated September 7, 2010 and contains information only through that date. This AIS constitutes the official disclosure information regarding the financial condition of the State of New York (the "State") and replaces the Annual Information Statement dated May 15, 2009 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in November 2010 and February 2011) and may be supplemented from time to time as developments may 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. A section entitled the "Current Fiscal Year" that contains (a) extracts from the 2010-11 Enacted Budget Financial Plan, dated August 20, 2010 (the "Updated Financial Plan"), prepared by the Division of the Budget ("DOB"), including the State's official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State's current fiscal year under the heading "Special Considerations." The first part of the section entitled "Current Fiscal Year" summarizes the major components of the 2010-11 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State's governmental funds in 2010-11.

2. Information on other subjects relevant to the State's fiscal condition, including: (a) operating results for the three prior fiscal years, (b) the State's revised economic forecast and a profile of the State economy, (c) debt and other financing activities, (d) selected State government summary, and (e) activities of public authorities and localities.

3. 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 utilized significant portions of the Updated Financial Plan, but has also relied on information drawn from other sources, including the Office of the State Comptroller ("OSC"), that DOB believes to be reliable. Information contained in the section entitled "State Retirement Systems" is furnished by the Office of the State Comptroller. Information relating to matters described in the section entitled "Litigation and Arbitration" is furnished by the State Office of the Attorney General.

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 condition, including potential operating results for the current fiscal year and projected baseline 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 condition of the State.

The economic and financial condition of the State may be affected by various financial, social, economic, environmental, and political factors. These factors can be very complex, may vary from fiscal year to fiscal year, and are frequently the result of actions taken or not taken, not only by the State and its agencies and instrumentalities, but also by entities, such as the federal government or other nations, that are not under the control of the State. Because of the uncertainty and unpredictability of these factors, their impact cannot, as a practical matter, be quantified or incorporated into the assumptions underlying the State's projections.

This Annual Information 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 State's financial results could cause actual results to differ materially from those stated in the forward-looking statements.

The State may issue AIS supplements or other disclosure notices to this AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. An electronic copy of this AIS can be accessed through the EMMA at www.emma.msrb.org. An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-7705. OSC issued the Basic Financial Statements for the 2009-10 fiscal year in July 2010. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and are available on its website at www.osc.state.ny.us.

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Overview

The State Budget Process

The requirements of the State budget process are set forth in Article VII of the State Constitution and the State Finance Law. The process begins with the Governor's submission of the Executive Budget to the Legislature each January, in preparation for the start of the fiscal year on April 1. (The submission date is February 1 in years following a gubernatorial election.) The Executive Budget must contain a complete plan of estimated available receipts and projected disbursements for the ensuing fiscal year ("State Financial Plan"). The proposed State Financial Plan must be balanced on a cash basis 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 in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economy, as well as new actions taken by the Governor or the Legislature. As required by the State Finance Law, the Governor 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 in January as part of the Executive Budget. The Governor is required to submit these updates to the Legislature and explain any changes from the previous State Financial Plan.

Subject to approval by the Governor, the Legislature may enact additional 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 has authority to 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 near the end of any fiscal year to supplement inadequate appropriations or to provide new appropriations for purposes not covered by the regular and supplemental appropriations.

Recent budget process reforms passed by the Legislature accelerate consensus revenue forecasting, provide for the State Comptroller to issue binding revenue forecasts when the Executive and the Legislature cannot agree, require the use of budget conference committees, and require the adoption of a balanced budget by the Legislature.

During the 2010-11 budget process, the Governor introduced an Executive Budget Financial Plan to eliminate a budget gap for 2010-11 estimated at $7.4 billion, and in February 2010, revised the estimated budget gap upward to $8.2 billion based on an updated forecast of tax receipts and proposed additional gap-closing actions accordingly. In March 2010, the estimated budget gap for 2010-11 had increased to

$9.2 billion (requiring additional gap-closing actions) due to further downward revisions to tax receipts, combined with an expected budget shortfall from 2009-10 that would be carried into 2010-11. As the new fiscal year started on April 1, 2010, the State began enacting a series of interim appropriation bills to fund government operations on a short-term basis. While the State Legislature enacted the annual debt service appropriation bill for 2010-11 in March 2010, the Legislature did not complete action on all annual appropriation bills until late June 2010, and did not pass a revenue bill to complete the budget until August 3, 2010.

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The 2010-11 Enacted Budget Overview

The following table provides indicators and measures of the 2010-11 Enacted Budget Financial Plan relative to the prior year and relative to the base budget for 2010-11 (before enacted budget actions).

ENACTED BUDGET FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES
(millions of dollars)

	2009-10 Adjusted [1,2,3]	2010-11 Adjusted [1,3] Before Actions	2010-11 Adjusted [1,3] Enacted Budget
State Operating Funds Budget			
Size of Budget	$78,934	$85,413	$78,998
Annual Growth	1.0%	8.2%	0.1%
Other Budget Measures (Annual Change)			
General Fund (with transfers)	$54,262	$60,152	$53,533
	-0.6%	10.9%	-1.3%
State Funds (Including Capital)	$84,094	$91,617	$85,073
	1.1%	8.9%	1.2%
Capital Budget (Federal and State)	$7,112	$8,568	$8,454
	4.1%	20.5%	18.9%
Federal Operating	$44,891	$45,739	$46,375
	22.7%	1.9%	3.3%
All Funds	$130,937	$139,720	$133,827
	7.7%	6.7%	2.2%
All Funds (Including "Off-Budget" Capital)	$132,614	$141,371	$135,478
	7.1%	6.6%	2.2%
Inflation (CPI) (Annual Change)	0.3%	1.1%	1.1%
Personal Income (Annual Change)	-0.4%	4.3%	4.3%
All Funds Receipts (Annual Change)			
Taxes	$57,668	$61,509	$61,796
	-4.4%	6.7%	7.2%
Miscellaneous Receipts	$23,557	$22,428	$23,014
	17.4%	-4.8%	-2.3%
Federal Grants	$47,523	$48,291	$49,486
	22.4%	1.6%	4.1%
Total Receipts	$128,748	$132,228	$134,296
	8.0%	2.7%	4.3%
Base Tax Growth/(Decline) [4]	-12.3%	2.2%	2.2%
General Fund/HCRA Outyear Gap Forecast			
2009-10 [5]	($1,654)	N/A	N/A
2010-11 [5]	N/A	($9,188)	$0
2011-12	N/A	($15,851)	($8,177)
2012-13	N/A	($19,650)	($13,461)
2013-14	N/A	($21,584)	($15,563)
Total General Fund Reserves	$2,302	N/A	$1,385
Rainy Day Reserves	$1,206	N/A	$1,206
Reserved for Deferred Payments [6]	$906	N/A	$0
All Other Reserves	$190	N/A	$179
State Workforce (Subject to Executive Control)	131,741	131,906	128,165
Debt			
State Related Debt Service as % of All Funds Receipts	4.4%	4.7%	4.5%
State Related Debt Outstanding	$54,694	$56,997	$56,877

[1] Spending is adjusted to exclude the impact of paying the end-of-year school aid payment ($2.06 billion) scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute. This was done to carry forward the 2009-10 budget shortfall into 2010-11. See Financial Plan tables for 2009-10 actual results and 2010-11 unadjusted estimates.

[2] 2009-10 Federal and All Funds disbursements and receipts have been adjusted to include $2.0 billion in Federal aid that passes through the State's All Funds Financial Plan under the American Recovery and Reinvestment Act ("ARRA"). This "pass-through" money, which provides no gap-closing benefit and is subject to a range of factors that make the timing of disbursements highly uncertain, was expected to total approximately $4.4 billion in 2009-10. Actual disbursements, however, totaled only $2.4 billion. Thus, 2009-10 results have been adjusted for the difference. See Financial Plan tables for 2009-10 actual results.

[3] Beginning in 2009-10 the State began collecting the new Metropolitan Commuter Transportation taxes and fees on behalf of the MTA, which it then appropriates in its entirety to the MTA. This has added approximately $1.6 billion to special revenue fund receipts and disbursements.

[4] Reflects the estimated change in tax receipts excluding the impact of Tax Law changes since fiscal year 1986-87.

[5] The 2009-10 budget shortfall was carried forward into 2010-11 through the management of payments, including school aid and tax refunds, and addressed as part of the 2010-11 Enacted Budget.

[6] The State deferred more payments than were needed to carry forward the 2009-10 budget shortfall. This created a temporary increase in the year-end balance in 2009-10. The balance was used when the deferred payments were made in the first quarter of 2010-11.

2010-11 Enacted Budget Gap-Closing Plan

The following table provides information on how the State closed a $9.2 billion budget gap in 2010-11, and the impact these gap-closing actions are projected to have on the funding shortfall in upcoming fiscal years.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14
CURRENT-SERVICES GAP ESTIMATES (BEFORE ANY ACTIONS)[1]	**(9,188)**	**(15,851)**	**(19,650)**	**(21,584)**
December 2009 Deficit Reduction Actions[2]	**692**	**811**	**876**	**854**
Total Enacted Budget Gap-Closing Actions	**8,496**	**6,863**	**5,313**	**5,167**
Spending Control	**5,627**	**3,972**	**3,432**	**3,542**
Local Assistance (After Vetoes)	**3,716**	**2,380**	**1,760**	**1,748**
School Aid/Lottery Aid	1,677	680	129	122
Health Care	779	925	893	893
School Tax Relief Program	121	200	210	223
Human Services/Labor/Housing	214	165	175	176
Higher Education	224	174	152	152
Mental Hygiene	61	74	47	38
Education/Special Education/Arts	142	13	13	11
Local Government Aid	325	30	29	19
All Other	173	119	112	114
State Agency Operations/Fringe Benefits/Other	**1,630**	**1,592**	**1,672**	**1,794**
Statewide Agency Operational Reductions	1,233	1,061	838	815
Fringe Benefits/Pension Amortization	287	472	728	853
Debt Management/Bonded Capital Savings	110	59	106	126
FMAP Local Assistance Contingency Reductions[3]	**281**	**0**	**0**	**0**
Revenue Actions	**1,034**	**1,867**	**1,460**	**1,204**
Tax Actions	893	1,736	1,364	1,133
Eliminate Clothing Exemption	330	210	0	0
Cigarette/Tobacco Products Tax	290	318	312	307
Temporarily Cap Business Related Tax Credit Claims	100	970	970	870
Charitable Contributions	100	135	160	160
Film Credit	0	0	(168)	(292)
Empire Zone Replacement Program	0	0	(50)	(100)
Other Tax Actions	73	103	140	188
Abandoned Property	100	95	60	50
Civil Court Filing Fees	19	34	34	34
All Other Revenue Actions	22	2	2	(13)
Tax Audits/Recoveries/Enforcement	**371**	**421**	**421**	**421**
Non-Recurring Resources	**660**	**0**	**0**	**0**
Federal TANF Resources	261	0	0	0
Physician Excess Medical Malpractice Payment Timing	127	0	0	0
Available Fund Balances/Resources	121	0	0	0
Additional New York City District Attorney Recoveries	50	0	0	0
Additional Department of Law Recoveries	35	0	0	0
School Aid Overpayment Recoveries	32	0	0	0
All Other	34	0	0	0
Extension of Federal Aid	**804**	**603**	**0**	**0**
Enhanced Federal FMAP [4]	785	603	0	0
Medicare Part D Federal Relief	19	0	0	0
2010-11 ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	**0**	**(8,177)**	**(13,461)**	**(15,563)**

[1] Includes the carry-forward of the 2009-10 budget shortfall of $1.6 billion into 2010-11.

[2] Recurring value of administrative and legislative actions approved in December 2009.

[3] State law provides for the uniform reduction of local assistance payments to cover the difference between the $1.085 billion in savings assumed in the gap-closing plan from the extension of enhanced FMAP and the $804 million in savings now expected under the legislation approved by the Federal Government.

[4] Estimate of State Financial Plan benefit of the six-month extension of FMAP (January 1, 2011 through June 30, 2011) approved by Congress and signed by the President in August 2010.

Current Fiscal Year

The 2010-11 Enacted Budget Financial Plan, extracts of which are set forth below, was prepared by the DOB and reflects the actions of the Legislature and Governor. The Updated Financial Plan contains estimates for the 2010-11 fiscal year and projections for the 2011-12 through 2013-14 fiscal years. As such, it contains estimates and projections of future results that should be construed as forward-looking statements and expectations, not statements of fact. These estimates and projections are based upon assumptions that may be affected by numerous factors, including future economic conditions in the State and the nation, and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.

The State Constitution requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund — the fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this is the fund that is required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.

The State accounts for all of its spending and revenues 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 Grants to Local Governments). The Financial Plan tables sort all State projections and results by fund and category. The State also reports disbursements and receipts activity by other broad measures: State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes capital project funds and Federal Funds; and All Governmental Funds ("All Funds"), which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.

Fund types of the State include: the General Fund; State special revenue funds (SRFs), which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal SRFs, which receive Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction and reconstruction of roads, bridges, prisons, and other infrastructure projects; and Debt Service Funds, which pay principal, interest and related expenses on long-term bonds issued by the State and its public authorities.

Please refer to the Glossary of Acronyms of this AIS for the definitions of acronyms, defined terms, and abbreviations that are used in this AIS.

Updated Financial Plan

Before enactment of the 2010-11 budget, the State faced a projected current-services budget gap of $9.2 billion for fiscal year 2010-11.[1] The gap included a budget shortfall of $1.65 billion from 2009-10 that was carried forward into 2010-11.[2] Over the course of the budget process, the estimated gap for 2010-11 increased from the level estimated in the Executive Budget Financial Plan, mainly due to downward revisions to projected tax receipts.[3] Over the four-year Financial Plan period (2010-11 through 2013-14), the current-service budget gaps totaled an estimated $66 billion.

DOB estimates that the Updated Financial Plan for 2010-11 is balanced on a budgetary (cash) basis of accounting. The budget gap for 2011-12 is projected at $8.2 billion, a decrease of $7.7 billion from the projected gap before enactment of the budget. The gaps for future years total $13.5 billion in 2012-13 and $15.6 billion in 2013-14. The total four-year gap has been reduced by $29 billion, reflecting recurring savings approved in the 2010-11 Enacted Budget. The table below summarizes the gap-closing plan for 2010-11 and the impact on future budget gaps.[4]

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

	2010-11[1]	2011-12	2012-13	2013-14
Current Services Surplus/(Gap) Estimates	(9,188)	(15,851)	(19,650)	(21,584)
2010-11 Enacted Budget Actions	9,188	7,674	6,189	6,021
Spending Control	6,319	4,783	4,308	4,396
December 2009 Deficit Reduction Actions	692	811	876	854
Enacted Budget	4,813	4,526	4,192	4,095
Veto Benefit	533	(554)	(760)	(553)
FMAP Local Assistance Contingency	281	0	0	0
Revenue Actions	1,034	1,867	1,460	1,204
Tax Audits; Recoveries; Enforcement	371	421	421	421
Non-Recurring Actions	660	0	0	0
Extension of Enhanced FMAP	804	603	0	0
ENACTED BUDGET SURPLUS/(GAP) ESTIMATES	0	(8,177)	(13,461)	(15,563)
Four-Year Total Gap (2010-11 through 2013-14)				(37,201)

[1] Includes the carry-forward of the $1.65 billion budget shortfall from 2009-10.

[1] The current-services gap – the gap before reflecting the impact of the Enacted Budget gap-closing plan – represents (a) the difference between the projected level of General Fund disbursements, including transfers to other funds, needed to fund existing and scheduled commitments, adjusted for demand, and the level of resources available to pay for them, plus (b) the projected operating surplus or deficit in HCRA, which helps finance a number of State health care programs, including a share of the Medicaid program.

[2] In practice, the State carried forward the budget shortfall from 2009-10 by not making certain payments that were scheduled in 2009-10 but not due by law until 2010-11. The State did not make payments for school aid and tax refunds planned for the final quarter of 2009-10 until the first quarter of 2010-11.

[3] See “Summary of Changes to the Current-Services Gap” herein.

[4] The gap-closing plan includes the recurring value of the DRP approved in December 2009. For a summary of the DRP, see the Executive Budget Financial Plan dated February 9, 2010.

The Updated Financial Plan:

- Reduces spending from the current-services forecast by over $6.4 billion in 2010-11, in both the General Fund and in State Operating Funds;[5]
- Holds annual spending, as adjusted, at below the rate of inflation in both the General Fund (-1.3 percent) and State Operating Funds (0.1 percent)[6].Annual spending, as adjusted, for local assistance and agency operations[7] — the portion of the budget that can be controlled most effectively in the short-term — is reduced by a combined total of $1.1 billion;
- Mandates uniform reductions to remaining local assistance payments, with certain limited exceptions, to cover the estimated $280 million shortfall from the $1.1 billion in savings assumed in the gap-closing plan from enhanced FMAP; and
- Maintains the State's rainy day reserves at $1.2 billion.

The Updated Financial Plan does not include education aid authorized by the Federal government in August 2010, when the State was selected to receive approximately $700 million through Race to the Top grant awards and approximately $600 million from the Education Jobs Fund. The impact of this aid, which will pass through the State's budget, is expected to be reflected in the Mid-Year Update to the AIS. On September 2, 2010, OSC announced increases to the 2011-12 employer contribution rates for the New York State and Local Retirement System, and revised actuarial assumptions to be used in calculating employer contribution rates. The average contribution rate for the Employees' Retirement System will increase from 11.9 percent of salaries in 2010-11 to 16.3 percent in 2011-12, and the average contribution rate for the Police and Fire Retirement System will increase from 18.2 percent of salaries to 21.6 percent. The impact on official employer 2011-12 contribution rates will be reflected in the Mid-Year Update to the AIS.

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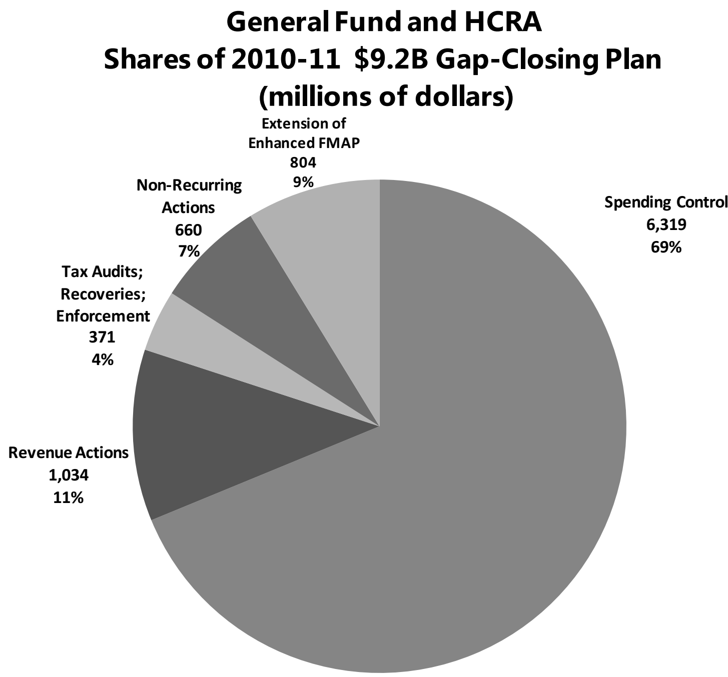
[5] State Operating Funds combines activity in the General Fund, State-financed special revenue funds, and debt service funds and is intended to measure the portion of the State budget that supports operations (as distinct from capital) and that is financed by State resources (as distinct from Federal aid).

[6] Unless otherwise noted, and except for the tables which appear on pages 61-76, all annual spending estimates have been adjusted to account for the impact of 2009-10 payment deferrals and, in the case of Federal Funds and All Funds, for the timing of ARRA pass-through funding. See "Impact on Spending" herein for a complete summary of the adjustments.

[7] Agency operations include fixed costs.

Composition of the Gap-Closing Plan

Under the approved plan, the combined four-year gap (2010-11 through 2013-14) is cut almost in half, declining from $66 billion to $37 billion. The chart below summarizes the shares of the gap-closing plan by broad category.



Reductions to current-services spending total over $6.4 billion[8] in State Operating Funds and $6.6 billion in the General Fund, constituting nearly 70 percent of the gap-closing plan. The proposed reductions in spending affect nearly every activity financed by State government, ranging from aid to public schools to agency operations to capital expenditures.

The gap-closing plan includes $1.0 billion in new revenue, including $925 million from tax and fee increases. These tax and fee increases include the temporary suspension of the State sales tax exemption on clothing and footwear priced at less than $110 ($330 million), a $1.60 per pack increase in the cigarette tax, the revenues of which are earmarked to help pay for existing health care expenses ($290 million), a temporary cap on the aggregate tax credit claims for business-related tax credits at $2.0 million per taxpayer annually ($100 million), and a decrease in the percentage of allowable remaining itemized deductions from 50 percent to 25 percent for taxpayers with New York adjusted gross income above $10 million ($100 million). In addition, audit, compliance, and enforcement activities are expected to increase the tax base by approximately $371 million annually. This includes $150 million in cigarette enforcement activities on Native American Reservations, which is subject to litigation. See the section entitled "Litigation and Arbitration" herein.

Non-recurring resources, which comprise 7 percent of the gap-closing actions approved in the Updated Financial Plan, total $660 million. (See "2010-11 Gap-Closing Plan - Non-Recurring Resources" herein.)

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[8] Includes value of the DRP. See "Explanation of the Deficit Reduction Plan" herein.

Impact on Spending

The projections for annual spending growth are affected by both the management of payments at the end of 2009-10 and, in the case of Federal Funds and All Funds spending, by the uncertainties concerning the timing of Federal pass-through aid. The latter consists of ARRA stimulus money for a wide range of purposes that provides no gap-closing benefit, but by law must pass through the State's Financial Plan before it reaches its beneficiary. To avoid the distorting effect of these factors, DOB has adjusted spending to (a) exclude the impact of the deferral of the $2.06 billion end-of-year school aid payment from 2009-10 into 2010-11 and (b) include $2.0 billion in Federal ARRA pass-through spending that was initially expected in 2009-10, but is now expected to occur in future years. The table below displays these adjustments. See the Financial Plan tables herein for 2009-10 actual results and 2010-11 unadjusted estimates.

TOTAL DISBURSEMENTS -- SUMMARY OF ADJUSTMENTS[1]
(millions of dollars)

	2009-10			2010-11		
	Actual Results	Adjustment	Results Adjusted	2010-11 Enacted	Adjustment	Enacted Adjusted
State Operating Funds	**76,874**	**2,060**	**78,934**	**81,058**	**(2,060)**	**78,998**
General Fund (Excludes Transfers)	46,415	2,060	48,475	49,661	(2,060)	47,601
Other State Funds	25,447	0	25,447	25,789	0	25,789
Debt Service Funds	5,012	0	5,012	5,608	0	5,608
All Funds	**126,877**	**4,060**	**130,937**	**135,887**	**(2,060)**	**133,827**
State Operating Funds	76,874	2,060	78,934	81,058	(2,060)	78,998
Capital Projects Funds	7,112	0	7,112	8,454	0	8,454
Federal Operating Funds	42,891	2,000	44,891	46,375	0	46,375
General Fund, including Transfers	**52,202**	**2,060**	**54,262**	**55,593**	**(2,060)**	**53,533**
State Funds	**82,034**	**2,060**	**84,094**	**87,133**	**(2,060)**	**85,073**

[1] Adjusted to (a) exclude the impact of paying the $2.06 billion end-of-year school aid payment, scheduled for the last quarter of 2009-10, in the first quarter of 2010-11, as authorized in statute; and (b) include $2.0 billion in Federal ARRA pass-through aid in 2009-10. See Financial Plan tables for 2009-10 actual results and 2010-11 estimates.

Adjusted State Operating Funds spending is projected to total $79 billion in 2010-11, an increase of $64 million (0.1 percent) over 2009-10 results. This increase in spending is approximately $1.6 billion below the level that would be permitted under the Governor's proposed spending cap. Compared to the current-services forecast, adjusted State Operating Funds spending is reduced by $6.4 billion.

TOTAL DISBURSEMENTS — ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH
(millions of dollars)

			Before Actions			After Actions	
	2009-10 Adjusted	2010-11 Base	Annual $ Change	Annual % Change	2010-11 Adjusted	Annual $ Change	Annual % Change
State Operating Funds	**78,934**	**85,413**	**6,479**	**8.2%**	**78,998**	**64**	**0.1%**
General Fund (Excludes Transfers)	48,475	54,094	5,619	11.6%	47,601	(874)	-1.8%
Other State Funds	25,447	25,612	165	0.6%	25,789	342	1.3%
Debt Service Funds	5,012	5,707	695	13.9%	5,608	596	11.9%
All Funds	**130,937**	**139,720**	**8,783**	**6.7%**	**133,827**	**2,890**	**2.2%**
State Operating Funds	78,934	85,413	6,479	8.2%	78,998	64	0.1%
Capital Projects Funds	7,112	8,568	1,456	20.5%	8,454	1,342	18.9%
Federal Operating Funds	44,891	45,739	848	1.9%	46,375	1,484	3.3%
General Fund, including Transfers	**54,262**	**60,152**	**5,890**	**10.9%**	**53,533**	**(729)**	**-1.3%**
State Funds	**84,094**	**91,617**	**7,523**	**8.9%**	**85,073**	**979**	**1.2%**

The annual spending growth in State Operating Funds is affected by the rapid annual increase in debt service and fringe benefits, which are difficult to control in the short-term due to existing constitutional, statutory, and contractual obligations. Together, these costs are projected to increase by a total of $1.2 billion in 2010-11.

Debt service on State-supported debt is projected to increase by $555 million (11.2 percent) in 2010-11, with approximately 35 percent of the growth due to the restructuring of certain transportation-related debt in 2005 that deferred substantial debt service costs until 2010-11. Overall spending from debt service funds, which includes certain non-personal service spending appropriated in the debt service budget is projected by DOB to increase by nearly $600 million.

Spending on fringe benefits is projected to increase by $603 million, an increase of 14.1 percent. Growth in fringe benefits is due principally to increases in the State's annual contribution to the New York State and Local Retirement System and the cost of providing health insurance for active and retired State employees. Pension costs are expected to increase by $312 million (27 percent) in 2010-11. This increase is net of $242 million in amortization savings scheduled for 2010-11. The following table summarizes the growth in these spending categories.

CAUSES OF ADJUSTED STATE OPERATING FUNDS SPENDING CHANGE [1]
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change
Total	**78,934**	**78,998**	**64**	**0.1%**
Debt Service	4,961	5,516	555	11.2%
Fringe Benefits	4,276	4,879	603	14.1%
Personal Service	10,874	10,307	(567)	-5.2%
Non-Personal Service/Fixed Costs	4,885	4,663	(222)	-4.5%
Local Assistance	53,938	53,633	(305)	-0.6%

1 Adjusted to exclude the impact of paying the $2.06 billion end-of-year school aid payment, scheduled for the last quarter of 2009-10, in the first quarter of 2010-11, as authorized in statute.

In contrast, spending for local assistance and agency operations, two areas of the budget that are responsive to immediate cost reduction efforts, decline by $1.1 billion (-1.6 percent) from 2009-10 levels. Annual spending declines for personal service by $567 million (-5.2 percent), non-personal service by $222 million (-4.5 percent) and for local assistance by $305 million (-0.6 percent).

The following table summarizes the major sources of annual change.

ADJUSTED STATE SPENDING MEASURES: BEFORE AND AFTER BUDGET ACTIONS [1]
(millions of dollars)

	2009-10 Adjusted	2010-11 Current-Services[2]	Before Actions Annual $ Change	Before Actions Annual % Change	2010-11 Adjusted	After Actions Annual $ Change	After Actions Annual % Change
Local Assistance:	**53,938**	**58,580**	**4,642**	**8.6%**	**53,633**	**(305)**	**-0.6%**
School Aid [1,3]	20,373	21,471	1,098	5.4%	19,942	(431)	-2.1%
STAR	3,414	3,421	7	0.2%	3,300	(114)	-3.3%
Other Education Aid	1,534	1,646	112	7.3%	1,511	(23)	-1.5%
Medicaid (incl. administration) [4]	11,458	13,102	1,644	14.3%	11,629	171	1.5%
Public Health/Aging/Insurance	2,431	2,635	204	8.4%	2,314	(117)	-4.8%
Higher Education[5]	2,817	2,755	(62)	-2.2%	2,517	(300)	-10.6%
Mental Hygiene	3,199	3,537	338	10.6%	3,476	277	8.7%
Social Services	3,054	3,419	365	12.0%	3,018	(36)	-1.2%
Local Government Assistance	1,080	1,116	36	3.3%	791	(289)	-26.8%
Transportation	3,823	4,354	531	13.9%	4,304	481	12.6%
All Other	755	1,124	369	48.9%	831	76	10.1%
State Operations:	**20,035**	**21,218**	**1,183**	**5.9%**	**19,849**	**(186)**	**-0.9%**
Wages/Fringe Benefits	15,150	15,959	809	5.3%	15,186	36	0.2%
Personal Service:	10,874	10,733	(141)	-1.3%	10,307	(567)	-5.2%
Executive Agencies	5,357	5,276	(81)	-1.5%	4,997	(360)	-6.7%
Exec. Agencies - Retroactive Settlements [6]	320	22	(298)	-93.1%	22	(298)	-93.1%
SUNY	3,243	3,256	13	0.4%	3,124	(119)	-3.7%
Judiciary	1,537	1,547	10	0.7%	1,537	0	0.0%
Legislature	178	165	(13)	-7.3%	165	(13)	-7.3%
Department of Law	124	120	(4)	-3.2%	117	(7)	-5.6%
Audit & Control	115	118	3	2.6%	116	1	0.9%
Potential Labor Settlements (Pattern)	0	229	229	100.0%	229	229	100.0%
Fringe Benefits:	4,276	5,226	950	22.2%	4,879	603	14.1%
Pensions	1,155	1,707	552	47.8%	1,467	312	27.0%
Health Insurance	2,681	3,066	385	14.4%	3,021	340	12.7%
All Other Fringe Benefits	440	453	13	3.0%	391	(49)	-11.1%
Non-Personal Service/Fixed Costs	4,885	5,259	374	7.7%	4,663	(222)	-4.5%
Debt Service	**4,961**	**5,615**	**654**	**13.2%**	**5,516**	**555**	**11.2%**
TOTAL STATE OPERATING FUNDS	**78,934**	**85,413**	**6,479**	**8.2%**	**78,998**	**64**	**0.1%**
Capital Projects (State Funded)	**5,160**	**6,203**	**1,043**	**20.2%**	**6,075**	**915**	**17.7%**
TOTAL STATE FUNDS	**84,094**	**91,616**	**7,522**	**8.9%**	**85,073**	**979**	**1.2%**
Federal Aid (Including Capital Grants) [7]	**46,843**	**48,104**	**1,261**	**2.7%**	**48,754**	**1,911**	**4.1%**
TOTAL ALL FUNDS	**130,937**	**139,720**	**8,783**	**6.7%**	**133,827**	**2,890**	**2.2%**

1 Spending is adjusted to exclude the impact of paying the end-of-year school aid payment ($2.06 billion), scheduled for the last quarter of 2009-10, in the first quarter of 2010-11, which was done to carry forward the 2009-10 budget shortfall into 2010-11. See Financial Plan tables for 2009-10 actual results and 2010-11 estimates.

2 Includes the value of recurring savings from the December 2009 Deficit Reduction Plan.

3 State fiscal year basis. ARRA funding temporarily reduces spending from State Operating Funds.

4 Department of Health Medicaid spending only, excludes other State agency spending. ARRA funding temporarily reduces spending from State Operating Funds.

5 2009-10 affected by $300 million payment deferral from 2008-09.

6 Retroactive payments for NYSCOPBA , PBA and BCI labor settlements ($258 million, $42 million and $20 million, respectively) for contract years 2007-08 and 2008-09, reflected in 2009-10 and retroactive payments for NYSCOBPA (Non-Arbitration) and Council 82 ($11 million each) for contract years 2007-08 and 2008-09.

7 2009-10 Federal and All Funds disbursements and receipts have been adjusted to include $2.0 billion in Federal aid that passes through the State's All Funds Financial Plan under ARRA. This "pass-through" money, which provides no gap-closing benefit and is subject to a range of factors that make the timing of disbursements highly uncertain, was expected to total approximately $4.4 billion in 2009-10. Actual disbursements, however, totaled only $2.4 billion. Thus, 2009-10 results have been adjusted for the difference. See Financial Plan tables for 2009-10 actual results.

EXPLANATION OF GAP-CLOSING PLAN

The gap-closing plan consists of two parts, the Enacted Budget actions and the recurring impact of the DRP. This section describes the Enacted Budget gap-closing actions.

2010-11 Enacted Budget Actions

The 2010-11 gap-closing actions are organized into three general categories: (a) actions that reduce current-services spending in the General Fund on a recurring basis ("Spending Control"); (b) actions that increase revenues on a recurring basis ("Revenue Actions"); and (c) transactions that increase revenues or lower spending in 2010-11, but that cannot be relied on in the future ("Non-Recurring Resources").

Spending Control

The Enacted Budget gap-closing plan for 2010-11 focuses foremost on actions that reduce the growth in State spending on a recurring basis. Actions to control spending account for nearly 70 percent of the gap-closing plan and will affect most activities funded by the State. The 2010-11 appropriation and Article VII "language" bills[9] passed by the Legislature, as well as the agency operating reductions, reduced spending by roughly $4.8 billion from current services levels. The Governor's vetoes further reduced General Fund spending in 2010-11 by $533 million.

In addition, the FMAP contingency bill is expected to reduce local assistance spending by approximately $280 million. This is equal to the difference between the benefit of enhanced FMAP assumed in the amended Executive Budget Financial Plan and the amount ultimately approved by Congress in August 2010. The following table summarizes the recurring spending actions in the General Fund by major function or activity.

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[9] Legislation, other than appropriation bills, submitted as part of the budget.

COMBINED GENERAL FUND/HCRA GAP-CLOSING PLAN FOR 2010-11
SPENDING CONTROL (AFTER VETO BENEFIT)
SAVINGS/(COSTS)
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14
Spending Control[1]	5,627	3,972	3,432	3,542
Local Assistance	**3,716**	**2,380**	**1,760**	**1,748**
School Aid/Lottery Aid	1,677	680	129	122
Gap Elimination Adjustment	1,497	642	0	0
Lottery Aid	180	136	136	136
Other	0	(98)	(7)	(14)
Health Care	779	925	893	893
Medicaid Fraud/Audit Recoveries	300	300	300	300
Eliminate Automatic Medicaid Rate Increases	99	120	120	120
Reduce Managed Care Premiums	61	75	75	75
Indigent Care Reduction	72	57	47	47
HCRA Financing	103	131	131	131
Public Health/Aging	29	54	55	55
Other	115	188	165	165
Higher Education	224	174	152	152
SUNY/CUNY Community College Base Aid	106	76	76	76
CUNY Senior College Operations	48	64	64	64
HESC (primarily TAP)	70	34	12	12
Local Government Aid	325	30	29	19
School Tax Relief Program	121	200	210	223
Human Services/Labor/Housing	214	165	175	176
Education/Special Education	142	13	13	11
Mental Hygiene	61	74	47	38
All Other Local Assistance	173	119	112	114
FMAP Contingency Spending Reductions	**281**	**0**	**0**	**0**
State Operations/Other	**1,520**	**1,533**	**1,566**	**1,668**
Statewide Agency Operational Reductions	1,233	1,061	838	815
Fringe Benefits/Pension Amortization	287	472	728	853
	110	**59**	**106**	**126**
Debt Management	100	25	34	36
Bonded Capital Spending Reductions[2]	10	34	72	90

[1] Excludes savings from December 2009 DRP. Net of new funding initiatives. Includes the impact of Governor's vetoes.

[2] Estimated debt service savings from reducing planned capital spending financed with debt.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. State Operating Funds spending for local assistance is estimated at $53.6 billion in 2010-11, a decrease of $305 million (-0.6 percent) from the prior year. The most significant gap-closing actions in local assistance include the following (reductions from the current-services estimate are in parentheses):

- **School aid/lottery aid ($1.7 billion on a State fiscal year basis)** by imposing a one-time adjustment to formula-based school aid on a wealth-equalized basis ($1.5 billion); enhancing the operation of the State's lottery games and VLT facilities (including increased advertising, the extension of operating hours at VLT facilities and the enhancement of the Quick Draw game) to increase lottery revenues for financing school aid, and recognizing an additional $80 million franchise payment for VLT development rights at Aqueduct for a total of $380 million ($180 million).
- **Health Care ($779 million)** through cost-containment measures in Medicaid, including eliminating inflation-based adjustments to rates; decreasing managed care premiums; heightening anti-fraud and audit efforts; implementing prior-approval for insurance rate changes; and financing a greater share of Medicaid spending through HCRA.

In other public health activities, savings result from modifying the payment rates, eligibility standards, and operation of the EI program; eliminating reimbursement for certain optional services provided through the GPHW, and eliminating or reducing General Fund support for programs that are not related to DOH's core mission.

- **Higher Education ($224 million)** by reducing State support for SUNY and CUNY senior and community colleges (which will be partially mitigated by the use of ARRA funding) and reducing TAP program spending by changing eligibility standards and reducing overall grant awards.
- **Local Government Aid ($325 million)** by eliminating AIM funding for New York City (2010-11 only) and Erie County, and by reducing AIM funding to other municipalities by 2 or 5 percent, depending on local reliance on this revenue.
- **STAR ($121 million)** by reducing the benefit for New York City taxpayers with incomes above $500,000.
- **Human Services ($214 million)** by reducing State reimbursement to counties from 63.7 percent to 62 percent for Child Welfare services; reducing or eliminating spending in non-core mission programs; and rightsizing youth facilities.
- **Education/Special Education/Arts ($142 million)** by managing payments for summer school special education costs; using available ARRA funding to help support preschool special education; reducing funding for grants provided by the Council on the Arts; and other measures.
- **Mental Hygiene ($61 million)** by reducing Medicaid rates; improving audit and recovery efforts; restructuring service coordination; and delaying community bed development for certain programs.
- **All Other Local Assistance ($173 million)** by eliminating subsidies to businesses that provide mental health coverage under Timothy's Law ($69 million); reducing a planned deposit to the member items fund ($60 million); and a wide range of program reductions in other areas, including criminal justice and economic development.

Impact of Vetoes

DOB estimates the Governor's vetoes will save $533 million in 2010-11. The Governor's ability to veto changes in Article VII language bills is arguably limited, in most instances, to either approving or disapproving the entire bills. As a result, the veto of the entire Article VII language bill extended to provisions amending school aid funding formulas, school aid database updates, and higher education tuition assistance, which results in current-year savings, but additional potential costs in future years.

Specifically, the veto prevented the implementation of a 2010-11 Executive Budget recommendation to extend the foundation aid phase-in schedule from seven years to ten years. The Governor has submitted a bill to the Legislature that would restore the outyear savings in the original proposal. The following table summarizes the vetoes.

SUMMARY OF 2010-11 BUDGET VETOES
SAVINGS/(COSTS)
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14
Savings/(Costs) from Vetoes	**533**	**(554)**	**(760)**	**(553)**
School Aid	419	(652)	(833)	(625)
Legislative Restoration	419	170	0	0
Foundation Aid Phase-In Delay	0	(688)	(774)	(592)
All Other	0	(134)	(59)	(33)
Higher Education	107	89	64	63
SUNY/CUNY Community College Base Aid	56	76	76	76
HESC TAP Awards for Two-year Degree Programs	10	(5)	(13)	(13)
HESC TAP $75 Award Reduction	17	7	0	0
HESC TAP Academic Standards	6	2	0	0
HESC TAP for Non-SED Programs	13	18	18	18
HESC Scholarships and Loan Forgiveness	0	(5)	(8)	(9)
HESC TAP Award Schedules	5	(1)	(5)	(5)
HESC TAP Default Parity	0	(3)	(4)	(4)
Health Care	4	5	5	5
Arts	2	2	2	2
Housing	1	1	1	1
Capital Projects/Debt Service	0	1	1	1

FMAP Contingency Spending Reductions

The 2010-11 Enacted Budget mandates a uniform reduction to local assistance payments beginning September 16, 2010 in an amount up to the level of the shortfall between the actual amount of the six-month enhanced FMAP extension and the amount assumed in the Updated Financial Plan. Payments for public assistance, debt service, court judgments, and certain other purposes are exempt from the uniform reductions. The following table summarizes the change from the initial Financial Plan estimates of a six-month extension and the current estimate following the extension approved by Congress in August 2010.

FEDERAL ENHANCED FMAP 6-MONTH EXTENSION (STATE SHARE) SUMMARY OF ESTIMATED FINANCIAL PLAN IMPACT -- SAVINGS/(COSTS) (millions of dollars)	2010-11 Jan - Mar	2011-12 Apr - Jun	Two-Year Total
Estimated FMAP Extension (Apr 2010)	1,085	1,060	2,145
Approved Federal Extension (Aug 2010)	804	603	1,407
Difference	(281)	(457)	(738)
FMAP Local Assistance Contingency Reductions	281	0	281
IMPACT ON BUDGET SURPLUS/(GAPS)	**0**	**(457)**	**(457)**

The State continues to receive ARRA funds. This aid can be classified into two categories: (1) direct aid that provides a Financial Plan benefit by paying for costs that must otherwise be paid with State resources and (2) pass-through aid that funds specific initiatives and by law must pass through the State's Financial Plan. The following table summarizes total ARRA spending in the State Financial Plan from 2008-09 through 2011-12, the last fiscal year in which substantial ARRA funding is expected.

SUMMARY OF ESTIMATED FEDERAL ARRA SPENDING BY FISCAL YEAR (millions of dollars)	2008-09*	2009-10*	2010-11	2011-12
TOTAL DIRECT STATE AID	1,299	4,227	5,908	712
Enhanced Federal FMAP (State Benefit)	**1,299**	**3,572**	**4,054**	**203**
DOH Medicaid	1,092	3,040	3,425	107
Mental Hygiene Medicaid	207	532	629	96
State Fiscal Stabilization Relief		**655**	**1,854**	**509**
School Aid		546	1,331	509
Higher Education		103	166	0
Special/Other Education		6	335	0
All Other		0	22	0
TOTAL PASS-THROUGH AID	440	2,291	4,647	2,332
Enhanced FMAP (Local Share - Subject to reconcil.)	440	1,122	1,738	793
Education		334	860	879
Human Services		237	768	0
Transportation		205	450	320
Housing		61	131	120
Labor		121	111	0
Higher Education		91	102	0
Environment		39	209	200
Health Care		41	144	0
Criminal Justice/Public Safety		8	55	20
General Government/Other		32	79	0

*Estimated year-end results.

In 2010-11, DOB estimates that ARRA provides a direct benefit of approximately $4 billion through enhanced FMAP and $1.9 billion in aid for elementary and secondary, higher education and housing through SFSF, some of which applies to the 2009-10 school year, for expenses that would otherwise need to be paid for with State resources or eliminated.[10]

State Operations

The cost of operating State government includes (a) salaries, (b) pensions and other fringe benefits, and (c) non-personal service expenses, including utilities, rents, medical supplies, and other expenses.[11] State Operating Funds spending for these purposes is expected to total approximately $19.8 billion, a decrease of $186 million from 2009-10. After actions, personal service and non-personal service expenses are projected to decline by nearly $800 million. This is partially offset by growth in fringe benefit costs of $603 million.

The Enacted Budget includes $1.5 billion in savings from efficiency measures in State agencies, targeted workforce savings, and controls to slow the growth in fringe benefit costs.

- **Statewide Agency Operating Reductions ($1.2 billion):** Actions include across-the-board reductions in agency operating budgets, targeted personnel management initiatives, and statewide programs to leverage the State's purchasing power in energy, supplies, and materials. Personal service savings are expected from a combination of ERI savings, attrition and other measures. The Governor has rescinded, for the second consecutive year, the general salary increase for the State's non-unionized "management/confidential" employees ($28 million in 2010-11).
- **Pension Amortization/Fringe Benefits ($287 million):** Local governments and the State face substantial pension contribution increases over the next six years due to investment losses experienced by the Common Retirement Fund. The budget affords local governments and the State the option to amortize a portion of their pension costs beginning in 2010-11. Specifically, pension contribution costs in excess of the amortization thresholds, which are 9.5 percent for ERS and 17.5 percent for PFRS, may be amortized. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease by no more than one percentage point for each year. Repayment of any amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. The assumed interest rate is 5 percent. For planning purposes, the Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The amounts assumed to be amortized over the Financial Plan period total $242 million in 2010-11, $504 million in 2011-12, $825 million in 2012-13, $1.1 billion in 2013-14, and $1.2 billion in 2014-15. This amortization is expected to result in savings (compared to the unamortized costs), then result in substantially higher costs over the following 10 years as the amortized amounts are repaid. In addition, employees and retirees are now required to pay a portion of Medicare Part B health premiums and the State is authorized to self-insure all or parts of the New York State Health Insurance Plan.

As of March 31, 2010, the State had approximately 195,792 full-time equivalent annual salaried employees funded from all funds including some part-time and temporary employees but excluding seasonal, legislative and judicial employees. The workforce is now 15 percent smaller than it was 20 years ago, when it peaked at 230,600 positions. The State expects to end the 2010-11 fiscal year with a total 191,997 filled positions, after implementation of workforce savings initiatives, which include

[10] This is separate from, and should not be confused with, Federal pass-through spending under ARRA that provides no gap-closing benefit.
[11] The Financial Plan tables presentation includes three separate Financial Plan categories: Personal Service, Non-Personal Service and General State Charges (Fringe Benefits).

workforce changes of certain youth facilities, agency consolidations, early retirement incentives, and the continuation of statewide hiring controls. The State workforce subject to Executive control is expected to total 128,165 full time equivalent positions at the end of 2010-11, a reduction of approximately 3,576 from 2009-10 levels.

The gap-closing plan reduces planned capital projects spending financed with State-supported debt by $1.6 billion over a five-year period, beginning in 2010-11. The reductions are expected to provide over $130 million in annual debt service savings when fully implemented. The capital reductions will help the State maintain sufficient debt capacity.[12] The plan also includes $100 million in debt management savings from refundings and other measures.

Revenue Actions

The Updated Financial Plan includes $1.0 billion in revenue increases. Tax actions include an increase in the tax on cigarettes and tobacco products, a temporary elimination of the clothing exemption, a temporary cap on the aggregate tax credit claims for business related tax credits at $2 million per taxpayer per year, and a decrease in the percentage of allowable itemized deductions for taxpayers with income above $10 million. The following table summarizes the specific actions.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11 - REVENUE ACTIONS SAVINGS/(COSTS) (millions of dollars)

	2010-11	2011-12	2012-13	2013-14
Revenue Actions	**1,034**	**1,867**	**1,460**	**1,204**
Tax Actions	893	1,736	1,364	1,133
Eliminate Clothing Exemption	330	210	0	0
Cigarette/Tobacco Products Tax	290	318	312	307
Temporarily Cap Business Tax Credit Claims	100	970	970	870
Charitable Contributions	100	135	160	160
Sales Tax Vendor Credit	23	23	23	23
Private Label Credit Cards	17	23	23	23
Bank Bad Debt Deductions	15	15	15	15
Clarify Room Remarketers Must Collect Sales Tax	10	20	20	20
Sales Tax Add-back	0	20	20	20
Informational Returns for Credit/Debit Cards	0	0	35	83
Film Credit	0	0	(168)	(292)
Empire Zone Replacement Program	0	0	(50)	(100)
Other Tax Actions	8	2	4	4
Abandoned Property	100	95	60	50
Civil Court Filing Fees	19	34	34	34
All Other Revenue Actions	22	2	2	(13)
Tax Audits/Recoveries/Enforcement	**371**	**421**	**421**	**421**

Tax credits extended to the film industry and a restructured Empire Zone program result in additional costs to the Updated Financial Plan, beginning in 2012-13.

[12] Under the Debt Reform Act of 2000, State-supported debt outstanding issued after April 1, 2000 is limited to 4 percent of personal income, starting in 2010-11.

Non-Recurring Resources

The Enacted Budget relies on $660 million in non-recurring resources in 2010-11. The largest item in this category is the use of the TANF Emergency Contingency Fund to pay for expenses that would otherwise be incurred by the General Fund in 2010-11. The Emergency Contingency Fund is a one-time ARRA authorization. Accordingly, it is not expected to be available in future years. The following table itemizes the non-recurring actions.

COMBINED GENERAL FUND/HCRA GAP-CLOSING PLAN FOR 2010-11
NON-RECURRING RESOURCES SAVINGS/(COSTS)
(millions of dollars)

	2010-11
Non-Recurring Resources	**660**
Federal TANF Resources	261
Physician Excess Medical Malpractice Payment (Timing)	127
Additional New York County District Attorney Recoveries	50
Additional Department of Law Recoveries	35
School Aid Overpayment Recoveries	32
NYSHELPS Program Adjustment	19
Eliminate New Technology Seed Fund	15
Available Fund Balances/Resources	121

Other non-recurring resources include altering the timing of a planned payment under the Physician's Excess Medical Malpractice program; additional recoveries from both the New York County District Attorney and the Department of Law; and recovering excess aid payments made to school districts in prior years.

2009-10 Deficit Reduction Plan

DOB estimates that the DRP approved on December 2, 2009 will generate recurring savings in the range of $700 million to $875 million in fiscal years 2010-11 through 2013-14. The following table summarizes the DRP.

2009-10 DEFICIT REDUCTION PLAN SUMMARY
SAVINGS/(COSTS)
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14
Total Deficit Reduction Plan Savings	**692**	**811**	**876**	**854**
Agency Operational Reductions	**360**	**385**	**385**	**385**
Legislative Actions [1]	**332**	**426**	**491**	**469**
Health Care	177	161	201	201
Mental Hygiene	57	55	53	32
Education/Arts	39	42	43	43
Higher Education Aid	36	36	36	36
Local Government Assistance	32	32	32	32
Tier V Pension	6	20	40	60
All Other	(15)	80	86	65

[1] Includes spending reductions in other State Funds that reduce General Fund costs through transfers from the accounts where savings are realized.

Projected Closing Balances

The State ended 2009-10 with a General Fund balance of $2.3 billion, including $1.2 billion in the rainy day reserves and $906 million resulting from the deferral of certain payments from 2009-10 into 2010-11. The latter amount was disbursed when the deferred payments were made in the first quarter of 2010-11.

After gap-closing actions, the year-end balance is expected to total $1.4 billion in 2010-11, an annual decrease of $917 million. The State's principal reserve funds are expected to remain unchanged, but the reserve created in 2009-10 would be utilized in its entirety. In addition, the balance in the Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor is expected to decline by $11 million from 2009-10. This is the result of $154 million in deposits authorized in prior years and scheduled for 2010-11, offset by $165 million in projected spending in 2010-11. The estimate for spending from the Community Projects Fund is based on historical patterns and may be lower in 2010-11 as a result of the Governor's vetoes of member-item reappropriations. Lower than planned spending would increase the fund balance in the Community Projects Fund. The following table summarizes the projected balances in the General Fund.

GENERAL FUND CLOSING BALANCE (millions of dollars)

	2009-10 Results	Planned Deposit	Planned Uses	2010-11 Estimated	Change
Projected Year-End Fund Balance	**2,302**	**154**	**(1,071)**	**1,385**	**(917)**
Tax Stabilization Reserve Fund	1,031	0	0	1,031	0
Rainy Day Reserve Fund	175	0	0	175	0
Contingency Reserve Fund	21	0	0	21	0
Community Projects Fund	96	154	(165)	85	(11)
Reserved for Debt Reduction	73	0	0	73	0
Reserved for Payment Deferrals	906	0	(906)	0	(906)

2010-11 Disbursements Forecast

The following table displays estimated annual spending growth from 2009-10 to 2010-11, on an adjusted basis. DOB has made adjustments to the actual and planned disbursements to account for the impact of (a) paying the $2.06 billion end-of-year school aid payment scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute and (b) the timing of $2.0 billion in Federal ARRA "pass through" spending expected in 2009-10. The latter has no impact on the State's efforts to balance the budget but instead represents Federal stimulus money that must pass through the State's Financial Plan. Approximately $2 billion in Federal pass-through funding that was initially expected to be disbursed in 2009-10, is now expected to be disbursed in future years. Examples of pass-through spending include Title 1 education grants to school districts, neighborhood stabilization grants, and transportation aid.

TOTAL DISBURSEMENTS - ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH (millions of dollars)							
			Before Actions			After Actions	
	2009-10 Adjusted	2010-11 Base	Annual $ Change	Annual % Change	2010-11 Adjusted	Annual $ Change	Annual % Change
State Operating Funds	**78,934**	**85,413**	**6,479**	**8.2%**	**78,998**	**64**	**0.1%**
General Fund (Excludes Transfers)	48,475	54,094	5,619	11.6%	47,601	(874)	-1.8%
Other State Funds	25,447	25,612	165	0.6%	25,789	342	1.3%
Debt Service Funds	5,012	5,707	695	13.9%	5,608	596	11.9%
All Funds	**130,937**	**139,720**	**8,783**	**6.7%**	**133,827**	**2,890**	**2.2%**
State Operating Funds	78,934	85,413	6,479	8.2%	78,998	64	0.1%
Capital Projects Funds	7,112	8,568	1,456	20.5%	8,454	1,342	18.9%
Federal Operating Funds	44,891	45,739	848	1.9%	46,375	1,484	3.3%
General Fund, including Transfers	**54,262**	**60,152**	**5,890**	**10.9%**	**53,533**	**(729)**	**-1.3%**
State Funds	**84,094**	**91,617**	**7,523**	**8.9%**	**85,073**	**979**	**1.2%**

Adjusted State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total $79.0 billion in 2010-11. Adjusted All Funds spending, which includes capital spending and Federal aid in addition to State Operating Funds, is projected to total $133.8 billion in 2010-11. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agency) 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.

ADJUSTED STATE OPERATING FUNDS [1] SPENDING PROJECTIONS MAJOR SOURCES OF ANNUAL CHANGE (millions of dollars)			
	2009-10	2010-11	Change
Major Functions (Annual Change)			
Health Care:			
Medicaid	11,479	11,675	196
Public Health	2,404	2,523	119
K-12 Education:			
School Aid (State Fiscal Year)	20,374	19,942	(432)
All Other Education Aid	1,693	1,663	(30)
STAR	3,414	3,300	(114)
Higher Education	8,447	8,092	(355)
Social Services:			
Temporary and Disability Assistance	1,360	1,222	(138)
Children and Family Services	2,006	2,148	142
Mental Hygiene	4,360	4,537	177
Transportation	3,941	4,433	492
General State Charges [2]	3,594	4,128	534
Debt Service	4,961	5,516	555
All Other (Annual Change)			
Local Government Aid	1,080	791	(289)
Department of Insurance	658	463	(195)
Statewide Agency Operating Reductions [3]	0	(500)	(500)
All Other	9,163	9,065	(98)
Total Adjusted State Operating Funds Spending	**78,934**	**78,998**	**64**

[1] Includes General Fund, State Special Revenue and Debt Service Funds.

[2] General Fund only. Fringe benefits are allocated to agency budgets outside of the General Fund.

[3] Reductions will be allocated by agency in the Mid-Year Financial Plan, following approval of early retirement and other savings plans.

2010-11 Financial Plan and OutYear Projections

This section presents the State's multi-year projections for receipts and disbursements based on the 2010-11 Enacted Budget. State Law requires the Governor to submit a balanced plan of receipts and disbursements on a cash-basis for the General Fund. However, approximately 40 percent of total State 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. Thus, the multi-year projections and growth rates are presented on both a General Fund and State Operating Funds basis.

The multi-year forecast reflects the impact of the 2010-11 Enacted Budget and updated assumptions concerning economic performance, revenue collections, spending patterns, and projections for the current-services costs of program activities.

In evaluating the State's outyear operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future fiscal condition is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, in terms of the outyear projections, 2011-12 is the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years. DOB will provide quarterly revisions to its multi-year estimates, as required pursuant to State Finance Law.

Budget Gaps

In the General Fund, the projected budget gaps total approximately $8.2 billion in 2011-12, $13.5 billion in 2012-13, and $15.6 billion in 2013-14. The net operating deficits in State Operating Funds are projected at $8.2 billion in 2011-12, $13.1 billion in 2012-13, and $15.1 billion in 2013-14.

The imbalances projected for the General Fund and State Operating Funds in future years tend to be very similar. This is because the General Fund is typically the financing source of last resort for many State programs, and any imbalance in other funds that cannot be rectified by the use of existing balances is typically paid for by the General Fund.

The growth in the gaps between 2010-11 and 2011-12 is caused in large part by the expiration of Federal stimulus funding for Medicaid and education, which is expected to result in approximately $5.1 billion in costs reverting to the General Fund, starting in 2011-12. The annual growth in the gap is also affected by the sunset, at the end of calendar year 2011, of the temporary PIT increase enacted in 2009-10, which is expected to reduce 2011-12 receipts by approximately $1 billion from 2010-11 levels.

Spending

General Fund spending is projected to grow at an average annual rate of 9.0 percent from 2009-10 through 2013-14 (as adjusted). Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting an expected return to a lower Federal matching rate for Medicaid expenditures after June 30, 2011 which will increase the share of Medicaid costs that must be financed by State resources, and the expected loss of temporary Federal aid for education. Excluding these stimulus-related effects, which temporarily suppress General Fund costs in 2010-11 and the first quarter of 2011-12, General Fund spending grows at approximately 6.8 percent on a compound annual basis.

State Operating Funds spending is projected to grow at an average annual rate of 7.0 percent through 2013-14 (as adjusted). For both the General Fund and State Operating Funds, spending growth is driven by Medicaid, education, pension costs, employee and retiree health benefits, and child welfare programs.

Outyear spending projections do not incorporate any estimate of potential new actions to control spending in future years; any potential continuation of Federal stimulus aid beyond the first quarter of 2011-12; and any costs for future collective bargaining agreements beyond the April 1, 2011 expiration of the current four-year contracts for most unions. In addition, the forecast does not include any additional health care costs or savings that may materialize from the implementation of national health care reform at the Federal level of government.

Receipts

General Fund receipts are projected to grow at an average annual rate of 3.8 percent from 2009-10 through 2013-14. Overall, State tax receipts growth in the three fiscal years following 2010-11 is expected to range from 1.7 percent to 6.2 percent. This is consistent with a projected return to modest economic growth in the New York economy in the second half of 2010. Receipts growth is affected by the tax changes approved in the Enacted Budget, as well as, in prior fiscal years, and tax compliance and anti-fraud efforts. These factors are expected to continue to enhance expected receipt growth through 2013-14. See “2010-11 All Funds Financial Plan” herein for a complete summary.

The following tables summarize the General Fund and State Operating Funds multi-year projections, adjusted for the school aid deferral from 2009-10 to 2010-11.

General Fund

OUTYEAR GENERAL FUND PROJECTIONS (ADJUSTED) (millions of dollars)											
	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual $ Change	Annual % Change	2013-14	Annual $ Change	Annual % Change
Receipts										
Taxes (After Debt Service)	50,329	53,488	3,159	6.3%	54,028	540	1.0%	56,962	2,934	5.4%
Personal Income Tax	32,168	34,492	2,324	7.2%	34,167	(325)	-0.9%	36,085	1,918	5.6%
User Taxes and Fees	11,128	11,318	190	1.7%	11,694	376	3.3%	12,277	583	5.0%
Business Taxes	5,714	6,335	621	10.9%	6,674	339	5.4%	6,977	303	4.5%
Other Taxes	1,319	1,343	24	1.8%	1,493	150	11.2%	1,623	130	8.7%
Miscellaneous Receipts/Federal Grants	2,957	2,919	(38)	-1.3%	2,884	(35)	-1.2%	2,832	(52)	-1.8%
Other Transfers	1,390	1,400	10	0.7%	1,137	(263)	-18.8%	1,146	9	0.8%
Total Receipts	**54,676**	**57,807**	**3,131**	**5.7%**	**58,049**	**242**	**0.4%**	**60,940**	**2,891**	**5.0%**
Disbursements										
Grants to Local Governments:	**35,448**	**45,557**	**10,109**	**28.5%**	**50,003**	**4,446**	**9.8%**	**53,950**	**3,947**	**7.9%**
School Aid	16,849	19,838	2,989	17.7%	22,186	2,348	11.8%	24,438	2,252	10.2%
Medicaid (incl. administration)	7,069	12,439	5,370	76.0%	13,805	1,366	11.0%	15,048	1,243	9.0%
Higher Education	2,495	2,760	265	10.6%	2,873	113	4.1%	2,961	88	3.1%
Mental Hygiene	2,233	2,375	142	6.4%	2,519	144	6.1%	2,658	139	5.5%
Children and Family Services	1,864	2,057	193	10.4%	2,262	205	10.0%	2,488	226	10.0%
Other Education Aid	1,496	1,840	344	23.0%	1,925	85	4.6%	1,977	52	2.7%
Temporary and Disability Assistance	1,153	1,505	352	30.5%	1,632	127	8.4%	1,682	50	3.1%
All Other	2,289	2,743	454	19.8%	2,801	58	2.1%	2,698	(103)	-3.7%
State Operations:	**8,025**	**8,601**	**576**	**7.2%**	**8,886**	**285**	**3.3%**	**9,019**	**133**	**1.5%**
Personal Service	6,285	6,692	407	6.5%	6,891	199	3.0%	6,904	13	0.2%
Non-Personal Service	1,740	1,909	169	9.7%	1,995	86	4.5%	2,115	120	6.0%
General State Charges	**4,128**	**4,482**	**354**	**8.6%**	**4,687**	**205**	**4.6%**	**5,080**	**393**	**8.4%**
Pensions	1,467	1,620	153	10.4%	1,842	222	13.7%	2,118	276	15.0%
Health Insurance (Active Employees)	1,826	1,992	166	9.1%	2,171	179	9.0%	2,119	(52)	-2.4%
Health Insurance (Retired Employees)	1,195	1,322	127	10.6%	1,422	100	7.6%	1,536	114	8.0%
Fringe Benefit Escrow	(2,319)	(2,534)	(215)	9.3%	(2,731)	(197)	7.8%	(2,817)	(86)	3.1%
All Other	1,959	2,082	123	6.3%	1,983	(99)	-4.8%	2,124	141	7.1%
Transfers to Other Funds:	**5,932**	**7,392**	**1,460**	**24.6%**	**8,005**	**613**	**8.3%**	**8,479**	**474**	**5.9%**
State Share Medicaid	2,450	3,022	572	23.3%	3,120	98	3.2%	3,083	(37)	-1.2%
Debt Service	1,642	1,766	124	7.6%	1,755	(11)	-0.6%	1,686	(69)	-3.9%
Capital Projects	1,096	1,368	272	24.8%	1,524	156	11.4%	1,687	163	10.7%
All Other	744	1,236	492	66.1%	1,606	370	29.9%	2,023	417	26.0%
Total Disbursements	**53,533**	**66,032**	**12,499**	**23.3%**	**71,581**	**5,549**	**8.4%**	**76,528**	**4,947**	**6.9%**
Change in Reserves	**(917)**	**(48)**			**(71)**			**(25)**		
School Aid Deferral	**(2,060)**	**0**			**0**			**0**		
Budget Surplus/(Gap) Estimate	**0**	**(8,177)**			**(13,461)**			**(15,563)**		

State Operating Funds

STATE OPERATING FUNDS PROJECTIONS (ADJUSTED)
(millions of dollars)

	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
Receipts:								
Taxes	60,484	64,231	3,747	6.2%	65,311	1.7%	68,698	5.2%
Personal Income Tax	36,897	39,579	2,682	7.3%	39,609	0.1%	41,827	5.6%
User Taxes and Fees	13,697	13,965	268	2.0%	14,369	2.9%	14,948	4.0%
Business Taxes	7,090	7,793	703	9.9%	8,209	5.3%	8,590	4.6%
Other Taxes	2,800	2,894	94	3.4%	3,124	7.9%	3,333	6.7%
Miscellaneous Receipts/Federal Grants	18,831	18,822	(9)	0.0%	19,237	2.2%	19,483	1.3%
Total Receipts	**79,315**	**83,053**	**3,738**	**4.7%**	**84,548**	**1.8%**	**88,181**	**4.3%**
Disbursements:								
Grants to Local Governments:	53,633	63,889	10,256	19.1%	69,264	8.4%	73,861	6.6%
School Aid	19,942	22,586	2,644	13.3%	25,144	11.3%	27,469	9.2%
Medicaid (incl. administration)	11,628	16,958	5,330	45.8%	18,612	9.8%	20,057	7.8%
STAR	3,300	3,418	118	3.6%	3,584	4.9%	3,772	5.2%
Higher Education	2,517	2,782	265	10.5%	2,895	4.1%	2,983	3.0%
Other Education Aid	1,511	1,854	343	22.7%	1,939	4.6%	1,990	2.6%
Mental Hygiene	3,474	3,757	283	8.1%	3,993	6.3%	4,234	6.0%
Public Health/Insurance/Aging	2,315	2,453	138	6.0%	2,580	5.2%	2,589	0.3%
Social Services	3,018	3,564	546	18.1%	3,895	9.3%	4,172	7.1%
Local Government Assistance	791	1,066	275	34.8%	1,077	1.0%	1,077	0.0%
All Other	5,137	5,451	314	6.1%	5,545	1.7%	5,518	-0.5%
State Operations:	14,642	15,697	1,055	7.2%	16,195	3.2%	16,355	1.0%
Personal Service	10,307	11,197	890	8.6%	11,488	2.6%	11,534	0.4%
Non-Personal Service	4,335	4,500	165	3.8%	4,707	4.6%	4,821	2.4%
General State Charges	5,205	5,759	554	10.6%	6,145	6.7%	6,616	**7.7%**
Pensions	1,467	1,620	153	10.4%	1,842	13.7%	2,118	15.0%
Health Insurance (Active Employees)	1,826	1,992	166	9.1%	2,171	9.0%	2,119	-2.4%
Health Insurance (Retired Employees)	1,195	1,322	127	10.6%	1,422	7.6%	1,536	8.0%
All Other	717	825	108	15.1%	710	-13.9%	843	18.7%
Debt Service	5,516	6,035	519	9.4%	6,357	5.3%	6,503	2.3%
Capital Projects	2	2	0	0.0%	2	0.0%	2	0.0%
Total Disbursements	**78,998**	**91,382**	**12,384**	**15.7%**	**97,963**	**7.2%**	**103,337**	**5.5%**
Net Other Financing Sources/(Uses)	**663**	**175**			**291**		**100**	
School Aid Deferral	**(2,060)**	**0**			**0**		**0**	
Net Operating Surplus/(Deficit)[1]	**(1,080)**	**(8,154)**			**(13,124)**		**(15,056)**	

[1] Financed with the use of existing fund balances in 2010-11. See Financial Plan Tables.

The annual spending changes are affected by the expiration of Federal stimulus funding for Medicaid and education, which is expected to result in approximately $5.2 billion in costs reverting to the State, starting in 2011-12. The 2010-11 disbursements for school aid are further affected by the deferral of $2.1 billion in planned spending for 2009-10 to 2010-11. The table below displays the impact of the direct Federal aid as it applies to major programs (by adjusting the State spending to show the current service annual change without the benefit of ARRA), which temporarily lowered State costs. All amounts are shown on a State fiscal year basis.

STATE OPERATING FUNDS SPENDING PROJECTIONS
MAJOR PROGRAM AREAS ADJUSTED FOR IMPACT OF ARRA DIRECT FEDERAL AID
(millions of dollars)

	2010-11	2011-12	Annual $ Change	Annual % Change
State Operating Funds (Adjusted):	84,884	92,094	7,210	8.5%
Reported State Operating Funds With ARRA	78,998	91,382	12,384	15.7%
Plus: Federal ARRA	5,886	712	(5,174)	-87.9%
School Aid (Adjusted)	21,273	23,095	1,822	8.6%
Reported School Aid With ARRA	19,942	22,586	2,644	13.3%
Plus: Federal ARRA (State Fiscal Stabilization)	1,331	509	(822)	-61.8%
DOH Medicaid (Adjusted)	15,053	17,065	2,012	13.4%
Reported Medicaid With ARRA	11,628	16,958	5,330	45.8%
Plus: Federal ARRA (Enhanced FMAP)	3,425	107	(3,318)	-96.9%
Higher Education (Adjusted)	2,683	2,782	99	3.7%
Reported Higher Education With ARRA	2,517	2,782	265	10.5%
Plus: Federal ARRA (State Fiscal Stabilization)	166	0	(166)	-100.0%
Other Education Aid (Adjusted)	1,846	1,854	8	0.4%
Reported Other Education Aid With ARRA	1,511	1,854	343	22.7%
Plus: Federal ARRA (State Fiscal Stabilization)	335	0	(335)	-100.0%
Personal Service (Adjusted)	10,936	11,293	357	3.3%
Personal Service With ARRA	10,307	11,197	890	8.6%
Plus: Federal ARRA (Enhanced FMAP - Mental Hygie	629	96	(533)	-84.7%

Grants to Local Governments

Medicaid (Department of Health)

The State's share of Medicaid is financed with a combination of General Fund and HCRA resources, as well as a share required by local governments. The Federal government is financing an additional share of Medicaid costs for October 2008 through June 30, 2011, which temporarily lowers the State's costs for the program.

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID
(millions of dollars)

	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
State Operating Funds (Before FMAP)	**15,053**	**17,065**	**2,012**	**13.4%**	**18,358**	**7.6%**	**20,057**	**9.3%**
Enhanced FMAP -- State Share[1]	**(3,425)**	**(107)**	**3,318**	**-96.9%**	**254**	**0.0%**	**0**	**0.0%**
State Operating Funds (After FMAP)	**11,628**	**16,958**	**5,330**	**45.8%**	**18,612**	**9.8%**	**20,057**	**7.8%**
Other State Funds Support	**(4,559)**	**(4,519)**	**40**	**-0.9%**	**(4,807)**	**6.4%**	**(5,009)**	**4.2%**
HCRA Financing	(2,938)	(2,981)	(43)	1.5%	(3,269)	9.7%	(3,471)	6.2%
Provider Assessment Revenue	(750)	(750)	0	0.0%	(750)	0.0%	(750)	0.0%
Indigent Care Revenue	(871)	(788)	83	-9.5%	(788)	0.0%	(788)	0.0%
Total General Fund	**7,069**	**12,439**	**5,370**	**76.0%**	**13,805**	**11.0%**	**15,048**	**9.0%**

[1] Excludes Medicaid spending in other State agencies, including enhanced FMAP for other state agencies.

Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services, and higher levels of utilization, as well as the expiration of the temporarily enhanced levels of Federal aid. The average number of Medicaid recipients is expected to grow to 4.54 million in 2010-11, an increase of 10.3 percent from the estimated 2009-10 caseload of 4.12 million.

The expiration of the enhanced FMAP share substantially increases State-funded spending for Medicaid in 2011-12. However, even after adjusting for the impact of enhanced FMAP, State spending for Medicaid is expected to grow significantly over the multi-year Financial Plan, increasing at an average annual rate of 11.1 percent, from $15.1 billion in 2010-11 to $20.1 billion in 2013-14. Overall Medicaid growth results, in part, from the combination of projected increases in service utilization, and medical care cost inflation that affects nearly all categories of service (e.g., hospitals, nursing homes), as well as rising enrollment levels.

Other factors contributing to Medicaid spending growth include additional costs of approximately $331 million annually attributable to the State cap on local government Medicaid cost increases and the takeover of local FHP costs. Also, the payment of an extra weekly cycle to providers adds an estimated $400 million in 2011-12.

School Aid

School aid spending includes foundation aid; UPK expansion; and expense-based aids such as building aid, transportation aid, and special education. School aid spending is supported by the General Fund and lottery revenues (including VLTs). On a school-year basis, school aid is projected to grow from $20.6 billion in 2010-11 to $28.1 billion in 2013-14, an average annual rate of approximately 11 percent.

MULTI-YEAR SCHOOL AID PROJECTIONS - SCHOOL-YEAR BASIS
(millions of dollars)

	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
Foundation Aid/Academic Achievement Grant	14,894	15,889	995	6.7%	17,390	9.4%	19,073	9.7%
Universal Pre-kindergarten	378	378	0	0.0%	462	22.2%	564	22.1%
Expense-Based Aids [1]	5,890	6,390	500	8.5%	6,940	8.6%	7,520	8.4%
Other Aid Categories/Initiatives	807	863	56	6.9%	908	5.2%	953	5.0%
Deficit Reduction Assessment	(1,412)	0	1,412	-100.0%	0	0.0%	0	0.0%
Total School Aid	**20,557**	**23,520**	**2,963**	**14.4%**	**25,700**	**9.3%**	**28,110**	**9.4%**

[1] Includes building, transportation, high cost and private special education, and BOCES.

Growth in 2011-12 is primarily due to increases in expense-based aid and the phase-in of foundation aid over a seven-year period. Growth in 2012-13 projected and beyond is primarily due to increases in foundation aid; UPK expansion; and contractual increases in expense-based aids such as building aid and transportation aid.

On a State fiscal-year basis, school aid spending is projected to grow by $2.6 billion in 2011-12, $2.6 billion in 2012-13, and $2.3 billion in 2013-14.

Over the multi-year Financial Plan period, revenues available to finance school aid from core lottery sales are expected to increase nominally. Revenues from VLTs are expected to grow, augmented by the anticipated opening of a VLT facility at Aqueduct by April 2012.

The Financial Plan currently assumes a one-time franchise payment of $380 million from the sale of VLT development rights at Aqueduct in 2010-11.

Mental Hygiene

Mental hygiene spending is projected to grow on average by $250 million annually to total $4.2 billion in 2013-14. Sources of growth include: increases in the projected State share of Medicaid costs; projected expansion of the various mental hygiene service systems, including increases primarily associated with the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline, as well as additional funds for supported housing beds and associated support services pursuant to a Federal district court decision; and several chemical dependence treatment and prevention initiatives in OASAS, including treatment costs associated with recent reforms to Rockefeller drug laws.

Social Services

Children and Family Services spending is expected to grow by approximately $200 million annually through 2013-14 primarily driven by growth in local claims-based programs, including child welfare. TADA spending is projected to increase by $529 million from $1.2 billion in 2010-11 to $1.7 billion by 2013-14, due to the loss of one-time TANF Emergency Contingency Fund grants that were used to support public assistance costs and the projected increase in the public assistance caseload. Based on the latest economic forecast and updated program data, the total public assistance caseload has increased in all years from 2010-11 to 2013-14 in the Enacted Budget compared to the Executive Budget.

State Operations

State Operations spending growth over the multi-year Financial Plan is concentrated in agencies with large operational facility-based budgets such as SUNY, Corrections, and the mental hygiene agencies, as well as the Judiciary. The main causes of growth include expiration of the enhanced FMAP that lowers State costs for portions of mental hygiene spending, inflationary increases in operating costs, and ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections.

STATE OPERATING FUNDS - STATE OPERATIONS
(millions of dollars)

	2010-11	2011-12	Annual $ Change	2012-13	Annual $ Change	2013-14	Annual $ Change
Personal Service	**10,307**	**11,197**	**890**	**11,488**	**291**	**11,534**	**46**
State University	3,124	3,155	31	3,189	34	3,214	25
Correctional Services	1,922	1,939	17	1,957	18	1,951	(6)
Judiciary	1,537	1,838	301	1,846	8	1,847	1
State Police	601	601	0	601	0	601	0
Mental Hygiene	548	993	445	1,062	69	1,072	10
Tax and Finance	349	349	0	350	1	353	3
Publich Health	261	264	3	266	2	267	1
Environmental Conservation	189	186	(3)	187	1	187	0
Children and Family Services	179	200	21	219	19	216	(3)
Legislature	165	168	3	172	4	175	3
Statewide Agency Operations Savings	(250)	(125)	125	0	125	0	0
All Other	1,682	1,629	(53)	1,639	10	1,651	12
Non-Personal Service	**4,335**	**4,500**	**165**	**4,707**	**207**	**4,821**	**114**
State University	1,693	1,687	(6)	1,740	53	1,795	55
Correctional Services	552	589	37	624	35	666	42
Judiciary	366	366	0	373	7	373	0
Publich Health	261	260	(1)	257	(3)	259	2
Mental Hygiene	217	243	26	293	50	302	9
Lottery	145	148	3	147	(1)	150	3
Children and Family Services	102	114	12	120	6	124	4
Tax and Finance	96	96	0	96	0	98	2
Debt Service	92	92	0	92	0	92	0
Insurance	82	87	5	87	0	87	0
Statewide Agency Operations Savings	(250)	(250)	0	(250)	0	(250)	0
All Other	979	1,068	89	1,128	60	1,125	(3)

Personal Service

Personal service spending includes wages and compensations for overtime, holiday and temporary services. It does not include fringe benefits that are accounted for under General State Charges. Personal service spending increases reflect the impact of settled labor contracts, salary adjustments for performance advances, longevity payments and promotions. Growth in personal service is affected by the expiration of enhanced FMAP, which temporarily reduced the State-share costs of operating the mental hygiene system.

Non-Personal Service

Non-personal service spending represents the costs of operations other than employee wages and benefits. It includes utilities, rent, equipment, supplies and materials, telecommunications, information technology, travel, training, medical supplies, prescription drugs, and certain contractual obligations. Spending is expected to grow by an average of 4 percent annually through 2013-14, and is concentrated in agencies with large operational facility-based budgets.

Significant cost increases are expected for food, prescription drugs, and energy costs in State facilities (including prisons, youth facilities, and mental hygiene facilities), costs reflected of developing the new Statewide Financial System and targeted initiatives, including increasing staff to youth ratios and improving mental health services for youth residing in State-operated juvenile justice facilities.

General State Charges

GSCs account for the costs of fringe benefits provided to State employee and retirees of the Executive, Legislative and Judicial branches, as well as for certain fixed costs. GSCs are projected to grow at an average annual rate of 8.3 percent from 2010-11 through 2013-14. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees.

The State's 2010-11 ERS pension contribution rate as a percentage of salary is expected to grow from 12.1 percent in 2010-11 to 23.5 percent in 2013-14. The Police and Fire Retirement System pension contribution rate is expected to be 18.3 percent in 2010-11, and is projected to grow to 31.4 percent by 2013-14. In addition to savings expected from the new tier of pension benefits enacted in December 2009, the Enacted Budget authorizes the State and local governments to amortize a portion of future costs. After these savings actions, pension costs grow from $1.6 billion in 2011-12 to $2.1 billion by 2013-14.

Spending for employee and retiree health insurance costs is expected to grow at a consistently high rate through 2013-14, with annual growth reflecting estimated annual premium increases of roughly 7 percent.

See discussion of the GASB Statement 45 later in this AIS for the valuation of future State health insurance costs for State employees.

Transfers to Other Funds (General Fund Basis)

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.

OUTYEAR DISBURSEMENT PROJECTIONS - GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)							
	2010-11	2011-12	Annual Change	2012-13	Annual Change	2013-14	Annual Change
Transfers to Other Funds:	**5,932**	**7,392**	**1,460**	**8,005**	**613**	**8,479**	**474**
Medicaid State Share	2,450	3,022	572	3,120	98	3,083	(37)
Debt Service	1,642	1,766	124	1,755	(11)	1,686	(69)
Capital Projects	1,096	1,368	272	1,524	156	1,687	163
Dedicated Highway and Bridge Trust Fund	699	804	105	910	106	1,001	91
All Other Capital	397	564	167	614	50	686	72
All Other Transfers	744	1,236	492	1,606	370	2,023	417
Mental Hygiene	49	534	485	884	350	1,287	403
Medicaid Payments for State Facility Patients	216	216	0	216	0	216	0
Judiciary Funds	153	156	3	157	1	163	6
Banking Services	66	66	0	66	0	66	0
Indigent Legal Services	40	40	0	40	0	40	0
SUNY- Hospital Operations	33	0	(33)	0	0	0	0
Department of Transportation (MTA Tax)	24	25	1	25	0	25	0
Alcoholic Beverage Control	19	20	1	18	(2)	18	0
Mass Transportation Operating Assistance	19	19	0	19	0	19	0
Public Trans Systems	19	19	0	19	0	19	0
Correctional Industries	14	14	0	14	0	14	0
DCJS - Crimes Against Revenues Account	10	16	6	16	0	16	0
Statewide Financial System	9	45	36	55	10	60	5
All Other	73	66	(7)	77	11	80	3

Increases in all other transfers reflect the need to supplement resources available for the mental hygiene system and fund the development of the State's new financial management system.

Dedicated Highway and Bridge Trust Fund

A significant portion of the capital and operating expenses of DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds. The subsidy is projected at $804 million for 2011-12, $910 million for 2012-13, and $1.0 billion in 2013-14, with continued growth thereafter.

2010-11 All Funds Financial Plan Forecast

This section describes the State's Financial Plan projections for receipts and disbursements based on the 2010-11 Enacted Budget. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The Updated Financial Plan spending projections summarize the annual growth in current-services spending and the impact of the 2010-11 Enacted Budget on the State's major areas of spending. Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, State Operating Funds, Capital Projects Funds, and Federal Operating Funds, thus providing the most comprehensive view of the financial operations of the State.

2010-11 Receipts Forecast

Financial Plan receipts comprise a variety of taxes, fees, 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.

Overview of the Revenue Situation

- The unsteady recovery of the national and New York State economies is expected to translate into receipts growth for the first time in two years. DOB anticipates that the wage growth that began early in 2010 coupled with positive corporate earnings and a projected rebound in employment later in the year should lead to positive receipts growth in 2010-11.

- After five consecutive years of growth averaging 9.5 percent per year, base receipts slipped by 3 percent in 2008-09 and plunged another 12.3 percent in 2009-10, as the result of the recession which began in 2008.

- The nascent recovery is expected to result in base receipts growth of 2.2 percent in 2010-11 and further improvement in 2011-12 after employment growth returns in earnest. The 2007-08 base receipts All Funds tax receipts peak is not expected to be reached again until 2011-12.

- The return of corporate profits in general, and the financial sector profits so vital to New York's economy in particular, are expected to result in both increases in finance and insurance sector bonuses and stepped up business tax receipts growth in 2010-11 and 2011-12.

- The forecast assumes a shift in taxable capital gains realizations from tax year 2011 into tax year 2010 (resulting in increased 2010-11 receipts) as a result of the expected sunset of preferential Federal tax rates on capital gains on December 31, 2010. If Federal action results in complete or partial continuation of lower rates for all or a portion of taxpayers, these gains will be realized over the long run, not in 2010-11.

- Absent the impact of high income provisions enacted in 2009 and 2010, estimated PIT liability plunged 16.6 percent in 2009 and is projected to increase 11.8 in 2010. The 2009 fall was the result of the continuing overall impact of the recession, and in particular, the impact on the real estate and financial sectors. The high growth rate in 2010 is due, in part, to the expected movement of wages and capital gains realizations from 2011 or later into 2010 to take advantage of expiring lower Federal tax rates. Positive wage and income growth that began in early 2010 and the employment growth anticipated to follow later in the year will also play a role.

- After a vigorous retreat during 2008-09 and 2009-10, consumer spending on taxable goods and services should improve somewhat during 2010-11, driven by increasing disposable income, employment, and a pickup in vehicle sales after a long drought. Despite this improvement, the pre-recession sales tax collections peak will not be reached until 2011-12.

- The bulk of the $4.1 billion (7.2 percent) increase in All Funds tax receipts from 2009-10 to 2010-11 is the result of the full-year impact of the 2009 and 2010 high income personal income tax provisions ($2.1 billion) and other actions taken in the 2010-11 Enacted Budget ($1.3 billion).

All Funds receipts are projected to total $134.3 billion, an increase of $7.5 billion over 2009-10 results. The table below summarizes the receipts projections for 2010-11 and 2011-12.

TOTAL RECEIPTS (millions of dollars)	2009-10 Results	2010-11 Estimated	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**52,556**	**54,676**	**2,120**	**4.0%**	**57,807**	**3,131**	**5.7%**
Taxes	36,997	39,931	2,934	7.9%	42,564	2,633	6.6%
Miscellaneous Receipts	3,888	2,897	(991)	-25.5%	2,859	(38)	-1.3%
Federal Grants	71	60	(11)	-15.5%	60	0	0.0%
Transfers	11,600	11,788	188	1.6%	12,324	536	4.5%
State Funds	**81,141**	**84,783**	**3,642**	**4.5%**	**88,784**	**4,001**	**4.7%**
Taxes	57,668	61,796	4,128	7.2%	65,573	3,777	6.1%
Miscellaneous Receipts	23,389	22,870	(519)	-2.2%	23,091	221	1.0%
Federal Grants	84	117	33	39.3%	120	3	2.6%
All Funds	**126,748**	**134,296**	**7,548**	**6.0%**	**133,706**	**(590)**	**-0.4%**
Taxes	57,668	61,796	4,128	7.2%	65,573	3,777	6.1%
Miscellaneous Receipts	23,557	23,014	(543)	-2.3%	23,229	215	0.9%
Federal Grants	45,523	49,486	3,963	8.7%	44,904	(4,582)	-9.3%

Base growth in tax receipts of 2.2 percent is estimated for fiscal year 2010-11, after adjusting for law changes, and should improve further in 2011-12. These projected increases in overall base growth in tax receipts are dependent on many factors:

- Anticipated improvements in overall economic activity, especially in New York City and surrounding counties;
- Improving profitability and compensation gains among financial services companies;
- Continued 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)

	2009-10 Results	2010-11 Enacted	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund[1]	**22,654**	**24,373**	**1,719**	**7.6%**	**26,265**	**1,892**	**7.8%**
Gross Collections	41,393	45,086	3,693	8.9%	47,329	2,243	5.0%
Refunds/Offsets	(6,642)	(8,189)	(1,547)	23.3%	(7,752)	437	-5.3%
STAR	(3,409)	(3,299)	110	-3.2%	(3,417)	(118)	3.6%
RBTF	(8,688)	(9,225)	(537)	6.2%	(9,895)	(670)	7.3%
State/All Funds	**34,751**	**36,897**	**2,146**	**6.2%**	**39,577**	**2,680**	**7.3%**
Gross Collections	41,393	45,086	3,693	8.9%	47,329	2,243	5.0%
Refunds	(6,642)	(8,189)	(1,547)	23.3%	(7,752)	437	-5.3%

[1] Excludes Transfers.

All Funds PIT receipts, which reflect gross payments minus refunds, are estimated at $36.9 billion for 2010-11, a $2.1 billion or 6.2 percent increase from the prior year. This is primarily attributable to increases in withholding of $1.9 billion and current estimated payments of $1.3 billion. These increases are due to the gradual improvement in the economy and full-year compliance with the temporary rate increase enacted in 2009. The growth in the estimated tax is also partly driven by an expected "spin up" in capital gain realizations in 2010 in anticipation of higher Federal capital gains tax rates after tax year 2010. Receipts from delinquencies are projected to increase $61 million (5.5 percent) over the prior year and final returns are projected to increase by $151 million (8.3 percent). The increase in gross receipts is partially offset by higher refunds of $1.5 billion. This increase reflects the shift of $500 million in tax year 2009 refunds from the first calendar quarter of 2010 to April 2010 for cash management purposes, plus a one-time decline in 2009-10 refunds associated with an accounting adjustment to the State-city offset. Prior year refunds received in 2010-11 for tax year 2009, which increased by $516 million to $5,502 million as a result of the recent economic downturn, also contributed to higher refunds. The following table summarizes, by component, actual receipts for 2009-10 and forecast amounts through 2013-14.

User Taxes and Fees

USER TAXES AND FEES
(millions of dollars)

	2009-10 Results	2010-11 Enacted	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund[1,2]	**8,087**	**8,810**	**723**	**8.9%**	**8,975**	**165**	**1.9%**
Sales Tax	7,405	8,083	678	9.2%	8,220	137	1.7%
Cigarette and Tobacco Taxes	456	499	43	9.4%	522	23	4.6%
Alcoholic Beverage Taxes	226	228	2	0.9%	233	5	2.2%
State/All Funds	**12,852**	**14,285**	**1,433**	**11.2%**	**14,567**	**282**	**2.0%**
Sales Tax	10,529	11,475	946	9.0%	11,685	210	1.8%
Cigarette and Tobacco Taxes	1,364	1,765	401	29.4%	1,821	56	3.2%
Motor Fuel	507	503	(4)	-0.8%	505	2	0.4%
Highway Use Tax	137	134	(3)	-2.2%	140	6	4.5%
Alcoholic Beverage Taxes	226	228	2	0.9%	233	5	2.2%
Taxicab Surcharge	13	85	72	553.8%	85	0	0.0%
Auto Rental Tax	76	95	19	25.0%	98	3	3.2%

[1] Excludes Transfers.

[2] Receipts from motor vehicle fees and alcohol beverage control license fees are now reflected under miscellaneous receipts.

All Funds user taxes and fees receipts for 2010-11 are estimated to be approximately $14.3 billion, an increase of $1.4 billion or 11.2 percent from 2009-10. Sales tax receipts are expected to increase by $946 million from the prior year due to a base growth increase of 6.7 percent. Due to law changes, sales tax receipts are estimated to increase by $366 million. The vast majority of the revenue ($330 million) will come from the elimination of the clothing and footwear tax exemption in 2010-11. Non-sales tax user taxes and fees are estimated to increase by $487 million from 2009-10, mainly due to an increase in the cigarette tax by $1.60 and the full enactment of the taxicab surcharge.

General Fund user taxes and fees receipts are expected to total $8.8 billion in 2010-11, an increase of $723 million or 8.9 percent from 2009-10. The increase largely reflects an increase in sales tax receipts ($678 million) and cigarette tax collections ($43 million).

All Funds user taxes and fees receipts for 2011-12 are projected to be $14.6 billion, an increase of $282 million, or 2.0 percent from 2010-11. This increase largely reflects cigarette tax law changes. General Fund user taxes and fees receipts are projected to total $9.0 billion in 2011-12, an increase of $165 million, or 1.9 percent from 2010-11.

Business Taxes

BUSINESS TAXES
(millions of dollars)

	2009-10 Results	2010-11 Enacted	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**5,371**	**5,714**	**343**	**6.4%**	**6,335**	**621**	**10.9%**
Corporate Franchise Tax	2,145	2,886	741	34.5%	3,172	286	9.9%
Corporation & Utilities Tax	722	685	(37)	-5.1%	743	58	8.5%
Insurance Tax	1,331	1,278	(53)	-4.0%	1,335	57	4.5%
Bank Tax	1,173	865	(308)	-26.3%	1,085	220	25.4%
State/All Funds	**7,459**	**7,692**	**233**	**3.1%**	**8,414**	**722**	**9.4%**
Corporate Franchise Tax	2,511	3,307	796	31.7%	3,624	317	9.6%
Corporation & Utilities Tax	954	902	(52)	-5.5%	966	64	7.1%
Insurance Tax	1,491	1,410	(81)	-5.4%	1,470	60	4.3%
Bank Tax	1,399	1,023	(376)	-26.9%	1,269	246	24.0%
Petroleum Business Tax	1,104	1,050	(54)	-4.9%	1,085	35	3.3%

All Funds business tax receipts for 2010-11 are estimated at $7.7 billion, an increase of $233 million, or 3.1 percent from the prior year. The estimates reflect an increase of $109 million resulting from tax law changes. The deferral of certain tax credits ($100 million) and conforming the State bank tax's bad debt provisions to the Federal provisions ($15 million) are the major tax law changes. Absent these provisions, All Funds business tax receipts are expected to increase by $124 million or 1.7 percent.

The annual increase in the corporate franchise tax of $796 million is partially offset by year-to-year decreases in the other business taxes. U.S. corporate profits are expected to increase 24.5 percent in calendar year 2010, contributing to growth of 27.9 percent in year-over-year corporate franchise tax receipts, adjusted for tax law changes. Corporation and utilities and insurance tax receipts are expected to decline modestly as trend liability growth rates in these relatively stable taxes do not surpass the acceleration of cash payments on 2010 liability into the 2009-10 fiscal year that resulted from the increase in the mandatory pre-payment from 30 percent to 40 percent.

All Funds business tax receipts for 2011-12 of $8.4 billion are projected to increase $722 million, or 9.4 percent over the prior year reflecting rebound-induced growth rates of 9.6 percent and 24.0 percent in corporate franchise tax and bank tax receipts, respectively. Fiscal Year 2011-12 receipts include $423 million in tax law changes, virtually all attributable to the tax credit deferral provisions included in the Enacted Budget. Growth adjusted for tax law changes is estimated to be 5.4 percent.

General Fund business tax receipts for 2010-11 of $5.7 billion are estimated to increase by $343 million, or 6.4 percent above 2009-10 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

General Fund business tax receipts for 2011-12 of $6.3 billion are projected to increase $621 million, or 10.9 percent from the prior year. Corporate franchise tax and bank tax receipts are projected to increase 9.9 percent and 25.4 percent, respectively, as the income-based taxes continue to recover.

Other Taxes

OTHER TAXES
(millions of dollars)

	2009-10 Results	2010-11 Enacted	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund[1]	**885**	**1,034**	**149**	**16.8%**	**989**	**(45)**	**-4.4%**
Estate Tax	864	1,015	151	17.5%	970	(45)	-4.4%
Gift Tax	2	0	(2)	-100.0%	0	0	0.0%
Real Property Gains Tax	(1)	0	1	-100.0%	0	0	0.0%
Pari-Mutuel Taxes	19	18	(1)	-5.3%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**1,378**	**1,554**	**176**	**12.8%**	**1,570**	**16**	**1.0%**
Estate Tax	864	1,015	151	17.5%	970	(45)	-4.4%
Gift Tax	2	0	(2)	-100.0%	0	0	0.0%
Real Property Gains Tax	(1)	0	1	-100.0%	0	0	0.0%
Real Estate Transfer Tax	493	520	27	5.5%	581	61	11.7%
Pari-Mutuel Taxes	19	18	(1)	-5.3%	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 2010-11 are estimated to be approximately $1.6 billion, up $176 million or 12.8 percent from 2009-10 receipts, reflecting growth of 5.5 percent in the real estate transfer tax receipts and 17.5 percent in the estate tax as a result of improved conditions in the equities, real estate and credit markets, combined with strong year-to-date payments from the settlement of large estates.

General Fund other tax receipts are expected to be slightly over $1.0 billion in fiscal year 2010-11, an increase of $149 million or 16.8 percent from 2009-10, due to the growth in the estate tax, partially offset by a 5.3 percent decline in the pari-mutuel tax due to the impact of reduced handle.

All Funds other tax receipts for 2011-12 are projected to be nearly $1.6 billion, up $16 million or 1.0 percent from 2010-11, reflecting modest growth in the real estate transfer tax, partially offset by a decline in estate tax receipts. General Fund other tax receipts are expected to total $989 million in fiscal year 2011-12, the result of a decrease of $45 million in estate tax receipts as increases in household net worth are more than offset by a return to a more normal level of settlements of large estates.

Miscellaneous Receipts and Federal Grants

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)	2009-10 Results	2010-11 Enacted	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**3,959**	**2,957**	**(1,002)**	**-25.3%**	**2,919**	**(38)**	**-1.3%**
Miscellaneous Receipts[1]	3,888	2,897	(991)	-25.5%	2,859	(38)	-1.3%
Federal Grants	71	60	(11)	-15.5%	60	0	0.0%
State Funds	**23,473**	**22,987**	**(486)**	**-2.1%**	**23,211**	**224**	**1.0%**
Miscellaneous Receipts[1]	23,389	22,870	(519)	-2.2%	23,091	221	1.0%
Federal Grants	84	117	33	39.3%	120	3	2.6%
All Funds	**69,080**	**72,500**	**3,420**	**5.0%**	**68,133**	**(4,367)**	**-6.0%**
Miscellaneous Receipts[1]	23,557	23,014	(543)	-2.3%	23,229	215	0.9%
Federal Grants	45,523	49,486	3,963	8.7%	44,904	(4,582)	-9.3%

[1] Includes receipts from motor vehicle fees and alcohol beverage control license fees, previously reflected as "user taxes and fees."

All Funds miscellaneous receipts include monies received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total $23 billion in 2010-11, a decrease of $543 million from 2009-10 results, largely reflecting the impact of non-recurring and accelerated receipts to the State during 2009-10. Sources of receipts during 2009-10, which will not recur or will recur in lesser amounts, include 18-A public utility assessments ($653 million), New York Power Authority contributions ($158 million), Regional Greenhouse Gas Initiative proceeds ($90 million), and Battery Park City Authority resources ($68 million). The total annual decline in miscellaneous receipts also reflects lower bond proceeds available for mental hygiene facility capital improvement ($101 million), lower HCRA receipts ($123 million) and lower receipts from refunds, credits and reimbursements ($101 million). These annual declines were partly offset by growth in other areas, primarily to SUNY revenue growth from expansions at the three SUNY teaching hospitals, enrollment growth, and greater bond proceeds available for SUNY capital projects ($530 million), and increased lottery fund receipts ($380 million) which reflect the one-time receipt of the franchise fee for rights to develop a VLT facility at Aqueduct.

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing is often unpredictable. All Funds Federal grants are projected to total $49.5 billion in 2010-11, an increase of $4.0 billion from 2009-10 results driven by receipt of Federal ARRA monies.

General Fund miscellaneous receipts collections are estimated to be nearly $3.0 billion, down just over $1.0 billion from 2009-10 results. This decrease is primarily due to the loss of a one-time payment from the Power for Jobs Program received in 2009-10 and the timing of an 18-A assessment payment.

All Funds miscellaneous receipts are projected to total $23.2 billion in 2011-12, an increase of $215 million from the current year, largely driven by growth in HCRA receipts ($296 million), growth in bond proceeds generated for mental hygiene facility capital improvements ($151 million) and growth in SUNY income from tuition, fees, patient revenues and other income ($88 million). The projected annual growth in these sources of miscellaneous receipts is partly offset by the non-recurrence of revenues received during 2010-11 for the VLT franchise fee payment ($380 million).

All Funds Federal grants are projected to total $44.9 billion in 2011-12, a decrease of $4.6 billion from the current year, reflecting a decrease in Federal ARRA funding.

General Fund miscellaneous receipts for 2011-12 are projected to decline by $38 million from the current year, and primarily reflect the loss of certain one-time sweeps and payments expected in 2010-11. These reductions are partially offset by an upward revision to abandoned property receipts.

Enacted Budget Revenue Actions

To preserve essential services while closing an $8.2 billion budget gap for the 2010-11 fiscal year, the Enacted Budget and separately enacted legislation authorize a number of revenue actions.

On a General Fund basis, actions in the Enacted Budget and separately enacted legislation will together increase tax or other revenue by a total of $937 million ($1.4 billion All Funds) in 2010-11.

Increased Taxes or Fee Liability

(General Fund: $562 million, All Funds: $835.1 million in 2010-11)

- **Tax Actions.** The Enacted Budget contains seven tax actions that will produce $747 million in 2010-11 All Funds revenue.

- **Loophole Closing Actions.** The Enacted Budget contains five actions that close loopholes and ensure that tax burdens are fairly distributed. These actions are expected to produce $44.0 million in additional revenue on an All Funds basis in the 2010-11 fiscal year.

- **New or Increased Fees.** The Enacted Budget contains new and increased legal fees as well as waste fees. These fees are expected to produce $44.1 million in revenue on an All Funds basis in the 2010-11 fiscal year.

Other Actions

(General Fund: $395 million, All Funds: $560 million in 2010-11)

- **Tax Enforcement Actions.** The Enacted Budget contains four actions that will improve tax audit and compliance activities. These actions are expected to produce $372 million in additional tax revenue on an All Funds basis in the 2010-11 fiscal year. A significant portion ($150 million) of this revenue will be generated by cigarette tax enforcement on sales by Native American tribes to non-tribal members.

- **Other Revenue Actions.** The Enacted Budget contains five other revenue actions, including expanding Quick Draw and video lottery terminal operations, and changing dormancy periods for certain types of abandoned property among other actions. These five actions are expected to produce $152 million in revenue on a General Fund basis and $202 million on an All Funds basis in the 2010-11 fiscal year.

- **New or Expanded Tax Credits/Exemptions.** The Enacted Budget contains five new or expanded tax credits at a cost of $15 million on an All Funds basis in the 2010-11 fiscal year.

- **Technical Corrections and Extenders.** The Enacted Budget contains two extenders that will maintain both the pari-mutuel tax and major provisions of the bank tax, and temporary GLB provisions and five technical corrections that will amend previously enacted items. These five actions preserve current revenue or tax benefits.

- **New or Expanded Fines.** The Enacted Budget contains two fines that help protect the State's wetlands and mineral resources. These fines are expected to produce $1 million in revenue on an All Funds basis during the 2010-11 fiscal year.

Tax Actions

ENACTED BUDGET REVENUE ACTIONS/AGREEMENT
(millions of dollars)

	2010-11		2011-12	
	General Fund	**All Funds**	**General Fund**	**All Funds**
TAX ACTIONS				
Temporarily Reduce Sales Tax Clothing Exemption	330.0	330.0	210.0	210.0
Itemized Deduction Limitation	100.0	100.0	135.0	135.0
Other Tobacco Products Increase	30.0	30.0	48.0	48.0
Repeal Vendor Credit for Monthly Filers	17.0	17.0	23.0	23.0
Apply Sales Tax to Hotel Reseller Markup	10.0	10.0	20.0	20.0
Cigarette Tax Increase	-	260.0	-	272.0
Add Back Federal Sales Tax Deduction	-	-	20.0	20.0
TOTAL TAX AND ASSESSMENT ACTIONS	**487.0**	**747.0**	**456.0**	**728.0**

- Temporarily Reduce Sales Tax Clothing Exemption. Eliminates State sales and compensating use tax exemptions for clothing and footwear sold for less than $110 per item for the period October 1, 2010 through March 31, 2011; exempts clothing and footwear sold for less than $55 per item for the period April 1, 2011 through March 31, 2012; and restores the original exemption of $110 on April 1, 2012.

- Itemized Deduction Limitation. Decreases the percentage of allowable remaining itemized deductions from 50 percent to 25 percent for taxpayers with New York adjusted gross income of $10 million or more for tax years 2010 through 2012.

- Other Tobacco Products Increase. Increases the tobacco products tax to 75 percent of the wholesale price from 46 percent; increases the tax on snuff to $2.00 per ounce from $0.96 per ounce; and creates a new category under the tobacco products tax imposing a tax on "little cigars" at a rate equivalent to the cigarette tax rate.

- Repeal Vendor Credit for Monthly Filers. Repeals the vendor credit for monthly sales tax filers. Quarterly and annual filers will continue to receive the credit.

- Apply Sales Tax to Hotel Reseller Markup. Clarifies that room remarketers are required to collect sales and New York City occupancy taxes.

- Increase Cigarette Excise Tax by $1.60 per Pack. Increases the State cigarette excise tax from $2.75 per pack to $4.35 per pack.

- Add Back Federal Sales Tax Deduction. Requires itemizing taxpayers who elect to deduct sales tax instead of income tax for Federal purposes to reduce their New York itemized deductions by the amount of sales tax deducted for Federal purposes.

Loophole Closing Actions

LOOPHOLE CLOSING ACTIONS (millions of dollars)	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
S Corp Gains and Installment Inc. as Taxable for Non-Res.	29.0	29.0	14.0	14.0
Conform to Federal Bad Debt Provisions	15.0	15.0	15.0	15.0
Define Flow-Through Entities as Taxpayers for Certain Credits	-	-	12.0	12.0
Treat Compensation for Past Service as Taxable for Non-Res.	-	-	25.0	29.0
Make REITs/RICs Loophole Closer Permanent	-	-	-	-
TOTAL LOOPHOLE CLOSING ACTIONS	**44.0**	**44.0**	**66.0**	**70.0**

- **Treat S Corp Gains and Installment Income as Taxable for Non-Residents.** Eliminates three related tax loopholes that allow non-residents to avoid taxation by converting underlying S Corporation assets to stock or receiving installment income after termination of S Corporation nexus to New York. Previously, gains on stock and such installment income were considered intangible income and were therefore not subject to tax for non-residents.

- **Conform to Federal Bad Debt Provisions.** Conforms the State bank tax deduction for bad debts to the calculations provided for in the Internal Revenue Code for Federal tax purposes.

- **Define Flow-Through Entities as Taxpayers for QETC and Biofuel Credit Claims.** Eliminates the ability of individual shareholders in flow-through entities (i.e. partnerships, LLCs, and S Corporations) to each claim up to the statutory cap for a taxpayer when claiming the Biofuel and QETC facilities, operations and training credits. The cap will apply to the entity, just as it does for C Corporations.

- **Treat Compensation for Past Services as Taxable for Non-Residents.** Eliminates a tax loophole that permitted a non-resident to receive income – without paying New York taxes – for past services (e.g. termination pay) conducted during a period when their employer had a New York nexus. Such income had been nontaxable.

- **Make REITs/RICs Loophole Closer Permanent.** Makes permanent the provisions that address the closely-held Real Estate Investment trusts and Regulated Investment Companies loophole, which would have otherwise expired on December 31, 2010.

New or Increased Fees

NEW OR INCREASED FEES (millions of dollars)				
	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Increased Legal Fees	31.0	41.0	42.0	56.0
Hazardous Waste Fees	-	2.1	-	2.1
E-Waste Fee	-	1.0	-	0.5
TOTAL NEW OR INCREASED FEES	**31.0**	**44.1**	**42.0**	**58.6**

- **Legal Fees.** Establishes new and increased fees to fund civil legal services, indigent defense, and costs of court operations. A new $95 fee will be paid by plaintiffs (banks and credit card companies) in consumer credit cases. A new $500 "credentialing" fee will be paid by persons who sit for the bar examination and were educated outside the country. A new $190 fee will be charged at the time the index fee is paid in a foreclosure action. The criminal history search fee, which is paid when the Office of Court Administration performs background checks, will be raised from $55 to $65. The biennial bar registration fee will be raised from $350 to $375.

- **Hazardous Waste Fees.** Amends Environmental Conservation Law to consolidate two separate sliding-scale fees paid by hazardous waste generators into a single fee of $130 per ton.

- **E-Waste Fee.** Establishes a statewide electronic equipment reuse and recycling program. It will require manufacturers to accept for recycling or reuse electronic waste for which it is the manufacturer from consumers in the State and accept one piece of electronic waste if offered by a consumer, with the purchase of a piece of equipment of the same type beginning April 1, 2011. It will establish registration requirements for manufacturers of covered electronic equipment sold in the State, and require each manufacturer of covered electronic equipment to register with DEC by January 1, 2011, and pay a $5,000 registration fee; and require any person who becomes a manufacturer after January 1, 2011, to register with DEC before selling or offering for sale covered electronic equipment in the State.

Tax Enforcement Actions

ENFORCEMENT ACTIONS (millions of dollars)				
	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Improve Audit and Compliance	221.0	221.0	221.0	221.0
Native American Tax Enforcement	36.0	150.0	48.0	200.0
Require Informational Returns for Credit and Debit Cards	-	-	-	-
False Claims Act	1.0	1.0	2.0	2.0
TOTAL ENFORCEMENT ACTIONS	**258.0**	**372.0**	**271.0**	**423.0**

- **Improve Audit and Compliance.** The Commissioner of Taxation and Finance will increase compliance staff and re-direct department resources to generate $221 million in additional annual revenue.

- **Native American Tax Enforcement.** Requires all cigarettes sold to Native American nations or tribes and reservation cigarette sellers to bear a tax stamp and allows the governing body of a Native American nation or tribe two options for tax-exempt sales to its tribal members.

- Require **Informational Returns for Credit and Debit Cards.** Mirrors Federal requirements by requiring certain financial institutions to also file information returns with the State annually regarding amounts of credit/debit card settlements and third-party network transactions.

- **False Claims Act.** Removes the exemption for tax fraud from the State False Claims Act, allowing citizens to bring legal action against tax cheats and share in the proceeds of the case if the action is successful.

Other Revenue Actions

OTHER REVENUE ACTIONS (millions of dollars)	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Tax Credit Deferral	100.0	100.0	970.0	970.0
Change Abandoned Property Dormancy Periods	35.0	35.0	45.0	45.0
Repeal Private Label Credit Card Law	17.0	17.0	23.0	23.0
VLT Provisions	-	30.0	-	55.0
Quick Draw Provisions	-	20.0	-	31.0
TOTAL OTHER REVENUE ACTIONS	**152.0**	**202.0**	**1,038.0**	**1,124.0**

- **Tax Credit Deferral.** Allows $2 million in aggregate credit at the taxpayer level for tax years 2010, 2011, and 2012. The total amount of credits deferred under this proposal will be paid back to taxpayers over tax years 2013, 2014, and 2015. This provision affects personal income and corporate income taxpayers. The credits impacted are business-related credits. Personal income tax credits such as the child credit and EITC are excluded.

- **Change Abandoned Property Dormancy Periods.** Reduces the dormancy period for receipts from unclaimed goods from five to three years and non-bank money orders seven to five years.

- **Repeal Private Label Credit Card Law.** Repeals Tax Law §1132(e-1), which allowed private label credit card lenders, as well as vendors who use private label credit card lenders to finance their credit card sales, to claim a sales tax credit or refund on accounts financed by or assigned to the lender that are written or charged off as uncollectible.

- **Extend VLT Hours of Operation.** Increases the authorized hours of operation of VLTs from sixteen to 20 hours a day but no later than 4 AM, reduces the commission rate paid to vendor tracks by one percent, and eliminates the sunset of the VLT program.

- **Quick Draw Hours and Sunset.** Eliminates the restriction on the number of hours that the Division of the Lottery can operate the Quick Draw lottery game and makes the Lottery's authorization to operate the game permanent.

New or Expanded Tax Credits

NEW OR EXPANDED TAX CREDITS/EXEMPTIONS (millions of dollars)				
	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Narrow Affiliate Nexus Provisions	(5.0)	(5.0)	(5.0)	(5.0)
Expand the Low-Income Housing Tax Credit Program	(4.0)	(4.0)	(4.0)	(4.0)
Historic Properties Tax Credits	(3.0)	(3.0)	(5.0)	(5.0)
Livery Vehicle Sales Tax Exemption	(3.0)	(3.0)	(3.0)	(3.0)
Extend and Expand Film Tax Credit	-	-	-	-
Excelsior Jobs Program	-	-	-	-
TOTAL NEW OR EXPANDED TAX CREDITS/EXEMPTIONS	(15.0)	(15.0)	(17.0)	(17.0)

- **Narrow Affiliate Nexus Provision.** The affiliate nexus provision contained within the 2009-10 Enacted Budget is amended by narrowing the definition of a sales tax vendor by providing that certain in-State activities of an affiliate do not make the seller a vendor.

- **Expand the Low-Income Housing Tax Credit Program.** The Commissioner of the Division of Housing and Community Renewal is authorized to allocate an additional $4 million in aggregate credit awards to taxpayers that develop qualifying housing projects for low-income New Yorkers. Credits are given in equal installments for a ten-year period. As such, the total amount of credits that will be awarded from this new authorization will be $40 million.

- **Historic Properties Tax Credits.** Allows banks and insurance companies to claim the nonresidential tax credit and sunsets the higher residential and non-residential caps enacted in 2009 on December 31, 2014.

- **Livery Vehicle Sales Tax Exemption.** This provision exempts transportation delivered by livery vehicles that both originates and terminates in New York City from the State and New York City sales taxes.

- **Extend and Expand Film Tax Credit.** Provides an additional film tax credit allocation of $420 million per year for tax years 2010 through 2014, $7 million of which is dedicated to a new post-production credit. This measure also imposes various reforms to enhance the State's return on investment. They include requirements that the recipient: conduct at least 10 percent of shooting days at a qualified facility; include an end-credit acknowledging financial support from New York State or provide a New York promotional video as part of the film or DVD release in the secondary market; ensure only purchases of taxable property and services from registered sales tax vendors are eligible in the credit calculation; ensure at least 75 percent of post-production costs are incurred in New York in order to be considered a qualified cost.

- **Create Excelsior Jobs Program.** Establishes a new economic development program to provide incentives based on job creation, investment, and research and development expenditures in New York State. The new program maximizes the return on State investment by capping both total program and individual project costs, allowing only targeted industries to participate, and requiring substantial job and investment thresholds to be met and maintained prior to any project claiming benefits.

Technical Corrections and Extenders

These provisions have no fiscal impact over the Financial Plan period.

- **Extend Major Provisions of the Bank Tax and Temporary GLB Provisions.** Extends for one year bank tax reform provisions from 1985 and 1987, as well as provisions that were intended to temporarily address regulatory changes from the Federal Gramm-Leach-Bliley Act.

- **Extend the Pari-Mutuel Tax.** Extends lower Pari-Mutuel tax rates for one year. Also extends by one year the rules governing the simulcasting of out-of-state races and the authorization for account wagering.

- **Make Technical Corrections to the 2009-10 Enacted Budget Empire Zones Program Changes.** Clarifies that the Legislature intended to decertify certain businesses retroactively to the 2008 tax year, clarifies reporting provisions, and allows qualified investment projects to claim the investment tax credit and employee incentive tax credit after June 30, 2010.

- **Make Technical Corrections to the 2009-10 Enforcement Provisions.** Restores nonfiling as a class E felony, changes mail response requirements for taxpayer reconciliation conferences, corrects typographical error (changes "article one" to "one article"), defines contribution of aircraft from a nonresident to new subsidiary as a retail sale (and therefore taxable), and restores requirement that IDAs file a report when they appoint an agent to manage a project.

- **Amend the Tax on Medallion Taxicab Trip.** Amends the tax on medallion taxicab rides in MCTD by requiring the medallion owner to collect and remit the 50 cent per ride tax.

- **Real Estate Investment Trusts Technical Amendments.** Clarifies that certain publicly traded REITs with fractional ownership shares in non-related United States REITs are not subject to provisions relating to "closely-held" REITs that were enacted in 2008-09.

- **Estate Tax Unified Credit Technical Amendment.** Preserves the $1 million State unified credit for 2010 despite the expiration of the Federal estate tax.

New or Increased Fines

NEW OR INCREASED FINES
(millions of dollars)

	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Freshwater Wetlands Fines	-	0.7	-	0.7
Mineral Resources Fines	-	0.3	-	0.3
TOTAL NEW OR INCREASED FINES	-	**1.0**	-	**1.0**

- **Freshwater Wetlands Fines.** Makes modest increases in fines and penalties, both civil and criminal, for violations of law applicable to wetlands.

- **Mineral Resources Fines.** Makes modest increases in fines and penalties, both civil and criminal, for violations of law applicable to mineral resources.

2010-11 Financial Plan Disbursements Forecast

The table below displays estimated annual spending growth from 2009-10 to 2010-11, on an adjusted basis. DOB has made adjustments to the actual and planned disbursements to account for the impact of (a) paying the $2.06 billion end-of-year school aid payment scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute and (b) the timing of $2.0 billion in Federal ARRA "pass through" spending expected in 2009-10. The latter has no impact on the State's efforts to balance the budget but instead represents Federal stimulus money that must pass through the State's Financial Plan. Approximately $2 billion in pass-through funding, that was expected to be disbursed in 2009-10, is now expected to be disbursed in future years. See Financial Plan tables for 2009-10 actual results and 2010-11 estimates.

TOTAL DISBURSEMENTS - ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH (millions of dollars)

	2009-10 Adjusted	2010-11 Base	Before Actions: Annual $ Change	Before Actions: Annual % Change	2010-11 Adjusted	After Actions: Annual $ Change	After Actions: Annual % Change
State Operating Funds	**78,934**	**85,413**	**6,479**	**8.2%**	**78,998**	**64**	**0.1%**
General Fund (Excludes Transfers)	48,475	54,094	5,619	11.6%	47,601	(874)	-1.8%
Other State Funds	25,447	25,612	165	0.6%	25,789	342	1.3%
Debt Service Funds	5,012	5,707	695	13.9%	5,608	596	11.9%
All Funds	**130,937**	**139,720**	**8,783**	**6.7%**	**133,827**	**2,890**	**2.2%**
State Operating Funds	78,934	85,413	6,479	8.2%	78,998	64	0.1%
Capital Projects Funds	7,112	8,568	1,456	20.5%	8,454	1,342	18.9%
Federal Operating Funds	44,891	45,739	848	1.9%	46,375	1,484	3.3%
General Fund, including Transfers	**54,262**	**60,152**	**5,890**	**10.9%**	**53,533**	**(729)**	**-1.3%**
State Funds	**84,094**	**91,617**	**7,523**	**8.9%**	**85,073**	**979**	**1.2%**

Adjusted State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total $79.0 billion in 2010-11. Adjusted All Funds spending, which includes capital spending and Federal aid in addition to State Operating Funds, is projected to total $133.8 billion in 2010-11. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agency) 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.

ADJUSTED STATE OPERATING FUNDS [1] SPENDING PROJECTIONS
MAJOR SOURCES OF ANNUAL CHANGE
(millions of dollars)

	2009-10	2010-11	Change
Major Functions (Annual Change)			
Health Care:			
Medicaid	11,479	11,675	196
Public Health	2,404	2,523	119
K-12 Education:			
School Aid (State Fiscal Year)	20,374	19,942	(432)
All Other Education Aid	1,693	1,663	(30)
STAR	3,414	3,300	(114)
Higher Education	8,447	8,092	(355)
Social Services:			
Temporary and Disability Assistance	1,360	1,222	(138)
Children and Family Services	2,006	2,148	142
Mental Hygiene	4,360	4,537	177
Transportation	3,941	4,433	492
General State Charges [2]	3,594	4,128	534
Debt Service	4,961	5,516	555
All Other (Annual Change)			
Local Government Aid	1,080	791	(289)
Department of Insurance	658	463	(195)
Statewide Agency Operating Reductions [3]	0	(500)	(500)
All Other	9,163	9,065	(65)
Total Adjusted State Operating Funds Spending	**78,934**	**78,998**	**97**

[1] Includes General Fund, State Special Revenue and Debt Service Funds.

[2] General Fund only. Fringe benefits are allocated to agency budgets outside of the General Fund.

[3] Reductions will be allocated by agency in the Mid-Year Financial Plan, following approval of early retirement and other savings plans.

Selected Program Measures and Assumptions

Projected current-services disbursements are based on 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, projected economic conditions, and changes in Federal law. All projections account for the timing of payments, since not all of the amounts appropriated in the Budget are disbursed in the same fiscal year. Selected assumptions used 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

	Results	Forecast			
	2009-10	2010-11	2011-12	2012-13	2013-14
Medicaid					
Medicaid Coverage	4,115,363	4,538,817	4,580,270	4,265,869	3,910,295
Family Health Plus Coverage	386,629	388,643	396,816	404,988	413,161
Child Health Plus Coverage	387,292	397,178	406,778	416,378	425,978
Medicaid Inflation	1.7%	0.9%	3.3%	3.1%	3.2%
Medicaid Utilization	2.5%	1.4%	4.9%	4.5%	4.7%
State Takeover of County/NYC Costs ($000)	$1,677	$2,039	$2,524	$3,006	$3,527
- Family Health Plus	$374	$405	$436	$467	$475
- Medicaid	$1,303	$1,634	$2,088	$2,539	$3,052
Education					
School Aid (School Year) ($000)	$21,687	$20,557	$23,520	$25,700	$28,110
K-12 Enrollment	2,730,000	2,730,000	2,730,000	2,730,000	2,730,000
Public Higher Education Enrollment (FTEs)	567,725	586,385	591,101	585,068	589,675
Tuition Assistance Program Recipients	318,455	322,632	323,632	324,132	324,132
Welfare					
Family Assistance Caseload	386,603	397,263	409,253	417,387	423,733
Single Adult/No Children Caseload	154,401	159,037	165,182	170,765	177,045
Mental Hygiene					
Total: Mental Hygiene Community Beds	82,629	85,334	87,106	89,295	91,328
- OMH Community Beds	34,262	35,780	36,610	37,889	38,952
- OPWDD Community Beds	35,859	36,840	37,747	38,521	39,357
- OASAS Community Beds	12,508	12,714	12,749	12,885	13,019
Prison Population (Corrections)	58,600	57,600	57,000	56,800	56,800

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS	Results	Forecast			
	2009-10	2010-11	2011-12	2012-13	2013-14
Negotiated Salary Increases [1]	3.0%	4.0%	TBD	TBD	TBD
State Workforce [2]	131,741	128,165	128,749	TBD	TBD
ERS Pension Contribution Rate:[3]					
Before Amortization	7.5%	12.1%	16.1%	20.3%	23.5%
After Amortization	7.5%	9.5%	10.5%	11.5%	12.5%
PFRS Pension Contribution Rate:					
Before Amortization	15.3%	18.3%	23.4%	27.7%	31.4%
After Amortization	15.3%	17.5%	18.5%	19.5%	20.5%
Employee/Retiree Health Insurance Growth Rates	4.8%	4.6%	9.3%	9.2%	9.2%
PS/Fringe as % of Receipts (All Funds Basis)	14.8%	14.2%	15.0%	15.6%	15.4%

[1] Reflects current collective bargaining agreements with settled unions. The Governor withheld Management/Confidential salary increases in 2009-10 and 2010-11. Does not reflect potential impact of negotiated workforce savings.

[2] Subject to Executive Control.

[3] As Percent of Salary.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING DEBT	Results	Forecast			
	2009-10	2010-11	2011-12	2012-13	2013-14
State Debt					
Debt Outstanding	$54,694	$56,877	$58,413	$58,751	$58,487
Debt Issuances	6,082	5,365	5,368	4,372	3,899
Debt Capacity under Debt Outstanding Cap	6,663	4,547	2,460	2,343	2,769
Debt Service as % of Receipts	4.4%	4.5%	5.0%	5.2%	5.1%
Interest on Variable Rate Debt	2.5%	2.3%	3.3%	3.4%	3.7%
Interest on Fixed Rate 30-Year Bonds	4.9%	5.3%	6.3%	6.3%	6.3%

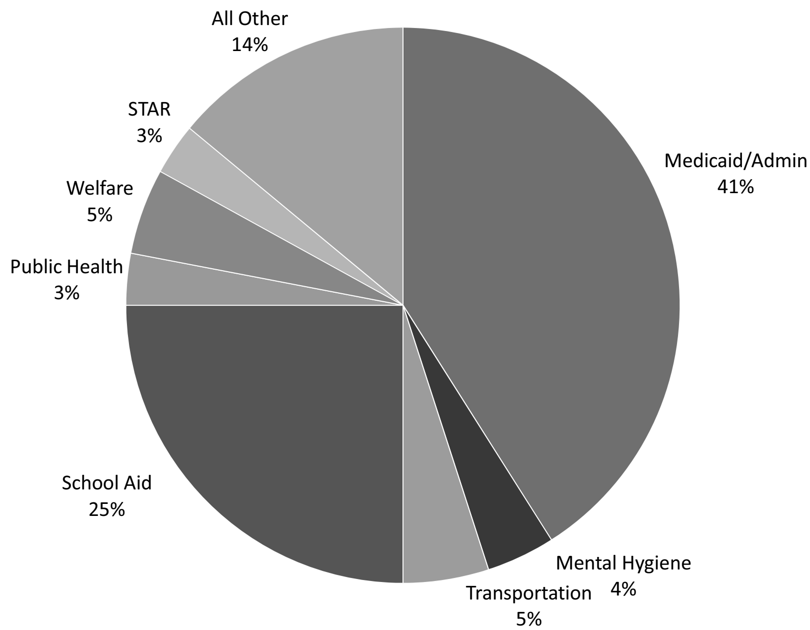
The spending forecast for each of the State's Financial Plan categories follows.

Grants to Local Governments

Grants to Local Governments (Local Assistance) include payments to local governments, school districts, health care providers, and other local entities, as well as certain financial assistance to, or on behalf of, individuals, families, and nonprofit organizations. Local Assistance comprises 72 percent of All Funds spending.

In 2010-11, adjusted All Funds spending for local assistance is proposed to total $95.6 billion. Total spending is comprised of State aid to medical assistance providers and public health programs ($42.4 billion); State aid for education, including school districts, universities, and tuition assistance ($33.2 billion); temporary and disability assistance ($4.7 billion); mental hygiene programs ($4.0 billion); transportation ($5.1 billion); children and family services ($3.0 billion); and local government assistance ($791 million). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.

2010-11 All Funds Local Assistance Spending
$95.6 Billion



LOCAL ASSISTANCE SPENDING PROJECTIONS (ADJUSTED)
(millions of dollars)

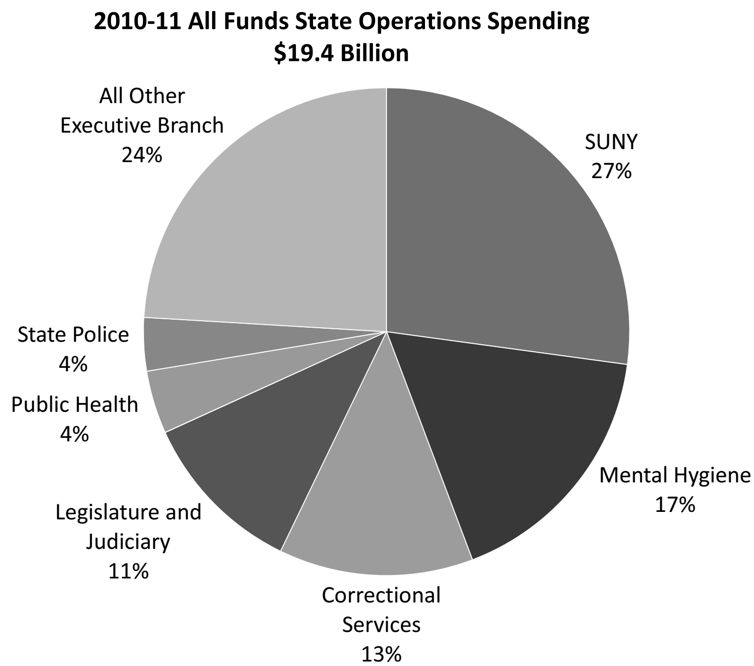
	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	**36,294**	**35,448**	**(846)**	**-2.3%**
Other State Support	17,644	18,185	**541**	**3.1%**
State Operating Funds	**53,938**	**53,633**	**(305)**	**-0.6%**
Capital Projects Funds	1,440	1,292	**(148)**	**-10.3%**
Federal Operating Funds	37,750	40,699	**2,949**	**7.8%**
All Funds	**93,128**	**95,624**	**2,496**	**2.7%**

The table below highlights enacted local assistance annual spending changes from 2009-10 to 2010-11 by major program and/or agency.

LOCAL ASSISTANCE SPENDING PROJECTIONS (ADJUSTED)
MAJOR SOURCES OF ANNUAL CHANGE
(millions of dollars)

	General Fund	State Operating Funds	All Funds
2009-10 Results	**36,294**	**53,938**	**93,128**
School Aid	(699)	(432)	609
Medicaid (including Admin)	280	171	1,204
Transportation	36	480	642
Other Education Aid	(23)	(23)	600
Local Government Assistance	(289)	(289)	(289)
City University	(305)	(305)	(285)
Mental Hygiene	82	277	237
Insurance	(57)	(201)	(201)
Children and Families	116	116	191
Temporary and Disability Assistance	(151)	(151)	(181)
STAR	0	(114)	(114)
Public Health	98	82	(58)
All Other	66	84	141
2010-11 Enacted	**35,448**	**53,633**	**95,624**
Annual Dollar Change	(846)	(305)	2,496
Annual Percent Change	-2.3%	-0.6%	2.7%

State Operations



State Operations spending is for personal service and non-personal service costs. Personal service costs, which account for approximately two-thirds of State Operations spending, include salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. The cost of fringe benefits (e.g., pensions, health insurance) for active and retired employees is accounted for separately in GSCs. Non-personal service costs, which account for the remaining one-third of State Operations, represent other operating costs of 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.

State Operations spending, which is projected to total $19.4 billion in 2010-11, finances the costs of Executive agencies ($17.2 billion) and the Legislature and Judiciary ($2.1 billion). The largest agencies in dollar terms and staffing levels include SUNY ($5.2 billion; 41,815 FTEs), Mental Hygiene ($3.3 billion; 39,036 FTEs), Correctional Services ($2.5 billion; 30,366 FTEs), DOH ($809 million; 5,476 FTEs), and State Police ($683 million; 5,530 FTEs).

Approximately 94 percent of the State workforce is unionized. The largest unions include CSEA, which primarily represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which primarily represents professional and technical personnel (e.g., attorneys, nurses, accountants, engineers, social workers, and institution teachers); UUP, which represents faculty and non-teaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

The State workforce subject to Executive Control, which excludes the Legislature, Judiciary, Comptroller's Office, Law, SUNY, CUNY, SUNY Construction Fund, Roswell Park, State Insurance Fund, and the Foundation for Science, Technology, and Innovation, is projected to total 128,165 FTEs in 2010-11, a decrease of 3,576 from the actual 2009-10 levels. Statewide decreases are expected due to the retirement incentive program; individual agencies are further reducing workforce as follows: Transportation (353 FTEs) from attritions and reducing maintenance and snow/ice control workforce; State Police (174 FTEs) primarily due to attritions of civilians and troopers; Environmental Conservation as the result of hard hiring freeze and attritions (169 FTEs); and State Education attributable to attritions (61 FTEs). These decreases are offset by the increases in Tax and Finance (359 FTEs) due to the initiative of hiring more auditors to augment the State auditing and fraud reduction efforts and Mental

Hygiene (347 FTEs) primarily from increased staff needs as the result of the Deinstitutionalization Plan and related bed development.

STATE OPERATIONS SPENDING PROJECTIONS
(millions of dollars)

	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	**5,571**	**5,868**	**297**	**5.3%**
Other State Support	9,819	8,774	(1,045)	-10.6%
State Operating Funds	**15,390**	**14,642**	**(748)**	**-4.9%**
Capital Projects Funds	0	0	0	N/A
Federal Operating Funds	4,042	4,544	502	12.4%
Total All Funds	**19,432**	**19,186**	**(246)**	**-1.3%**

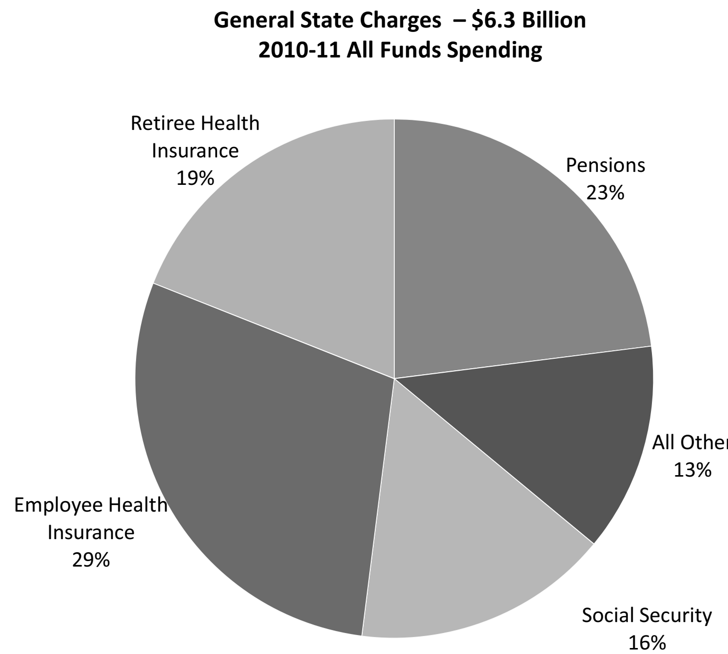
All Funds State Operations spending by category, based upon historical spending trends, is allocated among employee regular salaries (66 percent), overtime payments (2 percent), contractual services (21 percent), supplies and materials (5 percent), equipment (2 percent), employee travel (1 percent), and other operational costs (3 percent).

STATE OPERATIONS SPENDING PROJECTIONS
MAJOR SOURCES OF ANNUAL CHANGE - STATE OPERATING FUNDS
(millions of dollars)

	Personal Service	Non-Personal Service	State Operations
2009-10 Results	**10,874**	**4,516**	**15,390**
Retroactive Salary Payments	(298)	0	(298)
Statewide Agency State Operations Savings	(250)	(250)	(500)
All Other	(19)	69	50
2010-11 Enacted	**10,307**	**4,335**	**14,642**
Annual Dollar Change	(567)	(181)	(748)
Annual Percent Change	-5.2%	-4.0%	-4.9%

The State Operating Funds spending decrease of $748 million (4.9 percent) is primarily driven by planned statewide reductions in agency operations through the use of an early retirement incentive, continuing hiring controls, abolition of vacant positions; efficiency from shared service and consolidation arrangements; contingency controls on non-personal spending; one-time retroactive salary payments associated with the NYSCOPBA, PBA, BCI and Council 82 contracts that were paid in 2009-10 ($320 million); workforce and reductions in mental hygiene ($114 million); potential spending for potential collective bargaining agreements with unsettled unions ($229 million) continues to be included in the spending forecast.

General State Charges



GSCs account for the costs of fringe benefits provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. 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 and unemployment insurance. Fixed costs include State taxes paid to local governments for certain State-owned lands and payments related to lawsuits against the State and its public officers.

For most agencies, employee fringe benefit costs are paid centrally from appropriations made to GSCs. These centrally-paid fringe benefit costs represent the majority of GSCs spending. However, certain agencies, such as the Judiciary and SUNY, directly pay all or a portion of their employees' fringe benefit costs from their respective budgets. Employee fringe benefits paid through GSCs are paid from the General Fund in the first instance and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. Fixed costs are paid in full by General Fund revenues from GSCs.

GENERAL STATE CHARGES SPENDING PROJECTIONS
(millions of dollars)

	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	3,594	4,128	534	14.9%
Other State Support	1,040	1,077	37	3.6%
State Operating Funds	**4,634**	**5,205**	**571**	**12.3%**
Capital Projects Funds	0	0	0	0.0%
Federal Operating Funds	1,099	1,132	33	3.0%
Total All Funds	**5,733**	**6,337**	**604**	**10.5%**

All Funds spending on GSCs is expected to total $6.3 billion in 2010-11, and includes health insurance spending for employees ($1.8 billion) and retirees ($1.2 billion), pensions ($1.5 billion) and Social Security ($1 billion). The annual changes are described in more detail below.

Current-Services

GENERAL STATE CHARGES
SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2009-10 TO 2010-11
(millions of dollars)

	General Fund	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2009-10 Results	**3,594**	**1,040**	**4,634**	**0**	**1,099**	**5,733**
Current Services:	**835**	**37**	**872**	**0**	**24**	**896**
Employee and Retiree Health Insurance	385	0	385	0	0	385
Pension Contribution	552	0	552	0	0	552
Employer Social Security	29	0	29	0	0	29
Workers' Compensation	16	0	16	0	0	16
Fringe Benefit Escrow Payments	(83)	0	(83)	0	24	(59)
Taxes on State Owned Land	(15)	0	(15)	0	0	(15)
All Other	(49)	37	(12)	0	0	(12)
Enacted Savings:	**(301)**	**0**	**(301)**	**0**	**9**	**(292)**
Amortize Pension Costs	(242)	0	(242)	0	0	(242)
Option to Self Insure NYSHIP	(15)	0	(15)	0	0	(15)
Medicare Part B Cost Sharing	(30)	0	(30)	0	0	(30)
Other	(14)	0	(14)	0	9	(5)
2010-11 Enacted	**4,128**	**1,077**	**5,205**	**0**	**1,132**	**6,337**
Annual Change	534	37	571	0	33	604

Employee and Retiree Health Insurance: Spending for employee and retiree health insurance is projected to increase by $385 million due to increase in premium charges.

Pension Contribution: As a result of the recent economic downturn and investment losses in 2008-09, pension costs in 2010-11 and beyond are expected to increase significantly. To mitigate long-term pension cost increases, legislation was enacted to create a new pension tier (Tier 5). Among other things, it requires newly hired employees to contribute 3 percent of their salary to the pension system for the duration of their employment. Previously this requirement was only in place for an employee's first ten years of service. More importantly, it raises the minimum age to retire without penalty to 62. New employees will also be required to work for ten years before becoming eligible to receive pension benefits upon retirement.

Employer Social Security: The employer contribution is expected to increase by $29 million in 2010-11, largely due to salary increases.

Workers' Compensation: The increase in expected spending is based on updated workers' compensation claims and utilization experience.

Fringe Benefit Escrow Payments: This reflects an anticipated increase in collections as a result of an increase in the fringe benefit rate.

Taxes on State Owned Lands: This decrease is caused by timing adjustments that artificially inflated 2009-10 costs.

All Other: Primarily attributable to the Judiciary's contribution to the Judicial Supplemental Support Fund, along with decreases for litigation, including judgments against the State.

2010-11 Enacted Savings

Amortize State Pension Costs: Local governments and the State face substantial pension contribution increases over the next six years due to investment losses experienced by the Common Retirement Fund. The budget affords local governments and the State the option to amortize a portion of their pension costs beginning in 2010-11. Specifically, pension contribution costs in excess of the amortization thresholds, which are 9.5 percent for ERS and 17.5 percent for PFRS, may be amortized. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease by no more than one percentage point for each year. Repayment of the amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. For planning purposes, the Financial Plan assumes that the State will authorize pension costs consistent with the provisions of the authorizing legislation. In addition, employees and retirees are now required to pay a portion of Medicare Part B premiums and the State is authorized to self-insure all or parts of the New York State Health Insurance Plan.

Option to Self Insure NYSHIP: Savings generated by the State to self insure all or parts of NYSHIP. The elimination of insurance carrier risk charges, State and local taxes, and insurance assessments would produce savings for NYSHIP.

Medicare Part B Premiums: The state currently pays 100 percent of the Medicare Part B premium for employees and retirees. Savings would be generated by requiring employees and retirees to pay 10 percent of Medicare Part B premiums for individual coverage and 25 percent for dependent coverage. Currently, the monthly Medicare Part B base level premium is $96.

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 TA, 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)

	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	**1,844**	**1,642**	**(202)**	**-11.0%**
Other State Support	3,117	3,874	757	24.3%
State Operating Funds	**4,961**	**5,516**	**555**	**11.2%**
Total All Funds	**4,961**	**5,516**	**555**	**11.2%**

All Funds debt service is projected at $5.5 billion in 2010-11, of which $1.6 billion is paid from the General Fund through transfers and $3.9 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.

DEBT SERVICE
SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2009-10 TO 2010-11
(millions of dollars)

	General Fund	Other State Funds	Total State Operating Funds	Capital Projects Funds	Total All Funds
2009-10 Results	**1,844**	**3,117**	**4,961**	**0**	**4,961**
Current Services:	(153)	769	616	0	616
Savings:	(49)	(12)	(61)	0	(61)
2010-11 Proposed	**1,642**	**3,874**	**5,516**	**0**	**5,516**
Annual Change	(202)	757	555	0	555

Current-Services

Growth in debt service primarily supports ongoing capital spending. The increased spending reflects additional bond issues to support ongoing capital commitments for transportation ($377 million), economic development and housing ($196 million), and other program areas ($139 million). The annual increase for transportation debt service includes the impact of a 2005 restructuring of Dedicated Highway and Bridge bonds, which provided short-term relief for program needs, with higher annual debt service costs thereafter, beginning in 2010-11. In addition, a $96 million decrease in education-related debt service reflects the prepayment of $155 million of certain debt service in 2009-10. Variable interest rates are projected at 2.3 percent for 2010-11.

2010-11 Savings

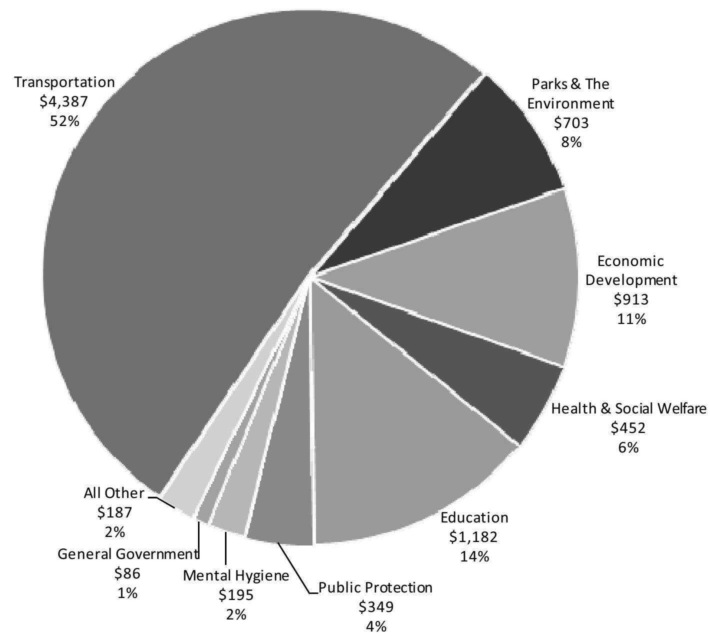
The 2010-11 Enacted Budget includes $100 million in additional debt service savings, of which approximately $40 million has been realized to date. Debt management actions may include, but are not limited to: maximizing refunding opportunities, including through consolidated service contract refundings; the continued use of Build America Bonds; further efficiencies from PIT issuer flexibility; and selling a minimum 25 percent of bonds on a competitive basis, market conditions permitting.

Capital Projects

The following section briefly summarizes activity in Capital Projects Funds. A complete explanation of the State's capital programs is contained in the "Five-Year Capital Program and Financing Plan."

Capital projects account for spending across all functional areas to finance costs related to the acquisition, construction, repair or renovation of fixed assets. Spending from appropriations made from over 30 capital projects funds is financed from four sources: annual State taxes or dedicated miscellaneous receipts, grants from the Federal government, the proceeds of notes or bonds issued pursuant to general obligation bond acts which are approved by the State voters, and the proceeds of notes or bonds issued by public authorities pursuant to legal authorization for State capital spending.

2010-11 All Funds Capital Spending by Function (millions of dollars)



CAPITAL PROJECTS SPENDING PROJECTIONS (millions of dollars)				
	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	**565**	**1,096**	**530**	**93.8%**
Other State Support	4,595	4,980	385	8.4%
State Funds	**5,160**	**6,075**	**915**	**17.7%**
Federal Funds	1,952	2,379	428	21.9%
All Funds	**7,112**	**8,455**	**1,343**	**18.9%**

All Funds capital spending is projected at $8.4 billion in 2010-11. Transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (52 percent) of this total. The balance of projected spending will support capital investments in the areas of education (14 percent), economic development (11 percent), parks and environment (8 percent), and mental hygiene and public protection (6 percent). The remainder of projected capital projects spending is spread across health and social welfare, general government and other areas (8 percent).

2010-11 Recommended Savings

The Capital Reduction Program included in the 2010-11 Enacted Budget will result in savings of $1.6 billion over five years. This initiative maintains investments in infrastructure while deferring or eliminating lower-priority projects. Savings in 2010-11 are projected to total $119 million.

Other Financing Sources/(Uses)

Every year, the State authorizes the transfer of resources among funds and accounts.

The most significant General Fund transfers to other funds in 2010-11 are for the State share of Medicaid ($2.5 billion), general debt service ($1.6 billion), and capital projects ($1.1 billion, including $392 million for PAYGO projects and a $699 million subsidy to the DHBTF). Judiciary funding includes moneys transferred to the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data Processing Fund ($153 million). General Fund transfers to other funds payments for patients residing in State-operated health, mental hygiene and SUNY facilities ($216 million), SUNY hospital subsidy payments ($33 million), and supplemental resources for banking ($66 million).

In Special Revenue Funds, transfers to other funds are made to the Debt Service Funds representing the Federal share of Medicaid payments for patients residing in State-operated health and mental hygiene facilities and community homes, and patients at SUNY hospitals ($3.9 billion), a transfer from HCRA to the Capital Projects Fund to finance anticipated non-bondable spending for HEAL NY ($197 million) and transfer of moneys from several Special Revenue accounts in excess of spending requirements ($1.5 billion).

Capital Projects funds transfers are also made to the General Debt Service Fund from the DHBTF ($1.4 billion), and from the Hazardous Waste Remedial Fund ($27 million) to the General Fund.

Debt Service Fund transfers to the General Fund include tax receipts in excess of debt service requirements for general obligation, LGAC and PIT revenue bonds ($10.4 billion). Transfers to Special Revenue Funds represent receipts in excess of lease/purchase obligations that are used to finance a portion of the operating expenses for DOH, mental hygiene, and SUNY ($4.2 billion).

2010-11 Operating Results Through July 2010

GENERAL FUND PRELIMINARY RESULTS: APRIL THROUGH JULY 2010 (millions of dollars)	Preliminary Results	Increase/ (Decrease) from Prior Year
Opening Balance (April 1, 2010)	**2,302**	**354**
Receipts	**16,110**	**362**
Personal Income Tax*	10,119	230
User Taxes and Fees*	3,615	219
Business Taxes	1,057	(218)
Other Taxes*	571	229
Non-Tax Revenue	748	(98)
Disbursements	**17,822**	**1,138**
School Aid	6,973	1,678
Medicaid (including admin)	2,903	783
All Other Education	72	(322)
Children and Family Services	105	(303)
All Other Local	2,065	(638)
Personal Service	2,267	(64)
Non-Personal Service	573	(139)
General State Charges	750	(129)
Transfers To Other Funds	2,114	272
Change in Operations	**(1,712)**	**(776)**
Closing Balance (July 31, 2010)	**590**	**(422)**

* Includes transfers from other funds after debt service.
Source: DOB.

Through July 2010, General Fund receipts, including transfer from other funds, were $362 million or 2.3 percent higher than the same period in 2009. Net tax collections are higher by $460 million. Non-tax revenue was lower primarily due to the timing of transfers from other funds as a result of the delay in enacting the 2010-11 budget.

Through July 2010, General Fund disbursements, including transfers to other funds, were $1.1 billion, or 6.7 percent higher than the 2009 period. The payment in June 2010 of $2.1 billion in school aid planned for March 2010 accounted for the increase. Excluding the impact of this cash management action, local assistance spending through July 2010 was down by over $1 billion. Higher Medicaid spending results from a decline in HCRA offsets and an additional weekly cycle for this period in 2010-11. This growth was offset by lower authorized spending in Higher Education, Special Education, Children and Family Services, and non-personal service during the period when interim appropriations were in place.

All Funds

PRELIMINARY SPENDING RESULTS: APRIL THROUGH JULY 2010 (millions of dollars)	Preliminary Results	Increase/ (Decrease) from Prior Year
State Operating Funds	**22,751**	**211**
General Fund (excl. transfers)	15,708	867
Other State Funds	5,944	(693)
Debt Service Funds	1,099	37
All Governmental Funds	**39,415**	**1,727**
State Operating Funds	22,751	211
Capital Projects Funds	2,154	29
Federal Operating Funds	14,510	1,487
Source: DOB.		

State Operating Funds spending was $22.8 billion, or $211 million higher than the same period last year. Besides the General Fund spending variances described above, decreased Other State Funds spending is primarily attributable to timing related changes in HCRA programs and lower STAR spending on New York City resident personal income tax relief.

The Federal Operating spending increases over the prior year are concentrated in Medicaid and education driven by Federal ARRA spending.

CASH FINANCIAL PLAN
GENERAL FUND
2009-2010 and 2010-2011
(millions of dollars)

	2009-2010 Year-End	2010-2011 Enacted	Annual $ Change	Annual % Change
Opening fund balance	1,948	2,302	354	18.2%
Receipts:				
Taxes:				
Personal income tax	22,655	24,373	1,718	7.6%
User taxes and fees	8,086	8,810	724	9.0%
Business taxes	5,371	5,714	343	6.4%
Other taxes	885	1,034	149	16.8%
Miscellaneous receipts	3,888	2,897	(991)	-25.5%
Federal grants	71	60	(11)	-15.5%
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,641	7,795	154	2.0%
Sales tax in excess of LGAC debt service	2,123	2,318	195	9.2%
Real estate taxes in excess of CW/CA debt service	182	285	103	56.6%
All other transfers	1,654	1,390	(264)	-16.0%
Total receipts	52,556	54,676	2,120	4.0%
Disbursements:				
Grants to local governments	34,234	37,508	3,274	9.6%
State operations:				
Personal service	6,610	6,285	(325)	-4.9%
Non-personal service	1,977	1,740	(237)	-12.0%
General State charges	3,594	4,128	534	14.9%
Transfers to other funds:				
Debt service	1,844	1,642	(202)	-11.0%
Capital projects	565	1,096	531	94.0%
State Share Medicaid	2,401	2,450	49	2.0%
Other purposes	977	744	(233)	-23.8%
Total disbursements	52,202	55,593	3,391	6.5%
Change in fund balance	354	(917)	(1,271)	-359.0%
Closing fund balance	2,302	1,385	(917)	-39.8%
Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	96	85	(11)	
Reserved for Debt Reduction	73	73	0	
Reserve for Fiscal Uncertainties	906	0	(906)	

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2010-2011 through 2013-2014
(millions of dollars)

	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Receipts:				
Taxes:				
Personal income tax	24,373	26,265	26,106	27,581
User taxes and fees	8,810	8,975	9,255	9,687
Business taxes	5,714	6,335	6,674	6,977
Other taxes	1,034	989	1,029	1,084
Miscellaneous receipts	2,897	2,859	2,824	2,772
Federal grants	60	60	60	60
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,795	8,227	8,061	8,504
Sales tax in excess of LGAC debt service	2,318	2,343	2,439	2,590
Real estate taxes in excess of CW/CA debt service	285	354	464	539
All other transfers	1,390	1,400	1,137	1,146
Total receipts	54,676	57,807	58,049	60,940
Disbursements:				
Grants to local governments	37,508	45,557	50,003	53,950
State operations:				
Personal service	6,285	6,692	6,891	6,904
Non-personal service	1,740	1,909	1,995	2,115
General State charges	4,128	4,482	4,687	5,080
Transfers to other funds:				
Debt service	1,642	1,766	1,755	1,686
Capital projects	1,096	1,368	1,524	1,687
State Share Medicaid	2,450	3,022	3,120	3,083
Other purposes	744	1,236	1,606	2,023
Total disbursements	55,593	66,032	71,581	76,528
Deposit to/(use of) Community Projects Fund	(11)	(48)	(71)	(25)
Deposit to/(use of) Reserve for Fiscal Uncertainties	(906)	0	0	0
HCRA Operating Surplus/(Gap)	0	0	0	0
Cash Surplus/(Gap)	0	(8,177)	(13,461)	(15,563)

Source: NYS DOB

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
2010-2011 THROUGH 2013-2014
(millions of dollars)

	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Taxes:				
Withholdings	31,301	32,302	32,756	34,835
Estimated Payments	10,651	11,525	11,478	11,810
Final Payments	1,973	2,303	2,106	2,154
Other Payments	1,161	1,199	1,239	1,316
Gross Collections	45,086	47,329	47,579	50,115
State/City Offset	(298)	(298)	(298)	(298)
Refunds	(7,891)	(7,454)	(7,694)	(8,012)
Reported Tax Collections	36,897	39,577	39,587	41,805
STAR (dedicated deposits)	(3,299)	(3,417)	(3,584)	(3,772)
RBTF (dedicated transfers)	(9,225)	(9,895)	(9,897)	(10,452)
Personal income tax	24,373	26,265	26,106	27,581
Sales and use tax	10,775	10,960	11,336	11,916
Cigarette and tobacco taxes	499	522	515	508
Motor fuel tax	0	0	0	0
Alcoholic beverage control license fees	228	233	238	242
Highw ay Use tax	0	0	0	0
Auto rental tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and fees	11,502	11,715	12,089	12,666
LGAC Sales Tax (dedicated transfers)	(2,692)	(2,740)	(2,834)	(2,979)
User Taxes and fees	8,810	8,975	9,255	9,687
Corporation franchise tax	2,886	3,172	3,334	3,488
Corporation and utilities tax	685	743	766	790
Insurance taxes	1,278	1,335	1,393	1,454
Bank tax	865	1,085	1,181	1,245
Petroleum business tax	0	0	0	0
Business taxes	5,714	6,335	6,674	6,977
Estate tax	1,015	970	1,010	1,065
Real estate transfer tax	520	581	686	754
Gift tax	0	0	0	0
Real property gains tax	0	0	0	0
Pari-mutuel taxes	18	18	18	18
Other taxes	1	1	1	1
Gross Other taxes	1,554	1,570	1,715	1,838
Real estate transfer tax (dedicated)	(520)	(581)	(686)	(754)
Other taxes	1,034	989	1,029	1,084
Payroll tax	0	0	0	0
Total Taxes	39,931	42,564	43,064	45,329
Licenses, fees, etc.	667	587	583	569
Abandoned property	650	645	610	600
Motor vehicle fees	42	54	31	(41)
ABC License Fee	46	49	51	50
Reimbursements	222	222	222	222
Investment income	20	20	40	60
Other transactions	1,250	1,282	1,287	1,312
Miscellaneous receipts	2,897	2,859	2,824	2,772
Federal grants	60	60	60	60
Total	42,888	45,483	45,948	48,161

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2010-2011
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,302	1,957	410	4,669
Receipts:				
Taxes	39,931	8,233	12,320	60,484
Miscellaneous receipts	2,897	15,033	790	18,720
Federal grants	60	1	50	111
Total receipts	42,888	23,267	13,160	79,315
Disbursements:				
Grants to local governments	37,508	18,185	0	55,693
State operations:				
Personal service	6,285	4,022	0	10,307
Non-personal service	1,740	2,503	92	4,335
General State charges	4,128	1,077	0	5,205
Debt service	0	0	5,516	5,516
Capital projects	0	2	0	2
Total disbursements	49,661	25,789	5,608	81,058
Other financing sources (uses):				
Transfers from other funds	11,788	3,923	7,050	22,761
Transfers to other funds	(5,932)	(1,542)	(14,624)	(22,098)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,856	2,381	(7,574)	663
Change in fund balance	(917)	(141)	(22)	(1,080)
Closing fund balance	1,385	1,816	388	3,589

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2011-2012
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	1,816	388	2,204
Receipts:				
Taxes	42,564	8,569	13,098	64,231
Miscellaneous receipts	2,859	15,039	809	18,707
Federal grants	60	1	54	115
Total receipts	45,483	23,609	13,961	83,053
Disbursements:				
Grants to local governments	45,557	18,332	0	63,889
State operations:				
Personal service	6,692	4,505	0	11,197
Non-personal service	1,909	2,499	92	4,500
General State charges	4,482	1,277	0	5,759
Debt service	0	0	6,035	6,035
Capital projects	0	2	0	2
Total disbursements	58,640	26,615	6,127	91,382
Other financing sources (uses):				
Transfers from other funds	12,324	4,633	6,734	23,691
Transfers to other funds	(7,392)	(1,540)	(14,584)	(23,516)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,932	3,093	(7,850)	175
Deposit to/(use of) Reserves	(48)	0	0	(48)
Change in fund balance	(8,177)	87	(16)	(8,106)
Closing fund balance	(8,177)	1,903	372	(5,902)

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2012-2013
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	1,903	372	2,275
Receipts:				
Taxes	43,064	8,926	13,321	65,311
Miscellaneous receipts	2,824	15,465	833	19,122
Federal grants	60	1	54	115
Total receipts	45,948	24,392	14,208	84,548
Disbursements:				
Grants to local governments	50,003	19,261	0	69,264
State operations:				
Personal service	6,891	4,597	0	11,488
Non-personal service	1,995	2,620	92	4,707
General State charges	4,687	1,458	0	6,145
Debt service	0	0	6,357	6,357
Capital projects	0	2	0	2
Total disbursements	63,576	27,938	6,449	97,963
Other financing sources (uses):				
Transfers from other funds	12,101	4,987	6,706	23,794
Transfers to other funds	(8,005)	(987)	(14,511)	(23,503)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,096	4,000	(7,805)	291
Deposit to/(use of) Reserves	(71)	0	0	(71)
Change in fund balance	(13,461)	454	(46)	(13,053)
Closing fund balance	(13,461)	2,357	326	(10,778)

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2013-2014
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	2,357	326	2,683
Receipts:				
Taxes	45,329	9,281	14,088	68,698
Miscellaneous receipts	2,772	15,741	855	19,368
Federal grants	60	1	54	115
Total receipts	48,161	25,023	14,997	88,181
Disbursements:				
Grants to local governments	53,950	19,911	0	73,861
State operations:				
Personal service	6,904	4,630	0	11,534
Non-personal service	2,115	2,614	92	4,821
General State charges	5,080	1,536	0	6,616
Debt service	0	0	6,503	6,503
Capital projects	0	2	0	2
Total disbursements	68,049	28,693	6,595	103,337
Other financing sources (uses):				
Transfers from other funds	12,779	5,176	6,634	24,589
Transfers to other funds	(8,479)	(923)	(15,087)	(24,489)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,300	4,253	(8,453)	100
Deposit to/(use of) Community Projects Fund	(25)	0	0	(25)
Change in fund balance	(15,563)	583	(51)	(15,031)
Closing fund balance	(15,563)	2,940	275	(12,348)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL FUNDS
2010-2011
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,302	2,400	(253)	410	4,859
Receipts:					
Taxes	39,931	8,233	1,312	12,320	61,796
Miscellaneous receipts	2,897	15,177	4,150	790	23,014
Federal grants	60	46,925	2,451	50	49,486
Total receipts	42,888	70,335	7,913	13,160	134,296
Disbursements:					
Grants to local governments	37,508	58,884	1,292	0	97,684
State operations:					
Personal service	6,285	6,762	0	0	13,047
Non-personal service	1,740	4,307	0	92	6,139
General State charges	4,128	2,209	0	0	6,337
Debt service	0	0	0	5,516	5,516
Capital projects	0	2	7,162	0	7,164
Total disbursements	49,661	72,164	8,454	5,608	135,887
Other financing sources (uses):					
Transfers from other funds	11,788	7,273	1,361	7,050	27,472
Transfers to other funds	(5,932)	(5,506)	(1,429)	(14,624)	(27,491)
Bond and note proceeds	0	0	578	0	578
Net other financing sources (uses	5,856	1,767	510	(7,574)	559
Change in fund balance	(917)	(62)	(31)	(22)	(1,032)
Closing fund balance	1,385	2,338	(284)	388	3,827

Source: NYS DOB

CASH FINANCIAL PLAN
ALL FUNDS
2011-2012
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	2,338	(284)	388	2,442
Receipts:					
Taxes	42,564	8,569	1,342	13,098	65,573
Miscellaneous receipts	2,859	15,177	4,384	809	23,229
Federal grants	60	42,483	2,307	54	44,904
Total receipts	45,483	66,229	8,033	13,961	133,706
Disbursements:					
Grants to local governments	45,557	55,293	1,463	0	102,313
State operations:					
Personal service	6,692	6,803	0	0	13,495
Non-personal service	1,909	4,084	0	92	6,085
General State charges	4,482	2,382	0	0	6,864
Debt service	0	0	0	6,035	6,035
Capital projects	0	2	7,452	0	7,454
Total disbursements	58,640	68,564	8,915	6,127	142,246
Other financing sources (uses):					
Transfers from other funds	12,324	7,788	1,823	6,734	28,669
Transfers to other funds	(7,392)	(5,227)	(1,471)	(14,584)	(28,674)
Bond and note proceeds	0	0	488	0	488
Net other financing sources (	4,932	2,561	840	(7,850)	483
Deposit to/(use of) Reserves	(48)	0	0	0	(48)
Change in fund balance	(8,177)	226	(42)	(16)	(8,009)
Closing fund balance	(8,177)	2,564	(326)	372	(5,567)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL FUNDS
2012-2013
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	2,564	(326)	372	2,610
Receipts:					
Taxes	43,064	8,926	1,353	13,321	66,664
Miscellaneous receipts	2,824	15,604	3,667	833	22,928
Federal grants	60	41,153	1,881	54	43,148
Total receipts	45,948	65,683	6,901	14,208	132,740
Disbursements:					
Grants to local governments	50,003	55,074	1,252	0	106,329
State operations:					
Personal service	6,891	6,847	0	0	13,738
Non-personal service	1,995	4,162	0	92	6,249
General State charges	4,687	2,658	0	0	7,345
Debt service	0	0	0	6,357	6,357
Capital projects	0	2	6,278	0	6,280
Total disbursements	63,576	68,743	7,530	6,449	146,298
Other financing sources (uses):					
Transfers from other funds	12,101	8,141	1,666	6,706	28,614
Transfers to other funds	(8,005)	(4,564)	(1,507)	(14,511)	(28,587)
Bond and note proceeds	0	0	425	0	425
Net other financing sources (uses)	4,096	3,577	584	(7,805)	452
Deposit to/(use of) Reserves	(71)	0	0	0	(71)
Change in fund balance	(13,461)	517	(45)	(46)	(13,035)
Closing fund balance	(13,461)	3,081	(371)	326	(10,425)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL FUNDS
2013-2014
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	3,081	(371)	326	3,036
Receipts:					
Taxes	45,329	9,281	1,356	14,088	70,054
Miscellaneous receipts	2,772	15,878	3,450	855	22,955
Federal grants	60	42,827	1,864	54	44,805
Total receipts	48,161	67,986	6,670	14,997	137,814
Disbursements:					
Grants to local governments	53,950	57,467	1,226	0	112,643
State operations:					
Personal service	6,904	6,883	0	0	13,787
Non-personal service	2,115	4,174	0	92	6,381
General State charges	5,080	2,819	0	0	7,899
Debt service	0	0	0	6,503	6,503
Capital projects	0	2	5,981	0	5,983
Total disbursements	68,049	71,345	7,207	6,595	153,196
Other financing sources (uses):					
Transfers from other funds	12,779	8,430	1,741	6,634	29,584
Transfers to other funds	(8,479)	(4,426)	(1,552)	(15,087)	(29,544)
Bond and note proceeds	0	0	341	0	341
Net other financing sources (uses)	4,300	4,004	530	(8,453)	381
Deposit to/(use of) Community Projects Fund	(25)	0	0	0	(25)
Change in fund balance	(15,563)	645	(7)	(51)	(14,976)
Closing fund balance	(15,563)	3,726	(378)	275	(11,940)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2010-2011
(dollars in millions)

	2010 April Acutals	May Actuals	June Actuals	July Actuals	August Projected	September Projected	October Projected	November Projected	December Projected	2011 January Projected	February Projected	March Projected	Total
OPENING BALANCE	2,302	4,274	1,648	(87)	590	(28)	2,476	1,888	1,442	1,197	6,220	6,851	2,302
RECEIPTS:													
Personal Income Tax	3,069	783	2,164	1,575	1,623	2,716	1,582	1,279	587	5,329	2,011	1,655	24,373
User Taxes and Fees	669	589	858	666	664	944	694	684	899	744	637	762	8,810
Business Taxes	60	2	915	80	102	1,153	104	95	1,297	65	115	1,726	5,714
Other Taxes	93	83	103	155	76	76	75	75	75	75	75	73	1,034
Total Taxes	3,891	1,457	4,040	2,476	2,465	4,889	2,455	2,133	2,858	6,213	2,838	4,216	39,931
Licenses, Fees, etc.	47	56	55	77	50	40	55	50	50	45	65	77	667
Abandoned Property	0	(4)	77	3	20	62	16	120	40	70	60	186	650
ABC License Fee	9	1	6	4	4	5	4	3	3	3	4	0	46
Motor vehicle fees	0	0	0	0	0	0	0	0	0	0	0	42	42
Reimbursements	7	13	35	13	13	33	10	11	36	6	11	34	222
Investment Income	1	0	0	1	(1)	4	(3)	5	1	2	4	6	20
Other Transactions	26	33	80	41	65	383	54	49	99	73	77	270	1,250
Total Miscellaneous Receipts	90	99	253	139	151	527	136	238	229	199	221	615	2,897
Federal Grants	1	13	0	0	0	14	0	0	14	0	(1)	19	60
PIT in Excess of Revenue Bond Debt Service	1,022	108	887	509	230	999	392	142	1,078	1,315	288	825	7,795
Sales Tax in Excess of LGAC Debt Service	180	100	350	202	299	226	209	203	270	224	3	52	2,318
Real Estate Taxes in Excess of CW/CA Debt Service	32	34	33	39	19	19	19	19	19	19	19	14	285
All Other	4	1	62	87	26	31	32	35	122	156	164	670	1,390
Total Transfers from Other Funds	1,238	243	1,332	837	574	1,275	652	399	1,489	1,714	474	1,561	11,788
TOTAL RECEIPTS	5,220	1,812	5,625	3,452	3,190	6,705	3,243	2,770	4,590	8,126	3,532	6,411	54,676
DISBURSEMENTS:													
School Aid	491	2,615	3,767	100	516	1,236	506	959	1,561	302	526	6,330	18,909
Higher Education	16	16	379	198	243	81	372	40	250	45	345	510	2,495
All Other Education	17	15	17	24	412	101	415	197	67	84	66	81	1,496
Medicaid - DOH	1,085	633	668	516	633	233	584	722	398	588	785	224	7,069
Public Health	40	30	122	16	91	133	27	39	125	28	25	113	789
Mental Hygiene	10	5	362	50	132	417	121	17	392	128	150	450	2,234
Children and Families	9	15	14	66	350	302	134	77	228	161	84	423	1,863
Temporary & Disability Assistance	61	140	61	62	135	134	86	87	122	87	28	151	1,154
Transportation	0	0	0	11	9	19	0	25	9	0	26	1	100
Unrestricted Aid	3	12	274	1	6	93	11	2	215	2	2	170	791
All Other	19	16	189	(27)	39	44	(50)	15	2	32	19	310	608
Total Local Assistance Grants	1,751	3,497	5,853	1,017	2,566	2,793	2,206	2,180	3,369	1,457	2,056	8,763	37,508
Personal Service	514	547	586	619	467	661	331	425	543	385	348	859	6,285
Non-Personal Service	143	108	151	171	197	171	138	131	147	159	109	115	1,740
Total State Operations	657	655	737	790	664	832	469	556	690	544	457	974	8,025
General State Charges	122	30	485	112	292	331	192	170	401	277	110	1,606	4,128
Debt Service	414	38	3	470	(4)	(122)	603	0	(1)	430	(15)	(174)	1,642
Capital Projects	14	21	4	121	48	116	12	77	47	117	97	422	1,096
State Share Medicaid	180	162	244	185	187	208	248	179	280	227	210	140	2,450
Other Purposes	110	35	34	80	55	43	101	54	49	51	(14)	146	744
Total Transfers to Other Funds	718	256	285	856	286	245	964	310	375	825	278	534	5,932
TOTAL DISBURSEMENTS	3,248	4,438	7,360	2,775	3,808	4,201	3,831	3,216	4,835	3,103	2,901	11,877	55,593
Excess/(Deficiency) of Receipts over Disbursements	1,972	(2,626)	(1,735)	677	(618)	2,504	(588)	(446)	(245)	5,023	631	(5,466)	(917)
CLOSING BALANCE	4,274	1,648	(87)	590	(28)	2,476	1,888	1,442	1,197	6,220	6,851	1,385	1,385

Source: NYS DOB

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Year-End	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT					
Agriculture and Markets, Department of	109,449	109,328	120,189	118,068	106,907
Alcoholic Beverage Control	17,012	19,892	20,776	20,294	20,911
Banking Department	87,166	87,865	87,211	89,047	89,647
Developmental Authority North	36	200	162	162	162
Consumer Protection Board	2,295	2,946	2,926	2,741	2,783
Economic Development Capital Programs	18,306	2,500	2,500	2,500	2,500
Economic Development, Department of	76,889	71,358	66,831	67,702	82,387
Energy Research and Development Authority	29,380	34,935	31,158	29,658	31,178
Insurance Department	657,937	463,437	481,233	486,080	486,080
Empire State Development Corporation	606,568	772,848	860,671	431,301	382,996
Olympic Regional Development Authority	7,966	5,064	5,274	5,274	5,401
Public Service, Department of	77,313	78,738	83,729	88,620	91,901
Racing and Wagering Board, State	22,575	21,833	22,044	23,007	23,453
Science, Technology and Innovation, Foundation for	29,083	31,376	29,181	26,796	23,356
Strategic Investment	8,827	10,000	4,000	5,000	5,000
Functional Total	1,750,802	1,712,320	1,817,885	1,396,250	1,354,662
PARKS AND THE ENVIRONMENT					
Adirondack Park Agency	5,292	5,470	5,019	5,021	5,021
Environmental Conservation, Department of	864,001	1,042,606	1,021,569	817,173	787,873
Environmental Facilities Corporation	10,025	9,370	9,552	9,736	9,736
Hudson River Park Trust	11,977	10,000	0	0	0
Parks, Recreation and Historic Preservation, Office of	305,485	240,442	227,951	229,618	229,594
Functional Total	1,196,780	1,307,888	1,264,091	1,061,548	1,032,224
TRANSPORTATION					
Motor Vehicles, Department of	320,230	336,621	347,882	360,754	367,603
Thruw ay Authority	1,403	1,800	1,800	1,800	1,800
Metropolitan Transportation Authority	184,681	217,100	194,500	183,600	183,600
Transportation, Department of	7,376,584	8,341,474	8,306,937	8,196,273	8,248,166
Functional Total	7,882,898	8,896,995	8,851,119	8,742,427	8,801,169
HEALTH					
Aging, Office for the	229,966	227,821	224,739	224,739	224,739
Health, Department of	42,156,549	43,728,010	47,352,064	49,027,667	52,109,920
Medical Assistance	37,025,209	38,091,219	41,341,155	43,229,713	46,375,013
Medicaid Administration	939,296	1,102,500	1,147,500	1,193,500	1,193,500
Public Health	4,192,044	4,534,291	4,863,409	4,604,454	4,541,407
Health - Medicaid Assistance	0	0	0	0	0
Medicaid Inspector General, Office of	64,868	76,563	91,660	93,500	94,430
Stem Cell and Innovation	17,676	52,616	73,071	123,149	63,673
Functional Total	42,469,059	44,085,010	47,741,534	49,469,055	52,492,762
SOCIAL WELFARE					
Children and Family Services, Office of	3,189,020	3,431,576	3,497,590	3,728,859	3,952,980
OCFS	3,139,542	3,298,033	3,364,133	3,591,504	3,811,720
OCFS - Medicaid	49,478	133,543	133,457	137,355	141,260
Human Rights, Division of	20,300	19,690	20,058	20,664	20,949
Labor, Department of	728,721	703,650	606,814	603,128	595,107
Housing and Community Renew al, Division of	417,003	464,833	405,261	275,451	292,533
National Commission Services	16,862	16,016	14,627	14,629	14,715
Prevention of Domestic Violence, Office for	2,167	2,076	2,088	2,109	2,109

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Year-End	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Temporary and Disability Assistance, Office of	5,275,993	5,114,199	5,224,158	5,242,687	5,284,441
Welfare Assistance	3,857,439	3,702,854	3,820,732	3,821,396	3,859,652
Welfare Administration	51,263	0	0	0	0
All Other	1,367,291	1,411,345	1,403,426	1,421,291	1,424,789
Welfare Inspector General, Office of	727	1,432	1,456	1,472	1,492
Workers' Compensation Board	190,135	209,333	204,137	212,073	218,844
Functional Total	9,840,928	9,962,805	9,976,189	10,101,072	10,383,170
MENTAL HYGIENE					
Mental Health, Office of	3,121,486	3,432,824	3,720,387	3,952,381	4,128,403
OMH	1,423,971	1,582,848	1,736,557	1,859,680	1,958,324
OMH - Medicaid	1,697,515	1,849,976	1,983,830	2,092,701	2,170,079
Mental Hygiene, Department of	175	0	0	0	0
People w ith Developmental Disabilities, Office for	4,397,581	4,504,769	4,720,747	4,960,595	5,172,871
OPWDD	522,032	580,445	596,821	620,162	642,162
OPWDD - Medicaid	3,875,549	3,924,324	4,123,926	4,340,433	4,530,709
Alcoholism and Substance Abuse Services, Office of	550,090	595,301	733,836	775,610	790,368
OASAS	456,695	486,237	619,472	657,321	669,322
OASAS - Medicaid	93,395	109,064	114,364	118,289	121,046
Developmental Disabilities Planning Council	3,397	4,200	4,200	4,200	4,200
Quality of Care for the Mentally Disabled, Commission on	15,508	15,784	17,780	18,158	18,631
Functional Total	8,088,237	8,552,878	9,196,950	9,710,944	10,114,473
PUBLIC PROTECTION/CRIMINAL JUSTICE					
Capital Defenders Office	21	0	0	0	0
Correction, Commission of	2,628	2,893	2,932	2,984	3,016
Correctional Services, Department of	2,909,312	2,758,247	2,849,122	2,911,887	2,953,670
Criminal Justice Services, Division of	241,767	356,401	325,892	308,669	309,359
Office of Victim Services	67,342	67,830	65,394	65,749	65,935
Statew ide Financial System	0	31,930	41,359	50,943	51,043
Homeland Security and Emergency Services	296,589	325,709	610,532	617,974	580,503
Homeland Security	800	35,298	32,733	30,225	30,227
Office of Indigent Legal Services	0	75,000	80,000	80,000	80,000
Investigation, Temporary State Commission of	395	0	0	0	0
Judicial Commissions	5,145	5,492	5,595	5,669	5,749
Military and Naval Affairs, Division of	276,622	213,125	180,463	181,311	180,068
Parole, Division of	188,383	183,169	185,275	189,268	191,813
Probation and Correctional Alternatives, Division of	74,852	0	0	0	1,468
State Emergency Management Office	0	0	0	0	0
State Police, Division of	776,340	736,584	741,685	718,691	718,523
Wireless Netw ork	6,672	1,586	1,586	1,586	1,586
Functional Total	4,846,868	4,793,264	5,122,568	5,164,956	5,172,960

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Year-End	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
HIGHER EDUCATION					
City University of New York	1,655,773	1,397,211	1,470,906	1,564,361	1,654,997
Higher Education Services Corporation	1,022,235	980,520	965,861	993,866	995,691
Higher Education Capital Grants	37,320	28,000	48,000	29,000	0
Higher Education Miscellaneous	378	355	355	355	355
State University Construction Fund	18,595	25,678	26,388	27,830	28,906
State University of New York	6,989,582	7,295,555	7,261,632	7,301,717	7,380,758
Functional Total	9,723,883	9,727,319	9,773,142	9,917,129	10,060,707
LOWER EDUCATION (Pre-K through 12)					
Arts, Council on the	43,436	45,356	40,869	40,925	40,982
Education, Department of	27,725,560	33,001,293	32,969,960	34,559,952	37,184,929
School Aid	21,484,784	26,151,747	26,200,210	27,770,970	30,096,450
School Aid - Medicaid Assistance	63,757	125,820	0	0	0
STAR Property Tax Relief	3,413,542	3,299,570	3,417,620	3,584,167	3,772,475
Special Education Categorical Programs	1,680,004	2,309,388	2,287,745	2,139,936	2,244,916
All Other	1,083,473	1,114,768	1,064,385	1,064,879	1,071,088
Functional Total	27,768,996	33,046,649	33,010,829	34,600,877	37,225,911
GENERAL GOVERNMENT					
Budget, Division of the	40,775	42,502	44,117	45,191	46,121
Civil Service, Department of	21,384	19,164	19,426	19,697	19,989
Deferred Compensation	673	792	820	854	885
Elections, State Board of	50,405	104,148	6,197	36,339	6,464
Employee Relations, Office of	3,204	3,350	3,388	3,427	3,473
Financial Plan Control Board	2,630	3,190	3,392	3,595	3,727
General Services, Office of	197,766	204,400	207,765	221,400	224,166
Inspector General, Office of	6,079	6,178	6,341	6,426	6,513
Labor Management Committee	33,609	59,433	67,826	26,018	26,018
Lottery, Division of	185,777	176,892	180,969	181,459	185,723
Public Employment Relations Board	3,785	4,252	4,020	4,068	4,129
Public Integrity, Commission on	4,209	4,312	4,721	4,901	4,978
Real Property Services, Office of	42,806	0	0	0	0
Regulatory Reform, Governor's Office of	2,449	2,276	2,276	2,276	2,276
State, Department of	176,349	208,567	136,246	138,728	138,703
Tax Appeals, Division of	3,458	3,108	3,108	3,108	3,146
Taxation and Finance, Department of	417,898	477,182	477,991	480,947	487,713
Technology, Office for	23,549	70,166	57,857	85,076	44,599
Lobbying, Temporary State Commission on	0	0	0	0	0
Veterans' Affairs, Division of	16,072	17,487	17,188	17,198	17,331
Functional Total	1,232,877	1,407,399	1,243,648	1,280,708	1,225,954

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Year-End	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
ELECTED OFFICIALS					
Legislature	226,089	220,995	225,396	229,885	234,463
Judiciary	2,520,040	2,625,898	2,975,609	2,976,572	2,960,414
Audit and Control, Department of	242,702	182,135	185,420	189,979	192,289
Law , Department of	220,152	213,642	220,407	224,931	228,404
Executive Chamber	17,056	17,328	17,952	18,229	18,487
Lieutenant Governor, Office of the	0	658	1,193	1,208	1,208
Functional Total	3,226,039	3,260,656	3,625,977	3,640,804	3,635,265
LOCAL GOVERNMENT ASSISTANCE					
Aid and Incentives for Municipalities	1,039,488	751,538	1,027,357	1,037,229	1,044,566
Efficiency Incentive Grants Program	3,293	7,450	7,450	7,511	0
Miscellaneous Financial Assistance	8,920	3,920	3,920	3,920	3,920
Municipalities w ith VLT Facilities	26,489	25,801	25,801	25,801	25,801
Small Government Assistance	2,089	2,088	2,088	2,088	2,088
Functional Total	1,080,279	790,797	1,066,616	1,076,549	1,076,375
ALL OTHER CATEGORIES					
Long-Term Debt Service	5,012,102	5,607,388	6,127,092	6,448,886	6,595,358
Capital Projects	0	0	0	0	0
General State Charges	2,920,603	3,381,165	3,687,552	3,908,098	4,301,333
Miscellaneous	(162,872)	(642,815)	(258,161)	(222,965)	(278,170)
Functional Total	7,769,833	8,345,738	9,556,483	10,134,019	10,618,521
TOTAL ALL FUNDS SPENDING	126,877,479	135,889,718	142,247,031	146,296,338	153,194,153

GSC: Agency disbursements include grants to local governments, state operations and general state charges, which is a departure from prior Financial plan publications. In prior reports, general state charges were excluded from agency spending totals.

Source: NYS DOB

GAAP-Basis Financial Plans/GASB Statement 45

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 model, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided at the end of this Financial Plan.

In 2009-10, the General Fund GAAP Financial Plan shows total revenues of $44.9 billion, total expenditures of $54.1 billion, and net other financing sources of $8.7 billion, resulting in an operating deficit of $594 million and an accumulated deficit of $3.5 billion. These results are due primarily to the cash deficit and the impact of economic conditions on revenue accruals, primarily PIT.

In 2010-11, the General Fund GAAP Financial Plan shows total revenues of $46.9 billion, total expenditures of $55.4 billion, and net other financing sources of $9.3 billion, resulting in an operating surplus of $774 million, which reduces the projected accumulated deficit to $2.8 billion. These results reflect the impact of the Enacted Budget gap-closing actions, and the carry-forward of the cash deficit into 2010-11.

The State has used an independent actuarial consulting firm to calculate retiree health care liabilities. The analysis calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2010 at $55.9 billion ($46.3 billion for the State and $9.6 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method.

GASB rules indicate this liability may be amortized over a 30-year period; therefore, only the annual amortized liability above the current PAYGO costs is recognized in the financial statements. The 2009-10 liability totaled $3.3 billion ($2.7 billion for the State and $0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, amortized based on a level percent of salary. This was $2.1 billion ($1.7 billion for the State and $0.4 billion for SUNY) above the payments for retiree costs made by the State in 2009-10. 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 2009-10 by $2.1 billion.

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

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)

	Health Insurance		
Year	Active Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Actual)	1,639	1,068	2,707
2009-10 (Actual)	1,542	1,139	2,681
2010-11 (Projected)	1,826	1,195	3,021
2011-12 (Projected)	1,992	1,322	3,314
2012-13 (Projected)	2,171	1,422	3,593
2013-14 (Projected)	2,119	1,536	3,655

As noted, there is no provision in the current Financial Plan to pre-fund the GASBS 45 liability. If such liability were pre-funded at this time, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices in light of existing fiscal conditions.

Special Considerations

Complex political, social, environmental and economic forces influence the State's economy and finances, many of which are outside the ability of the State to control. These include, but are not limited to, the performance of the national and State economies; the impact of continuing write-downs and other costs affecting the profitability of the financial services sector, and the concomitant effect on bonus income and capital gains realizations; access to the capital markets in light of the disruption in the municipal bond market; litigation against the State, including challenges to certain tax actions and other actions authorized in the Enacted Budget; and actions taken by the Federal government, including audits, disallowances, and changes in aid levels. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year.

For example, the State Financial Plan is based upon forecasts of national and State economic activity developed through both internal analysis and review of national and State economic forecasts prepared by commercial forecasting services and other public and private forecasters. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and the State economies. Many uncertainties exist in forecasts of both the national and State economies, including consumer attitudes toward spending, the extent of corporate and governmental restructuring, the condition of the financial sector, federal fiscal and monetary policies, the level of interest rates, and the condition of the world economy, which could have an adverse effect on the State. There can be no assurance that the State economy will not experience results in the current fiscal year that are materially worse than predicted, with corresponding material and adverse effects on the State's projections of receipts and disbursements. For more information, see the section entitled "Economics and Demographics" in this AIS.

Projections of total State receipts in the Financial Plan are based on the State tax structure in effect during the fiscal year and on assumptions relating to basic economic factors and their historical relationships to State tax receipts. In preparing projections of State receipts, economic forecasts relating to personal income, wages, consumption, profits and employment have been particularly important. The projections of receipts from most tax or revenue sources is generally made by estimating the change in yield of such tax or revenue source from its estimated tax base.

Projections of total State disbursements are based on assumptions relating to economic and demographic factors, levels of disbursements for various services provided by local governments (where the cost is partially reimbursed by the State), and the results of various administrative and statutory mechanisms in controlling disbursements for State operations. Factors that may affect the level of disbursements in the fiscal year include uncertainties relating to the economy of the nation and the State, the policies of the federal government, and changes in the demand for the use of State services.

An additional risk to the State Financial Plan arises from the potential impact of certain litigation and of federal disallowances now pending against the State, which could adversely affect the State's projections of receipts and disbursements. The State Financial Plan assumes no significant litigation or

Federal disallowances or other federal actions that could affect State finances. For more information on litigation pending against the State, see the section entitled "Litigation and Arbitration" in this AIS.

DOB believes that its projections of receipts and disbursements relating to the Updated Financial Plan, and the assumptions on which they are based, are reasonable. Actual results, however, could differ materially and adversely from the projections set forth in this AIS. In the past, the State has taken management actions to address potential Financial Plan shortfalls, and DOB believes it could take similar actions should variances occur in its projections for the current fiscal year.

Actions affecting the level of receipts and disbursements, the relative strength of the State and regional economy, and actions by the Federal government have helped to create projected structural budget gaps for the State. These gaps result in a significant disparity between recurring revenues and the costs of maintaining or increasing the level of support for State programs. To address a potential imbalance in any given fiscal year, the State would be required to take actions to increase receipts and/or reduce disbursements as it enacts the budget for that year, and, under the State Constitution, the Governor is required to propose a balanced budget each year. There can be no assurance however, that the Legislature will enact the Governor's proposals or that the State's actions will be sufficient to preserve budgetary balance in a given fiscal year or to align recurring receipts and disbursements in future fiscal years.

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. Other risks and special considerations include the following:

State Cash Flow Projections

State Finance Law authorizes the General Fund to borrow resources temporarily from other available funds in the State's STIP for a period not to exceed four months or to the end of the fiscal year, whichever occurs first. 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, as well as certain other money).

Through the first four months of 2010-11, the General Fund used this authorization to meet payment obligations in May, June and July. It is expected that the General Fund will rely on this borrowing authority at times during the remainder of the fiscal year.

To date, the State has taken actions to maintain adequate operating margins, and expects to continue to do so as events warrant. The State continues to reserve money to make the debt service payments scheduled for each upcoming quarter 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.

With cash management actions, the General Fund ended June 2010 with a negative balance of $87 million. The funds on hand in All Governmental Funds at the end of the month totaled $3.6 billion. The actual and projected month-end balances for 2010-11 are shown in the table below. The cash-flow projections for receipts and disbursements take into account statutory payment dates, historical receipts and disbursement patterns, and other information. DOB believes the projections are based on reasonable and prudent assumptions, and the State's current cash position is sufficient to meet current liquidity needs. Cash balances are expected to continue to be relatively low, especially in September, November, and December 2010. It is expected that the General Fund on certain days will continue to borrow from STIP. DOB will continue to closely monitor and manage the General Fund cash flow during the fiscal year in an effort to maintain adequate operating balances.

ACTUAL/PROJECTED MONTHLY CASH FLOW BALANCES FISCAL YEAR 2010-11 (millions of dollars)			
	General Fund	Other Funds	All Funds
April*	4,274	3,048	7,322
May*	1,648	3,767	5,415
June *	(87)	3,719	3,632
July*	590	4,354	4,944
August	(28)	4,949	4,921
September	2,476	2,209	4,685
October	1,888	3,015	4,903
November	1,442	3,359	4,801
December	1,197	1,792	2,989
January	6,220	2,886	9,106
February	6,851	3,352	10,203
March	1,385	2,442	3,827

*Actual

Federal Funding

In enacting the budget, the State faced the risk that the Federal government would not approve an extension of enhanced FMAP funding, as counted on in the Financial Pan. Accordingly, it enacted a statute that provided for automatic reductions to most local assistance payments to cover any difference between the $1.1 billion in savings counted on in the Financial Plan from enhanced FMAP and the actual amount, if any, approved by the Federal government. After enactment of the statute, the Federal government approved an extension of enhanced FMAP, but at a level less than assumed in the Financial Plan. Accordingly, the payment reductions to local assistance spending will take effect, as provided by law.

The Financial Plan may be adversely affected by actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. Most recently, the Federal CMS requested additional information pertaining to claims for services provided to individuals in developmental centers operated by the Office for People with Developmental Disabilities. Among other information, CMS requested that the State provide a detailed description of how these daily rates are developed as well as the current upper payment limit demonstration. Although no official audit has commenced and the State believes that the rates paid for these services are done in accordance with the approved state plan and all applicable Federal regulations, any adverse action by CMS relative to these claims could jeopardize a significant amount of Federal Medicaid participation in this program.

Labor Settlements

An additional risk is the cost of potential collective bargaining agreements and salary increases for judges (and possibly other elected officials) that may occur in 2010-11 and beyond for the period covering 2007-08 through 2010-11. The Financial Plan includes the costs of a pattern settlement for all unsettled unions, the largest of which represents costs for fiscal years 2009-10 and 2010-11 for NYSCOPBA. There can be no assurance that actual settlements will not exceed the amounts included in the Financial Plan. Furthermore, the current round of collective bargaining agreements expires at the end of 2010-11. The Financial Plan does not include any costs for potential wage increases beyond that point.

Personal Care Audits

The OIG of the United States Department of Health and Human Services released a June 2009 final audit with regard to Medicaid reimbursement for personal care services in New York City, and released a March 2010 draft audit with regard to Medicaid reimbursement for personal care services in upstate New York. The audits reviewed claims for the period of July 1, 2004 through December 31, 2006. Based upon its review, the OIG is calling for the State to repay an estimated $395 million in Federal Medicaid because payments were not supported with required medical exams and social and nursing assessments. The New York State Department of Health responded to audit findings on October 8, 2009 challenging the audit findings and the appropriateness of recouping Federal funding. The State's 2010-11 Enacted Budget also included a provision to mitigate the potential financial impact on the State by requiring local governments to contribute towards any repayment of such audits.

Other Financial Plan Risks

The Updated Financial Plan forecast also 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; and the achievement of cost-saving measures including, but not limited to, administrative savings in State agencies, including workforce management initiatives, and 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.

Finally, there can be no assurance that (1) receipts will not fall below current projections, requiring additional budget-balancing actions in the current year, and (2) the gaps projected for future years will not increase materially from the projections set forth in this AIS.

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SUMMARY OF CERTAIN PROVISIONS OF THE SERVICE CONTRACT

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SUMMARY OF CERTAIN PROVISIONS OF THE SERVICE CONTRACT

This Appendix C contains a summary of certain provisions of the Service Contract pursuant to which the State will be obligated to make periodic payments at times and in amounts sufficient to pay debt service on the Bonds when due. This Appendix is not intended to be a comprehensive or complete summary of such provisions, and reference is made to the Service Contract for the full and complete provisions thereof.

Financial Obligations of State

Subject to the applicable provisions of the Service Contract, the State shall pay to the Authority so long as any of the Bonds are Outstanding, on each December 20 and June 20 (or on any other date specified in a supplement to the Service Contract with respect to the issuance of additional series of Bonds), an amount equal to the principal and Sinking Fund Installments of and interest payable with respect to the Bonds on the next succeeding January 1 or July 1 (or on any other date specified in a supplement to the Service Contract with respect to the issuance of additional series of Bonds) less the amount paid or provided for under the Resolution on account thereof on such January 1 or July 1 (or on any other date specified in a supplement to the Service Contract with respect to the issuance of additional series of Bonds) without duplication (i) from the proceeds of Bonds designated therefor by the Authority, and (ii) from amounts on deposit with the Trustee and available for the payment of principal and Sinking Fund Installments of and interest payable with respect to the Bonds under the Resolution, as certified by the Authority to the Director. The term of the Service Contract with respect to each Series of Bonds shall commence on the date of the original issuance of such Series of Bonds and shall expire on the earlier of (i) the date on which all such Series of Bonds shall be paid or deemed paid within the meaning of the Resolution or (ii) thirty (30) years from the date of the original issuance of such Series of Bonds.

Subject to the applicable provisions of the Service Contract, the State shall also pay to the Authority, so long as any of the Bonds are Outstanding, as additional Contract Payments all amounts as authorized by the Director which may become due to the issuer of any surety bond, insurance policy, letter of credit or similar obligation securing the Bonds, if and to the extent such obligation arises as a result of the State's failure to make any payment described in the immediately preceding paragraph.

Subject to the applicable provisions of the Service Contract, the State shall also pay to the Authority, so long as any of the Bonds are Outstanding, as additional Contract Payments, all fees and expenses of the Trustee or other fiduciaries incurred or payable under the Resolution.

If at any time(s) any payment in respect of the Bonds is rescinded, avoided, or must otherwise be returned pursuant to a court order, decree or directive, whether appealable or not, rendered in connection with the insolvency, bankruptcy or reorganization with respect to the Authority, and the Trustee gives the State notice thereof, the State will, within ten (10) Business Days of the date of receipt of such notice, pay directly to the Trustee as additional Contract Payments under the Service Contract, such additional amount(s) as shall equal the amount of the rescinded, avoided or returned payment for which such notice was given.

(Section 2.01)

Redemption or Purchase at the Option of the State

There is expressly reserved to the State the right, and the State is authorized and permitted, at any time or from time to time, as it may choose, subject to and in accordance with the provisions contained in the Bond Resolution or Series Certificate relating to the redemption or purchase of Bonds at the election of the Authority, to make payments in addition to the Contract Payments otherwise payable under the Service Contract. The State has the right to stipulate that all sums paid by it pursuant to the Service Contract be applied to the purchase or redemption of Bonds in accordance with the terms of the Resolution and (provided that such amount is equal to the "Redemption Price," or "Purchase Price," as such term is defined in the Resolution, of such Bonds) that amounts be transferred from the Debt Service Fund for such purposes. Such amounts shall then be so transferred and applied to the redemption or purchase of Bonds in the manner and to the extent permitted under the Resolution.

(Section 2.01)

Nature of State's Obligation

Except as provided in the Service Contract, the obligation of the State to pay Contract Payments shall be absolute and unconditional, and such Contract Payments 'shall be payable without any rights of abatement, deduction, deferment, reduction, set-off, recoupment or counterclaim the State might have against the Authority or any assignee thereof or any other Person, whether or not this Service Contract shall have been terminated and whether or not the Authority shall be in default of its obligations under the Service Contract. Subject to the provisions of the Service Contract, the State, however, shall not be precluded from bringing any action it may otherwise have against the Authority.

Notwithstanding anything in the Service Contract to the contrary, (i) the obligation of the State to fund or to pay the amounts provided for in the Service Contract is subject to annual appropriation by the State Legislature, and (ii) the obligation of the State to fund or to pay the amounts provided for in the Service Contract shall not constitute a debt of the State within the meaning of any constitutional or statutory provision and shall be deemed executory only to the extent of monies appropriated and available to the State and no liability shall be incurred by the State beyond moneys appropriated and available to the State for the purpose.

(Sections 2.02 and 2.03)

Events of Default and Remedies

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 of the payments provided for in the Service Contract or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Authority 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 as may appear necessary or desirable to collect the payment then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State under the Service Contract.

The remedies conferred upon or reserved to the Authority described above 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 Service Contract, nor may they include any amendment, change, modification or alteration of the Service Contract that is prohibited by the Service Contract.

If the Authority shall fail to observe or perform any covenant, condition or agreement on its part to be observed or performed and such failure to observe or perform shall have continued for 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the Authority 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 as may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Authority under the Service Contract.

The remedies conferred upon or reserved to the State described above 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 Service Contract or of the obligations of the State to make the payments provided for in the Service Contract, nor may they include any amendment, change, modification or alteration of the Service Contract that is prohibited by the Service Contract

(Section 6.01)

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution. This summary does not purport to be a full and complete summary of each provision of the Resolution and reference is made to the Resolution for full and complete statements of all such provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

Resolution and Bonds Constitute a Contract

With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds, and the pledge and assignment to the Trustee made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any such Bonds over any other Bonds except as expressly provided in the Resolution or permitted by the Resolution.

(Section 1.03)

Authorization of Bonds

The Resolution authorizes the issuance of the Bonds of the Authority to be designated as "Dormitory Authority of the State of New York State of New York Consolidated Service Contract Refunding Revenue Bonds", and there is by the Resolution created a continuing pledge and lien as provided by the Resolution to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all the Bonds. The Bonds shall be special obligations of the Authority payable solely from the Revenues, all in the manner more particularly provided in the Resolution. The aggregate principal amount of Bonds which may be executed, authenticated and delivered is not limited except as provided in the Resolution.

The Bonds of the Authority shall not be a debt of the State, nor shall the State be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority pledged by the Resolution to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all of the Bonds.

The Bonds may, if and when authorized by the Authority pursuant to the Resolution and to one or more Series Resolutions, if applicable, be issued in one or more Series and the Bonds of each Series shall contain an appropriate Series designation.

Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation pursuant to a Series Resolution of any Bonds of any two or more separate Series authorized pursuant to the Resolution and to any such Series Resolution to be issued pursuant to the Resolution 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 Resolution as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in the Resolution or in such Series Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes in the Resolution.

(Section 2.01)

Provisions for Issuance of Bonds.

The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions adopted at the time of or subsequent to the adoption of the Resolution. The Bonds of a Series authorized to be issued shall be executed by the Authority and delivered to the Trustee. Such Bonds shall from time to time and in such amounts as are directed by the Authority be authenticated by the Trustee and by it delivered to or upon the order of the Authority upon receipt of the consideration therefor and upon delivery to the Trustee of:

(a) A copy of the Resolution and the Series Resolution authorizing such Bonds, certified by an Authorized Officer of the Authority;

(b) A copy of the Service Contract, certified by an Authorized Officer of the Authority;

(c) A copy of the Series Certificate executed in connection with such Bonds;

(d) A written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority, describing the Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(e) Except in the case of Refunding Bonds, a certificate of an Authorized Officer of the Authority stating that the Authority is not, and, as a result of the issuance of such Bonds, shall not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution;

(f) Except in the case of Refunding Bonds, a certificate of an Authorized Officer of the State stating that the State is not, and, as a result of the issuance of such Bonds, shall not be, in default in the performance of any covenants, conditions, agreements or provisions contained in the Service Contract;

(g) If Bonds of such Series are Book Entry Bonds, unless the Trustee is a party thereto, a copy of the agreement, if any, between the Authority and the Depository for such Bonds;

(h) if any Bonds of such Series are Option Bonds, and a Credit Facility or Liquidity Facility in such an amount as would provide sufficient moneys for the purchase or redemption of all Option Bonds of such Series if the Holders thereof elected to tender for purchase or redemption the entire aggregate Outstanding principal amount of the Option Bonds of such Series; and

(i) An opinion of Bond Counsel stating, in the opinion of Bond Counsel, that the Resolution and the applicable Series Resolution authorizing the Series of Bonds have been duly and lawfully adopted by the Authority; that the Resolution is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms; that the Resolution creates the valid pledge and the valid lien which it purports to create, subject only to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation of the moneys pledged thereby for the purposes and on the terms and conditions set forth in the Resolution; and that the Authority is duly authorized and entitled to issue such Series of Bonds and, upon the execution and delivery thereof and upon authentication by the Trustee, such Series of Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Authority entitled to the benefits of the Resolution; provided, however, that such opinion may be qualified to the extent that enforceability of rights and remedies may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

(Section 2.02)

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, so long as such bonds, notes or other obligations are not entitled to a charge, lien or right prior or equal to the charge or lien created by the Resolution, or prior or equal to the rights of the Authority and Holders of Bonds as provided by the Resolution or with respect to the money pledged by the Resolution,

(Section 2.05)

Authorization of Redemption or Purchase

Bonds subject to redemption or purchase prior to maturity pursuant to a Series Resolution or a Series Certificate shall be redeemable or purchasable, in accordance with the Resolution, at such times, at such Redemption Prices, or purchase prices, and upon such terms as may otherwise be specified in the Resolution or in the Series Resolution authorizing such Series or the applicable Series Certificate.

(Section 4.01)

Redemption at the Election or Direction of the Authority

In the case of any redemption of Bonds other than as provided in the Resolution, the Authority shall give written notice to the Trustee and each applicable Facility Provider if its election or direction to redeem, of the Series and of the principal amounts of the Bonds of each Sub-Series and maturity of such Series to be redeemed. The Series, Sub-Series, maturities and principal amounts thereof to be redeemed at the election or direction of the Authority shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or in the Series Resolution authorizing such Series or the applicable Series Certificate. Such notice shall be given to the Trustee and each applicable Facility Provider at least forty-five (45) days prior to the date on which such Bonds are to be redeemed, or such lesser number of days as shall be acceptable to the Trustee. The Authority by the Resolution covenants that in, the event notice of redemption shall have been published as provided in Resolution, it shall, on or prior to the redemption date, pay to the Trustee the amount of moneys which shall equal the Redemption Price of and the interest accrued and to accrue on the Bonds to be redeemed to the redemption date, less any moneys held by the Trustee and the Paying Agent available therefor, unless the notice of redemption expressly provides that the redemption is conditioned upon money being available on the redemption date for payment of the Redemption Price,

(Section 4.02)

Selection of Bonds to Be Redeemed

In the event of redemption of less than all of the Outstanding Bonds of like Series, Sub-Series and maturity, the Trustee shall assign to each Outstanding Bond of the Series and 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, Sub-Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw the Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in this paragraph) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued shall be redeemed as shall equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected.

For purposes of the Resolution, the lowest denomination in which a Capital Appreciation Bond is authorized to be issued shall be the lowest Accreted Value authorized to be due at maturity on such Bonds and the lowest denomination in which a Deferred Income Bond is authorized to be issued shall be the lowest Appreciated Value on the Interest Commencement Date authorized for such Bonds.

(Section 4.04)

Notice of Redemption

Whenever Bonds are to be redeemed, the Trustee shall give notice of the redemption of the Bonds in the name of the Authority.

Such notice shall be given by mailing a copy of such notice not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice the Trustee shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to the Holders of the Bonds to be redeemed in the manner provided in the Resolution. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Resolution. The failure of any Holder of a Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds.

(Section 4.05)

Payment of Redeemed Bonds Notice having been given by mail in the manner provided in the Resolution, the Bonds or portions thereof so called for redemption shall become due and payable, on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender of such Bonds, other than Book Entry Bonds of like Series, Sub-Series, maturity, and tenor to be redeemed in part, at the office or offices specified in such notice, together with, in the case of Bonds presented by other than the registered owner, a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. Payment of the Redemption Price shall be made, upon the request of the registered owner of one million dollars, $1,000,000 or more in principal amount of Bonds to be redeemed, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, at time such Bond is surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If there shall be drawn for redemption less than all of the principal amount of a Bond, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series, Sub-Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all Bonds or portions thereof of any like Series, Sub-Series, maturity and tenor to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed as aforesaid, and the conditions, if any, to such redemption have been satisfied or waived by the Authority, then, from and after the redemption date, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds shall no longer be considered to be Outstanding under the Resolution. If such moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

(Section 4.06)

Pledge of Revenues

The proceeds from the sale of any Bonds, the Revenues and all funds and accounts established by the Resolution and by any Series Resolution, other than the Arbitrage Rebate Fund, are pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under each Series Resolution, all in accordance with the provisions of the Resolution and thereof The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of any Bonds, the Revenues and all funds and accounts established by the Resolution and by any Series Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of any Bonds, the Revenues and all funds and accounts established by the Resolution and by any Series Resolution and which are pledged by the Resolution, which pledge shall constitute a first lien thereon.

Notwithstanding anything to the contrary contained in the Resolution, the Authority may incur obligations or indebtedness to any Facility Provider providing a Credit Facility or Liquidity Facility or an Interest Rate Exchange Agreement which are payable from the Revenues on a parity with the Bonds and which are secured by a lien on and pledge of the Revenues equal to the lien and pledge made by the Resolution, without preference, priority or distinction over the rights of the Holders of the Bonds.

(Section 5.01)

Establishment of Funds and Accounts

The following funds and separate accounts within funds are established by the Resolution and, except for the Project Fund which shall be held and maintained by the Authority, and shall be held and maintained by the Trustee:

Project Fund; Debt Service Fund; and
Arbitrage Rebate Fund.

All moneys at any time deposited in any Fund, account or subaccount created and pledged by the Resolution or by any Series Resolution or required by the Resolution or thereby to be created shall be held in trust for the benefit of the Bondholders, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution; provided, however, that the proceeds derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase or redemption in accordance with the Series Resolution authorizing the issuance of such Bonds or the Series Certificate relating to such Bonds or derived from a Liquidity Facility or a Credit Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price or Redemption Price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than such Option Bonds and are pledged by the Resolution for the payment of the purchase price or Redemption Price of such Option Bonds.

(Section 5.02)

Application of Proceeds and Allocation Thereof

Upon the receipt of proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in the Series Resolution authorizing such Series of Bonds or in the Series Certificate relating to such Series of Bonds.

Accrued interest, if any, received, upon the delivery of a Series of Bonds shall be deposited in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series or in the Series Certificate relating to such Series.

(Section 5.03)

Application of Moneys in the Project Fund

Except as otherwise provided in the Resolution and any applicable Series Resolution or Series Certificate, moneys in the Project Fund shall be applied only to pay the Costs, the Costs of Issuance and the Costs of Refunding. For purposes of internal accounting, the Project Fund may contain a separate account with respect to each Series of

State Supported Debt to be refunded or repaid in connection with which Bonds have been issued and may contain one or more other accounts and such subaccounts as the Authority may deem proper.

Payments for Costs of Issuance shall be made by the Authority upon the written approval of an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment.

Payments for Costs of a Refunding shall be made by the Authority upon the written approval of an Authorized Officer of the Authority.

Upon the filing in the offices of the Authority of a certificate signed by an Authorized Officer of the Authority which states that the moneys then remaining in an account established within the Project Fund with respect to the refunding or repayment of a Series of State Supported Debt exceeds the amount necessary to pay the costs of Refunding, the moneys, if any, then remaining in such account, after making provision for the payment of any Costs of Issuance and Costs of Refunding then unpaid, shall be applied by the Trustee in the following order of priority:

First: To the Arbitrage Rebate Fund, the amount determined by the Authority to be required to be deposited therein; and

Second: To the Debt Service Fund for application in accordance with the Resolution any balance remaining.

(Section 5.04)

Deposit and Allocation of Revenues

The Revenues and any other moneys, which, by any of the provisions of the Service Contract, are required to be paid to the Trustee, shall be deposited or paid by the Trustee upon receipt thereof as follows and in the following order of priority:

First: To the credit of the Debt Service Fund, the amount, if any, necessary to make the amount on deposit in the Debt Service Fund equal to (a) the interest payable on the next succeeding interest payment date, (b) the principal and Sinking Fund Installments of Outstanding Bonds payable on the next succeeding principal or Sinking Fund Installment payment date, (c) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased pursuant to the Resolution or called for redemption pursuant to the Resolution, plus accrued interest thereon to the date of purchase or redemption on the next succeeding purchase or redemption date;

Second: To reimburse or pay, pro rata, each Facility Provider of a Credit Facility or Liquidity Facility or Interest Rate Exchange Agreement for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to such Facility Provider; and

Third: To or upon the order of the Authority, such amounts as are then required to pay or reimburse the Authority for: (i) fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Projects, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Service Contract in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts then due and owing to the Authority pursuant to the Service Contract and payable pursuant to this paragraph Third.

After making the payments required by paragraphs First, Second and Third, the balance, if any, of the Revenues shall, upon the direction of an Authorized Officer of the Authority, be deposited by the Trustee to the credit of the Arbitrage Rebate Fund or the Debt Service Fund for application as summarized below under "Debt Service Fund" or "Arbitrage Rebate Fund," or to both, in the respective amounts set forth in such direction. The Trustee shall notify the Authority and the State promptly after making the payments required by paragraphs First, Second and Third of any balance remaining from such Revenues after payment as provided above.

(Section 5.05)

Debt Service Fund

The Trustee shall on or before each interest payment date, Sinking Fund Installment payment date, redemption date or purchase date pay to itself and any other Paying Agent the amount of:

(a) the interest due on all Outstanding Bonds on such interest payment date;

(b) the principal and Sinking Fund Installments due on all Outstanding Bonds on such interest payment date; and

(c) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption plus accrued interest thereon to the date of purchase or redemption.

The amount paid out pursuant to (a), (b) and (c) above •shall continue to be subject to the pledge made by the Resolution and shall be held by the Trustee and Paying Agents subject to such pledge and applied to the payments due on such interest payment date to the Holders of Bonds in accordance with the Resolution.

Notwithstanding the foregoing, the Authority may, at any time subsequent to the first day of January of any Bond Year during which a Sinking Fund Installment is payable but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by the Director and delivered to the Trustee in accordance with the Service Contract shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so cancelled shall be credited against the next Sinking Fund Installment due on the Term Bonds so purchased; provided, however, that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given.

Moneys remaining in the Debt Service Fund after application as described in paragraphs (a), (b) and (c) above shall in each case be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If fifty (50) days prior to any interest payment date on which Bonds of any Series are subject to redemption the amount of such excess not required to pay the purchase price or Redemption Price of Bonds theretofore contracted to be purchased or called for redemption is fifty thousand dollars ($50,000.00) or more, the Trustee shall, to the extent such moneys are sufficient therefor, apply such moneys in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds as provided in the Resolution, at the Redemption Prices specified in the applicable Series Resolution or Series Certificate.

(Section 5.06)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the State for deposit therein or transferred by it or paid to it by the Authority in accordance with the provisions of the Resolution for deposit therein. Notwithstanding any other provisions of the Resolution, the Trustee shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions, and the Authority may withdraw from the Project Fund and pay to the Trustee for deposit to the Arbitrage Rebate Fund, such amounts as shall be determined by the Authority to be necessary to comply with the Code.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund in accordance with the written direction of such Authorized Officer.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Series of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolution and deposit to the Arbitrage Rebate Fund all or a portion of the Excess Earnings with respect to each Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.08)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, the Trustee shall so notify the Authority and the Director. Upon receipt of such notice, the Authority may direct the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by each Series Resolution as provided in the Resolution.

(Section 5.09)

Transfer of Investments

Whenever moneys in any fund or account established by the Resolution or by any Series Resolution are to be paid in accordance with the Resolution or therewith to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made; provided, however, that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund.

(Section 5.10)

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

Moneys held under the Resolution in any fund or account established by the Resolution or by a Series Resolution, if permitted by law, shall, as nearly as may be practicable, be invested, in Government Obligations, Federal Agency Obligations, or Exempt Obligations and, if not inconsistent with the investment guidelines of a Rating Service applicable to funds held under the Resolution, any other Permitted Investment; provided, however, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution, provided, further, (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person. Moneys held under the Resolution by the Trustee shall be invested by the Trustee upon the direction of an Authorized Officer of the Authority given or confirmed in writing, which direction shall specify the amount to be so invested.

In lieu of the investments of moneys in obligations authorized in the preceding paragraph, the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, the Authority may to the extent permitted by law, invest moneys in the Project Fund in (i) interest-bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations, with banks, trust companies, savings banks, savings and loan associations, or securities dealers approved by the Authority the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, (ii) Exempt Obligations or (iii) Investment Agreements; provided, however, that (w) each such investment shall permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the Resolution, (x) all moneys in each such interest-bearing time deposit, certificate of deposit, repurchase agreement or other similar investment arrangement shall be continuously and fully secured by ownership of or a security interest in obligations of a market value determined by the Trustee or its agent on a daily valuation equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest-bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangement shall be free and clear of claims of any other person Permitted Investments purchased or other investments made as an investment of moneys in any fund or account held by the Trustee or the Authority under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged to, as the case may be, such fund or account.

In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution each Permitted Investment therein shall be valued at the market value thereof, plus accrued interest.

(Section 6.02)

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof.

(Section 7.01)

Accounts and Reports

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the State, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Trustee shall prepare a report which shall be furnished to the Authority, to each Facility Provider and to the State. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; and a statement that, in making such report, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Resolution or of each Series Resolution was obtained, or if knowledge of any such default was obtained, a statement thereof; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report shall, upon written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond or any beneficial owner of a Book Entry Bond requesting the same.

(Section 7.05)

Creation of Liens

The Authority shall not create, cause to be created or suffer or permit the creation of any lien or charge prior or equal to that of the Bonds on the proceeds from the sale of the Bonds, the Revenues or the funds and accounts established by the Resolution or by any Series Resolution which are pledged by the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations or otherwise incurred indebtedness under another and separate resolution so long as the charge or lien created by such resolution is not prior to the charge or lien created by the Resolution and (ii) incurring obligations or indebtedness to any person providing a Credit Facility or a Liquidity Facility or an Interest Rate Exchange Agreement which are secured by a lien on and pledge of the Revenues which are equal to the lien and pledge thereon made by the Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the State

The Authority shall take all legally available action to cause the applicable governmental agency utilizing a Project to perform fully all duties and acts and comply fully with the covenants of the State required by the Service Contract in the manner and at the times provided in the Service Contract; provided, however, that the Authority may delay or defer enforcement of one or more provisions of the Service Contract (other than provisions requiring the payment of moneys to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds,

(Section 7.07)

Offices for Payment and Registration of Bonds

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is by the Resolution appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions of this Section shall be subject to the provisions of the Resolution.

(Section 7.09)

Amendment of Service Contract

The Service Contract may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of (a) the Holders of at least a majority in principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of a majority in principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series 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; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment to be made by the State under the Service Contract which is required to be deposited with the Trustee or extend the time of payment thereof, The Service Contract may be amended, changed, modified or altered with the consent of the Trustee but without the consent of the Holders of Outstanding Bonds to provide necessary changes in connection with the refunding or repayment of State Supported Debt, or the issuance of Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in the Service Contract which may be defective or inconsistent with any other provisions contained in the Resolution or in the Service Contract. No amendment to the Service Contract shall become effective until an executed copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

For the purposes of the Resolution, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Service Contract if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series would be adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the State, the Authority and all Holders of Bonds.

For all purposes of the Resolution, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to the extent, if any, as to which action adversely affects the interests of any Holders of Bonds then Outstanding.

(Section 7.10)

Notice of Default under Agreement

The Authority shall notify the Trustee in writing that the State is in default under the Service Contract, which default is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof,

(Section 7.11)

Modification and Amendment Without Consent

The Authority may adopt at any time or from time to time Series Resolution or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolutions or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

(a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(b) To add additional ‘covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenant’s and agreements of the Authority contained in the Resolution;

(c) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(e) To confirm, as further assurance, any pledge under the Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues, or any pledge of any other moneys or funds;

(f) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution in any other respect, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions;

(g) To modify the provisions of the Resolution in any respect, provided that such modification shall not permit the investment of moneys in the Debt Service Fund in any manner inconsistent with the provisions of the Resolution and shall not result in the reduction by a Rating Service of the ratings assigned thereby to any of the Outstanding Bonds; or

(h) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders in any material respect.

(Section 9.01)

Supplemental Resolutions Effective With Consent of Bondholders

The provisions of the Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Bondholders in accordance with and subject to the provisions of the Resolution summarized under “Powers of Amendment” herein, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority.

(Section 9.02)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Resolution.

Nothing contained in the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere provided in the Resolution or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms.

The Trustee is authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or the Paying Agent affected thereby.

(Section 9.03)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as summarized in "Consent of Bondholders" below, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in ease the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series 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 for purposes of providing consent. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the Resolution, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution to take effect when and as provided in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds as summarized under “Power of Amendment” above and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided in the Resolution. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondholder shall be binding upon the Bondholder giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Bondholder and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided in the Resolution for is filed, such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this paragraph, shall be given to the Bondholders by the Authority by mailing such notice to the Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee provided in the paragraph above for is filed. The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this paragraph). A transcript, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent, and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such publication is required, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of the Resolution, the purchasers of the Bonds of a Series, whether purchasing in connection with a primary offering or a reoffering of Bonds or as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering or reoffering of the Bonds of such Series by the Authority.

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution, except that no notice to the Bondholders either by mailing or publication shall be required.

(Section 10.03)

Events of Default

An event of default shall exist under the Resolution and under each Series Resolution if:

(a) Payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) Payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to the Bonds of any Series, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely ‘affect the exclusion of interest on such Bonds from gross income wider Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) The Authority shall default in the clue and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds or in any Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within said thirty (30) days and diligently prosecute the cure thereof.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the section of the Resolution summarized above under “Events of Default”, other than an event of default specified in paragraph (c) summarized above under “Events of Default’’, then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, shall, by a notice in writing to the Authority, declare the principal of all of the Outstanding Bonds and the interest accrued thereon to be due and payable immediately. At the expiration of thirty (30) days from the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the

Bonds or in any Series Resolution to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds not then due by their terms and then Outstanding annul such declaration and its consequences if (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this paragraph) shall have been remedied to the reasonable satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the section of the Resolution summarized above under “Events of Default”, then and in every such case, the Trustee may proceed, or of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds or, in the case of a happening and continuance of an event of default specified in paragraph (c) above summarized under the heading “Events of Default”, upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution) to protect and enforce its rights and the rights of the Bondholders under the Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

(Section 11.04)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds or, in the case of an event of default specified in the Resolution, the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

(Section 11.08)

Defeasance

If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the applicable Series Resolution and Series Certificate, then the pledge of the Revenues or other moneys and securities pledged by the Resolution to such Bonds and all other rights granted by the Resolution to such Series of Bonds shall be discharged and satisfied.

Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed above. All Outstanding Bonds of any Series or any Sub-Series or any maturity within a Series or Sub-Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the holders of said Bonds at their last known address appearing on the registration books, and directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds at their last known address appearing on the registration books that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series, Sub-Series and maturity the payment of which is to be made in accordance with this paragraph. The Trustee shall select the Bonds of like Series, Sub-Series and maturity payment of which shall be made in accordance with this paragraph in the manner provided in the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for two (2) years after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series become due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 12.01)

No Recourse under the Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on the

Bonds or for any claims based thereon, or on the Resolution against any member, officer or employee of the Authority, the Director or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of Bonds by the acceptance of the Bonds.

(Section 14.04)

Certain Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an “event of default”, as provided in the Resolution or (iii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the then current Accreted Value of such Bond shall be deemed to be its principal amount.

For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed, or (ii) receiving payment of a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, as provided in the Resolution or (iii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the then current Appreciated Value of such Bond shall be deemed to be its principal amount.

(Section 14.10)

TABLE OF REFUNDED BONDS

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TABLE OF REFUNDED BONDS

The following tables show the bonds of the Dormitory Authority of the State of New York and the New York State Thruway Authority that are to be refunded with the proceeds of the Series 2010 Bonds. Set forth in each table are the series and maturities within such series to be refunded, the principal amount of each such maturity to be refunded and, if applicable, the dates on and redemption prices at which such bonds are to be redeemed.

Series: Dormitory Authority of the State of New York, Service Contract Revenue Bonds (Child Care Facilities Development Program), Series 2002A

Maturity Date	Interest Rate	Principal Outstanding	Principal to Be Refunded	Redemption Date	Redemption Price
4/1/2013	5.375%	$1,545,000	$1,545,000	4/1/2012	100%

Series: Dormitory Authority of the State of New York, State University Educational Facilities Revenue Bonds, Series 1998B

Maturity Date	Interest Rate	Principal Outstanding	Principal to Be Refunded	Redemption Date	Redemption Price
5/15/2019*	4.500%	$10,145,000	$10,145,000	1/17/2011	100%
5/15/2020*	4.500%	10,590,000	10,590,000	1/17/2011	100

* Sinking Fund Installment of a Term Bond maturing May 15, 2020

Series: Dormitory Authority of the State of New York, State University Educational Facilities Revenue Bonds, Series 2000

Maturity Date	Interest Rate	Principal Outstanding	Principal to Be Refunded	Redemption Date	Redemption Price
5/15/2012	6.000%	$32,160,000	$32,160,000	1/17/2011	101%
5/15/2013	6.000%	37,285,000	37,285,000	1/17/2011	101

Series: Dormitory Authority of the State of New York, State University Educational Facilities Revenue Bonds, Series 2002A

Maturity Date	Interest Rate	Principal Outstanding	Principal to Be Refunded	Redemption Date	Redemption Price
5/15/2015	5.000%	$3,125,000	$3,125,000	5/15/2012	101%
5/15/2016	5.000%	5,370,000	5,370,000	5/15/2012	101

Series: Dormitory Authority of the State of New York, Upstate Community Colleges Revenue Bonds, Series 2000A

Maturity Date	Interest Rate	Principal Outstanding	Principal to Be Refunded	Redemption Date	Redemption Price
7/1/2011	5.125%	$820,000	$820,000	1/17/2011	101%
7/1/2012	5.250%	865,000	865,000	1/17/2011	101

Series: Dormitory Authority of the State of New York, Upstate Community Colleges Revenue Bonds, Series 2001A

Maturity Date	Interest Rate	Principal Outstanding	Principal to Be Refunded	Redemption Date	Redemption Price
7/1/2012	5.000%	$865,000	$865,000	1/17/2011	101%

Series: Dormitory Authority of the State of New York, Upstate Community Colleges Revenue Bonds, Series 2002A

Maturity Date	Interest Rate	Principal Outstanding	Principal to Be Refunded	Redemption Date	Redemption Price
7/1/2012	4.125%	$860,000	$860,000	7/1/2011	101%
7/1/2013	4.300%	895,000	895,000	7/1/2011	101
7/1/2014	4.375%	930,000	930,000	7/1/2011	101
7/1/2015	4.500%	975,000	975,000	7/1/2011	101

Series: New York State Thruway Authority, Local Highway and Bridge Service Contract Bonds, Series 2000

Maturity Date	Interest Rate	Principal Outstanding	Principal to Be Refunded	Redemption Date	Redemption Price
4/1/2012	4.900%	$9,210,000	$9,210,000	1/17/2011	101%

Series: New York State Thruway Authority, Local Highway and Bridge Service Contract Bonds, Series 2001

Maturity Date	Interest Rate	Principal Outstanding	Principal to Be Refunded	Redemption Date	Redemption Price
4/1/2012	4.000%	$2,670,000	$2,670,000	4/1/2011	100%
4/1/2012	5.250%	7,270,000	7,270,000	4/1/2011	100
4/1/2013	4.125%	820,000	820,000	4/1/2011	100
4/1/2014	4.250%	780,000	780,000	4/1/2011	100
4/1/2015	4.375%	775,000	775,000	4/1/2011	100

FORM OF APPROVING OPINION OF BOND COUNSEL

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FORM OF APPROVING OPINION OF BOND COUNSEL

_____________, 2010

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 $120,275,000 aggregate principal amount of the State of New York Consolidated Service Contract Refunding Revenue Bonds, Series 2010 (the "Series 2010 Bonds"), by the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof, including, without limitation, by the Healthcare Financing Consolidation Act, being Title 4–B of the Public Authorities Law of the State of New York, as amended to the date hereof (the "Act").

The Series 2010 Bonds are issued under and pursuant to the Act and the State of New York Consolidated Service Contract Refunding Revenue Bond Resolution of the Authority, adopted July 25, 2007 (the "Resolution"), and the Series 2010 State of New York Consolidated Service Contract Refunding Revenue Bond Resolution Authorizing the State of New York Consolidated Service Contract Refunding Revenue Bonds, adopted February 24, 2010 (the "Series 2010 Resolution"). Said resolutions are herein collectively called the "Resolutions." Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the Resolutions.

The Series 2010 Bonds are part of an issue of bonds of the Authority (the "Bonds") which the Authority has established and created under the terms of the Resolution and is authorized to issue from time to time for the purposes authorized by the Act and the Resolution, as then in effect, and without limitation as to amount, except as provided in the Resolutions or as may be limited by law. The Series 2010 Bonds are being issued for the purposes set forth in the Resolutions.

The Authority is authorized to issue Bonds, in addition to the Series 2010 Bonds, only upon the terms and conditions set forth in the Resolution and such Bonds, when issued, will with the Series 2010 Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

The Series 2010 Bonds are issuable in the form of fully registered Bonds in the denomination of $5,000 or integral multiples thereof. The Series 2010 Bonds are each numbered consecutively from one upward in order of issuance.

The Series 2010 Bonds are dated the date hereof and mature on July 1 and bear interest, payable July 1, 2011 and semiannually thereafter on January 1 and July 1, in each of the years and at the respective principal amounts and rates per annum set forth below:

Maturing July 1	**Principal Amount**	**Interest Rate**	**Maturing July 1**	**Principal Amount**	**Interest Rate**
2011	$19,405,000	3.00%	2015	$ 3,830,000	5.00%
2012	35,785,000	4.00	2016	5,370,000	5.00
2013	5,695,000	4.00	2019	8,100,000	5.00
2013	31,265,000	5.00	2020	10,560,000	5.00
2015	265,000	4.00			

The Authority and the People of The State of New York (the "State"), acting by and through the Director of Budget of the State have entered into a Service Contract, dated as of July 25, 2007 (the "Service Contract"), as amended and supplemented to the date hereof, including by a Supplement No. 4 to the Service Contract, dated December , 2010 (the "Supplemental Agreement"), by which the principal and Sinking Fund Installments of and interest on the Bonds, as well as a part of the Authority's annual administrative expenditures and costs, are to be paid by the State to the Authority as Contract Payments. All amounts payable under the Service Contract which are required to be paid to Deutsche Bank Trust Company Americas, New York, New York, as trustee under the Resolution, for payment of the principal or Redemption Price of or interest on the Bonds have been pledged by the Authority for the benefit of the Holders of the Bonds.

We are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State, with the right and lawful authority and power to adopt the Resolutions and to issue the Bonds thereunder, including the Series 2010 Bonds.

2. The Series 2010 Resolution has been duly adopted in accordance with the provisions of the Resolution and is authorized and permitted by the Resolution. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are legal, valid and binding obligations of the Authority enforceable in accordance with their terms.

3. The Series 2010 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Act, and in accordance with the Resolutions. The Series 2010 Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions and are entitled, together with all other Bonds issued under the Resolutions, to the equal benefits of the Resolutions and the Act.

4. The Authority has the right and lawful authority and power to enter into the Service Contract and the Supplemental Agreement and the Service Contract and the Supplemental Agreement have been duly authorized, executed and delivered by the Authority and constitutes legal, valid and binding obligations of the Authority enforceable in accordance with their terms.

5. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements that must be met subsequent to the issuance and delivery of the Series 2010 Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2010 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2010 Bonds. Pursuant to the Series 2010 Resolution, the Service Contract and the Tax Certificate as to Arbitrage and the Provisions of Sections 141–150 of the Internal Revenue Code (the "Tax Certificate"), the Authority and the State have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2010 Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and the State have made certain representations and certifications in the Series 2010 Resolution, the Service Contract and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with certain covenants described herein, and the accuracy of the aforementioned representations and certifications, interest on the Series 2010 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2010 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

6. Interest on the Series 2010 Bonds is exempt, by virtue of the Act, from personal income taxes of the State and its political subdivisions, including The City of New York and the City of Yonkers.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolutions, the Series 2010 Bonds and the Service Contract may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

Except as stated in paragraphs 5 and 6 above, we express no opinion as to any other federal or state tax consequences of the ownership or disposition of the Series 2010 Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2010 Bonds, or the interest thereon, if any action is taken with respect to Series 2010 Bonds or the proceeds thereof upon the advice or approval of other counsel.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Service Contract and the Supplemental Agreement by the State. We have assumed the due authorization, execution and delivery of the Service Contract and the Supplemental Agreement by the State.

Very truly yours,

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK • STATE OF NEW YORK CONSOLIDATED SERVICE CONTRACT REFUNDING REVENUE BONDS, SERIES 2010

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