NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Holland & Knight LLP, Bond Counsel, assuming compliance with certain arbitrage rebate and other tax requirements referred to herein and rendered in reliance on certain schedules described herein, under existing law, interest on the Series 2012A Bonds is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax on individuals and corporations. Interest on the Series 2012A Bonds will, however, be taken into account in computing an adjustment made in determining a corporate Bondholder's alternative minimum tax based on such a Bondholder's adjusted current earnings, and Bondholders of Series 2012A Bonds could be subject to the consequences of other provisions of the Internal Revenue Code of 1986, as amended, as further described herein. Bond Counsel is also of the opinion that under existing statutes, interest on the Series 2012A Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof. See "TAX MATTERS" herein.

$235,480,000
NEW YORK STATE THRUWAY AUTHORITY
Local Highway and Bridge Service Contract Bonds
Series 2012A

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

Interest is payable each April 1 and October 1, commencing October 1, 2012. The Series 2012A Bonds are issuable only as fully registered bonds without coupons, in the principal amount of $5,000 or any integral multiple thereof. The Series 2012A Bonds will be issued as registered bonds and held under a book-entry only system by The Depository Trust Company, New York, New York ("DTC") in the name of Cede & Co., as Bondholder and nominee of DTC. See "DESCRIPTION OF THE SERIES 2012A BONDS — Book-Entry Only System" herein. Principal and premium, if any, and interest on the Series 2012A Bonds will be payable through The Bank of New York Mellon, New York, New York, as Paying Agent.

The Series 2012A Bonds are not subject to redemption prior to maturity.

The Series 2012A Bonds are special limited obligations of the New York State Thruway Authority (the "Authority") payable from and secured by certain payments to the Authority by the State of New York (the "State") under a Service Contract that provides for the payment of amounts sufficient to pay when due all installments of principal of and interest on, the Series 2012A Bonds. The obligation of the State to make such payments is subject to, and dependent upon, the making of annual appropriations therefor by the State Legislature and the availability of moneys to fund such payments.

The Series 2012A Bonds are not a debt of the State nor shall the State be liable thereon.

The purpose of the issuance of the Series 2012A Bonds is to provide funds to refund a portion of the Authority's outstanding Local Highway and Bridge Service Contract Bonds, Series 2002 (the "Refunded Bonds") and to pay certain costs relating to the issuance of the Series 2012A Bonds.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed decision.

MATURITY SCHEDULE – See Inside Cover

The Series 2012A Bonds are offered, when, as and if issued and delivered to the Underwriters, and are subject to approval of legality by Holland & Knight LLP, Bond Counsel to the Authority. Certain legal matters are subject to the approval of William J. Estes, Esq., General Counsel to the Authority, and of Nixon Peabody LLP, Counsel to the Underwriters. Public Resources Advisory Group and Frasca & Associates, LLC are acting as financial advisors to the Authority. It is expected that the Series 2012A Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about March 15, 2012.

Wells Fargo Securities **Jackson Securities**
Barclays Capital **Jefferies** **RBC Capital Markets**

Dated: March 8, 2012

$235,480,000
NEW YORK STATE THRUWAY AUTHORITY
LOCAL HIGHWAY AND BRIDGE SERVICE CONTRACT BONDS
SERIES 2012A

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, AND CUSIP NUMBERS

Due April 1	Principal Amount	Interest Rate	Yield	CUSIP Number[1]
2013	$92,485,000	2.00%	0.18%	650017XP6
2014	71,850,000	4.00	0.46	650017XT8
2015	200,000	3.00	0.70	650017XQ4
2015	55,015,000	4.00	0.70	650017XS0
2016	15,930,000	5.00	0.90	650017XR2

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[1] Copyright 2007, American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2012A Bonds. Neither the Authority, the State, nor the Underwriters are responsible for the selection or uses of these CUSIP numbers and no representation is made to their correctness on the Series 2012A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2012A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2012A Bonds.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2012A Bonds by any person in any jurisdiction in which it is unlawful for the person to make such offer, solicitation or sale. The information set forth herein has been provided by the Authority, the State and other sources which are believed to be reliable by the Authority. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the State. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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 State could cause actual results to differ materially from those stated in the forward-looking statements. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" and "APPENDIX C — INFORMATION CONCERNING THE STATE OF NEW YORK."

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities 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.

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

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

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NEW YORK STATE THRUWAY AUTHORITY
Official Statement
Relating to
$235,480,000
LOCAL HIGHWAY AND BRIDGE SERVICE CONTRACT BONDS
SERIES 2012A

Albany, New York
March 8, 2012

INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to set forth information with respect to the New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2012A in the aggregate principal amount of $235,480,000 (the "Series 2012A Bonds"). The Series 2012A Bonds are authorized by the New York State Thruway Authority Act, as amended, Title 9 of Article 2 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York (the "Act") and the Program Legislation, as described under "THE PROGRAMS — General" herein (the Program Legislation, together with the Act, being the "Authorizing Legislation"). The Series 2012A Bonds are authorized to be issued under and pursuant to the Authority's Local Highway and Bridge Special Limited Obligation Service Contract Bond Resolution, adopted by the New York State Thruway Authority (the "Authority") on August 23, 1991, as amended (the "Bond Resolution"), and as further amended and supplemented by the Eighteenth Supplemental Local Highway and Bridge Special Limited Obligation Service Contract Bond Resolution, adopted by the Authority on March 2, 2012 (the "Series Resolution"), and supplemented by the Certificate of Determination of the Authority dated the date of issuance (the "Certificate of Determination") (the Bond Resolution, as supplemented and amended, including by the Series Resolution and the Certificate of Determination, is referred to herein as the "Resolution").

The Series 2012A Bonds are being issued to provide the Authority with funds to refund a portion of the Authority's Local Highway and Bridge Service Contract Bonds, Series 2002 (as more particularly set forth in Appendix D hereto, the "Refunded Bonds") and to pay certain costs relating to the issuance of the Series 2012A Bonds. See "PLAN OF FINANCING" below. The Refunded Bonds were issued to provide the Authority with funds to refund certain maturities of the Authority's Local Highway and Bridge Service Contract Bonds and to pay certain costs relating to the issuance of the Refunded Bonds.

The Program Legislation, among other things, expands and modifies (i) that portion of the State's Consolidated Local Street and Highway Improvement Program ("CHIPS") relating to capital improvements to highways, bridges and highway-railroad crossings that are not on the State Highway System, (ii) the State's program of providing a portion of the matching funds required for certain federally-aided municipal projects affecting highways, roads and streets not on the State Highway System ("Marchiselli" or the "Marchiselli Program"), (iii) the State's Suburban Highway Improvement Program relating to capital improvements to roads, highways, parkways and bridges in certain suburban areas ("SHIPS"), and (iv) the State's Multi-Modal Program to include authorized State and local highway and bridge, rail, port and aviation projects and fixed ferry facilities ("Multi-Modal," together with SHIPS, Marchiselli and CHIPS, the "Programs"). The Program Legislation authorizes the Director of the Budget of the State (the "Director of the Budget"), on behalf of the State and subject to the making of annual appropriations or authorizations by the State Legislature, to enter into one or more service contracts with the Authority, (i) to fund, or to fund the debt service requirements on bonds issued to fund, the Programs having a cost not in excess of $6,695,169,000 cumulatively by the end of State Fiscal Year 2011-12

(ending March 31, 2012) and (ii) to fund administrative expenses of the Authority ("Authority Expenses"). Pursuant to the Authorizing Legislation, the Authority and the State have entered into a Local Highway and Bridge Service Contract, dated as of August 15, 1991, as amended (the "Service Contract").

The Executive Budget proposed for State Fiscal Year 2012-2013 (the "2012-13 Executive Budget") includes $1.16 billion in accelerated infrastructure investment through the Governor's New York Works program to maintain, repair and replace critical highway and bridge infrastructure throughout the State. Funded components include over $212 million for bridge repairs on 115 critical bridges throughout the State, $250 million for a pavement preservation program which will treat more than 2,000 lane miles of State roads, and over $700 million to accelerate significant transportation projects throughout the State. Funding for the acceleration initiative will be funded from a combination of State and Federal resources. Approximately $917 million would be funded from Federal aid while the State would provide $232 million through the Dedicated Highway and Bridges Trust Fund. Funding for local highway and bridge projects under the Programs is maintained at $403 million.

For a more detailed discussion of the 2012–13 Executive Budget and further information regarding the State, see "APPENDIX C — INFORMATION CONCERNING THE STATE OF NEW YORK."

The Series 2012A Bonds are special limited obligations of the Authority which will be payable from, and secured by, certain payments made to the Authority by the State under the Service Contract and by the funds and accounts established by the Resolution. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — The Pledge Effected by the Bond Resolution" and "APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — The Pledge Effected by the Resolution." The Service Contract provides that the State's obligation to make the payments due thereunder is absolute and unconditional, subject only to the executory clause described below, and that neither the Authority nor the State will terminate the Service Contract for any cause, including, without limitation, 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 with respect to such contract. See "APPENDIX B – FORM OF SERVICE CONTRACT."

The obligations of the State acting by and through the Director of the Budget to fund or to pay the amounts provided for by the Service Contract are subject to annual appropriations being made by the State Legislature for such purposes, 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 moneys available to the State therefor, and no liability shall be incurred by the State beyond the moneys available for the purposes thereof. The State Legislature is not legally obligated to make appropriations to satisfy the State's obligations under the Service Contract, and there can be no assurance that the State Legislature will make any such appropriations.

Although the Bond Resolution establishes a Bond Service Reserve Fund, the Bond Service Reserve Fund Requirement for all Outstanding Bonds is currently zero and the Series Resolution does not establish a Bond Service Reserve Fund Requirement for the Series 2012A Bonds.

The Authority has previously issued $5,706,490,000 Local Highway and Bridge Service Contract Bonds on a parity basis with the Series 2012A Bonds, of which $1,075,775,000 are outstanding as of the date hereof. The Authority is permitted to issue additional bonds ("Additional Bonds") on a parity with such previously issued bonds and the Series 2012A Bonds, as described under "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Additional Bonds." Such previously issued bonds,

the Series 2012A Bonds and any Additional Bonds are herein called collectively "Bonds." The Authority expects that it will only issue Additional Bonds for the purpose of refunding Outstanding Bonds and that, as has been the case since 2003, financing for the Programs will be supported by the issuance of State Personal Income Tax Revenue Bonds (the "Authority's Personal Income Tax Revenue Bonds") pursuant to the Authority's State Personal Income Tax Revenue Bonds (Transportation) General Bond Resolution adopted by the Authority on June 27, 2002 or by the issuance of State Personal Income Tax Revenue Bonds by another issuer authorized by State law to issue State Personal Income Tax Revenue Bonds for the purpose of financing the Programs (the "Other Personal Income Tax Revenue Bonds" and, collectively with the Authority's Personal Income Tax Revenue Bonds, the "State Personal Income Tax Revenue Bonds"), rather than through the issuance of Local Highway and Bridge Service Contract Bonds. Neither the State Personal Income Tax Revenue Bonds nor any obligations of the Authority other than the Bonds are secured by Service Contract Payments, referred to herein.

Capitalized terms used herein unless otherwise defined have the same meaning as ascribed to them in the Bond Resolution. See "APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Certain Defined Terms."

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Bonds are special limited obligations of the Authority payable as to principal, redemption premium, if any, and interest from the security, sources of payment and funds specified in the Bond Resolution.

The Resolution pledges for the payment of the Bonds certain payments made by the State under the Service Contract, and any supplement thereto or new service contract delivered in connection with any Additional Bonds, in respect of principal, redemption premium, if any, and interest on the Bonds. The amounts payable by the State under the Service Contract (the "Service Contract Payments") are payable to the Authority in accordance with the provisions of the Service Contract (a form of which is attached as Appendix B hereto), which provides that the State's obligation to make such Service Contract Payments, subject only to the making of annual appropriations therefor by the State Legislature and the availability of moneys therefor, shall be absolute and unconditional, without any rights of 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, and shall continue for so long as any of the Bonds are Outstanding.

The financial condition of the State could affect the ability and willingness of the State Legislature to appropriate, and the availability of moneys to make the Service Contract Payments. For a discussion of certain factors affecting the State and the State's general economic background, see "APPENDIX C — INFORMATION CONCERNING THE STATE OF NEW YORK."

The Pledge Effected by the Resolution

The Resolution provides that there is pledged for the payment of principal, including Sinking Fund Installments and Redemption Price, of, and interest on, the Bonds and Parity Debt, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Authority in (i) the Service Contract, including, without limitation, the Service Contract Payments, other than Service Contract Payments representing amounts designated by the State (a) to be applied directly to the payment of Authority Expenses (other than

payments of principal of and redemption premium, if any, and interest on any Bond Anticipation Notes), or (b) to be deposited in an escrow fund for the payment of principal of and premium, if any, and interest on any Bonds to be deemed paid within the meaning of the Resolution or on any Bond Anticipation Notes to be deemed paid within the meaning of the resolution which authorized such Bond Anticipation Notes, (ii) the proceeds of the sale of the Bonds, and (iii) all Funds, accounts and sub-accounts established by or pursuant to the Resolution (other than the Administrative Fund and the Rebate Fund).

The Resolution provides that the pledge of the items set forth in the preceding paragraph secures all of the Bonds and Parity Debt on a pari passu basis.

Subject to the provisions regarding Bond Anticipation Notes, the Resolution provides that the items pledged thereunder are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Authority to that end has been duly and validly taken.

Service Contract Payments

The Service Contract obligates the State, subject to annual appropriation by the State Legislature, to make payments to the Authority at the times specified therein for principal, interest and redemption payments, if any, on all Bonds issued under the Resolution together with amounts which may become due to counterparties under interest rate exchange agreements and to issuers of any surety bond, insurance policy, letter of credit or similar obligation entered into in connection with the issuance of Bonds. See "APPENDIX B — FORM OF SERVICE CONTRACT."

With respect to the Series 2012A Bonds and all other Bonds, the Service Contract provides that the State agrees to pay, subject to annual appropriation by the State Legislature, to the Authority: (x) on or before each March 15 and September 15 the interest coming due on the next succeeding April 1 or October 1, as the case may be, as certified by an Authorized Officer of the Authority to the Director of the Budget, and (y) with respect to principal of, when due by reason of maturity, redemption or acceleration (including mandatory sinking fund payments): (i) on or before March 15 of each year a sum of money equal to that portion of the principal payments due on such April 1, which shall be deemed to accrue in the six-month period from the last October 1 through the March 31 immediately preceding such April 1, and (ii) on or before September 15 of each year a sum of money equal to that portion of the principal payments due on the next succeeding April 1 and, which shall be deemed to accrue in the six-month period from the last April 1 through the September 30 immediately preceding such September 15. If any of the foregoing payment dates is not a business day, then the State's payment is due on the immediately preceding business day. See "APPENDIX B — FORM OF SERVICE CONTRACT."

Flow of Funds

Pursuant to the Bond Resolution, payments made by the State under the Service Contract will be deposited into the Revenue Fund and then deposited into the following Funds in the following order: (i) to the Bond Service Fund, if and to the extent required, so that the amount in the Bond Service Fund shall equal (a) Bond Service (principal and interest) accrued on all Outstanding Bonds for the period ending on the next succeeding Interest Payment Date, and (b) redemption premium, if any, due on all Outstanding Bonds of any Series on the next succeeding Redemption Date; and (ii) subordinate to the payments required by (i), to the Administrative Fund to pay Authority Expenses, including, among other things, payments due from the Authority to counterparties on interest rate exchange agreements entered into by the Authority. Calculations of the amount of each transfer to the Bond Service Fund, as described in (i)(a) above, shall be made in accordance with the Bond Resolution on a Series by Series basis for each

such Series established in the related series resolution. See "APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

No Reserve Fund

Although the Bond Resolution establishes a Bond Service Reserve Fund, the Bond Service Reserve Fund Requirement for all Outstanding Bonds is currently zero and the Series Resolution does not establish a Bond Service Reserve Fund Requirement for the Series 2012A Bonds.

Additional Bonds

The Bond Resolution permits the Authority to issue Additional Bonds, on a parity with the Series 2012A Bonds and other Outstanding Bonds, from time to time to pay or provide for the payment of costs of Projects or to refund all or any portion of the Outstanding Bonds; however, the Authority does not expect to issue Additional Bonds for new money purposes under the Bond Resolution. The Bond Resolution does not limit the aggregate amount of Bonds which may be issued provided that the conditions for issuance of Additional Bonds are met. The Authorizing Legislation authorizes the Authority to issue Bonds to fund CHIPS, the Marchiselli Program, SHIPS and Multi-Modal Projects (the "Projects") having a cost of $6,695,169,000 through State Fiscal Year 2011-12. If the Authorizing Legislation and the Service Contract are further amended to increase authorized payments of costs of Projects, Additional Bonds may be issued to that extent under the Bond Resolution. The Authority expects that it will only issue Additional Bonds for the purpose of refunding Outstanding Bonds and that, as has been in the case since 2003, financing for the Programs will be supported by the issuance of State Personal Income Tax Revenue Bonds. Neither the State Personal Income Tax Revenue Bonds nor any obligations of the Authority other than the Bonds are secured by Service Contract Payments. See "APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

Certain Other Matters

The Bonds are not a debt of the State and the State is not liable on the Bonds. The obligations of the State, acting by and through the Director of the Budget, to fund or to pay the amounts provided for by the Service Contract are subject to annual appropriations being made by the State Legislature for such purposes, 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 moneys available to the State therefor, and no liability shall be incurred by the State beyond the moneys available for the purposes thereof. The State Legislature is not legally obligated to make appropriations to satisfy the State's obligations under the Service Contract, and there can be no assurance that the State Legislature will make any such appropriations. Certain statements and information relating to the State have been provided by the State and are set forth in Appendix C to this Official Statement.

Neither the Projects financed through the Programs, nor any repayment of funds made to finance Projects, nor any assets of the Projects or the municipalities or other project sponsors receiving funds for the Projects, will secure the Bonds.

Under the Authorizing Legislation, the Bonds are special limited obligations of the Authority secured by and payable solely from Service Contract Payments and any other funds appropriated by the State Legislature to the Authority therefor without any recourse against any other assets, revenues or funds of or any other payments due to the Authority, or any subsidiary corporation thereof (a "Subsidiary"), including, without limitation, the revenues, facilities, properties and any and all other assets of the Authority, or of any Subsidiary, of any name and nature which are related to or a part of the Authority's or any Subsidiary's ownership and operation of the Thruway System, as defined in the Act.

The Thruway System shall not be used for, or as a result of any court proceeding otherwise applied to, the payment of principal of, and interest on, the Bonds, and under no circumstances shall the aforementioned assets, revenues or funds of, or any other payments due to, the Authority be available for such purpose.

The Act states that the State pledges and agrees with the holders of the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to, among other things, 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 and bonds until such notes and bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes and bonds are fully met and discharged. Notwithstanding the State's pledges and agreements contained in the Act, the State may in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with the Authority and with the holders of the Authority's notes and bonds. Under the Act, the Authority will remain in existence for at least as long as it has bonds, notes or other obligations outstanding.

THE PROGRAMS

General

The laws enabling the Authority to finance the Programs provided for in Sections 10-c, 10-f, 10-g and 80-b of the Highway Law and 14-k of the Transportation Law are Chapters 329, 330 and 331 of the Laws of New York of 1991, Chapters 56 and 725 of the Laws of New York of 1993, Chapter 167 of the Laws of New York of 1994, Chapter 83 of the Laws of New York of 1995, Chapters 637 and 638 of the Laws of New York of 1996, Chapter 432 of the Laws of New York of 1997, Chapter 58 of the Laws of New York of 1998, Chapters 63 and 413 of the Laws of New York of 1999, Chapter 61 of the Laws of New York of 2000, Chapter 151 of the Laws of New York of 2001, Chapter 84 of the Laws of New York of 2002, Chapter 62 of the Laws of New York of 2003, Chapter 59 of the Laws of New York of 2004, Chapter 60 of the Laws of New York of 2005, Chapter 59 of the Laws of New York of 2006, Chapters 57 and 59 of the Laws of New York of 2007, Chapters 57 and 59 of the Laws of New York of 2008, Chapters 52, 56 and 59 of the Laws of New York of 2009, Chapters 52 and 109 of the Laws of New York of 2010, and Chapter 52, 58 and 60 of the Laws of New York of 2011 (the "Program Legislation").

The Programs authorized by the Program Legislation, CHIPS, Marchiselli, SHIPS and Multi Modal, support project sponsors in their efforts to maintain, repair or replace elements of their highway and bridge systems, authorized rail, port and aviation projects and fixed ferry facilities. The Programs are described below.

Prior to State Fiscal Year 2002-03, financing for the Programs was supported by the issuance of Local Highway and Bridge Service Contract Bonds. Since State Fiscal Year 2002-03, financing for the Programs has been supported by the issuance of State Personal Income Tax Revenue Bonds. The Authority expects that it will only issue Additional Bonds for the purpose of refunding Outstanding Bonds and that, as has been the case since State Fiscal Year 2002-03, financing for the Programs will be supported by the issuance of State Personal Income Tax Revenue Bonds.

CHIPS

Started in 1982, the Consolidated Local Street and Highway Improvement Program (often referred to as the CHIPS Program) provides State aid to municipalities for operation, maintenance and upgrading of local highway systems. Payments are apportioned on a formula basis (consisting primarily of motor vehicle registrations, centerline miles and lane miles) and are payable four times a year to the

chief fiscal officer of each eligible municipality. The CHIPS Program provides funds to nearly 1,600 municipalities in New York State each year. CHIPS apportionments supplement locally raised revenue used for highways. For many communities, especially those located in rural areas, the CHIPS portion of a municipality's budget is the single largest part. To assure the best use of the CHIPS money, local government is afforded broad discretion in administering CHIPS and in choosing the work to be funded.

In 1991, legislation restructured the CHIPS Program to provide highway and bridge funds to localities in two aid categories, operating and capital. The operating program provides localities with scheduled direct grants for operation and maintenance of highways and bridges. The capital program provides grants to localities for expenses of highway and bridge capital improvement. Projects eligible for the capital program must have a minimum useful life of ten years.

In 2002, legislation expanded the types of local projects eligible for CHIPS capital aid to include replacement of public utilities impacted by a highway/bridge reconstruction project (to the extent of in-kind replacement costs), bus shelters within the highway right of way, mass transportation commuter parking facilities, stand-alone bridge removals, intelligent transportation systems, transportation storage or maintenance buildings and equipment, traffic signal coordination and traffic calming installations, where the service of such work types is at least ten years.

In 2011, legislation clarified the eligibility of certain highway treatment types for CHIPS capital aid for projects completed on or before March 31, 2012 and also provided that no reimbursement shall be made for these project types after March 31, 2012. The 2012-13 Executive Budget proposes extending these provisions through March 31, 2013.

The Program Legislation contains schedules for CHIPS capital aid to localities for State Fiscal Years 2000-01 through 2011-12. The 2012-13 Executive Budget proposes $363 million in commitments for CHIPS capital aid.

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The following table portrays the funding authorization for the CHIPS Program since State Fiscal Year 2003-2004.

CHIPS FUNDING AUTHORIZATION
(*in millions*)

State Fiscal Year	Operating	Bond Financed Capital	Total
2003-04	$0	$277	$277
2004-05	0	277	277
2005-06	0	283	283
2006-07	0	309	309
2007-08	0	312	312
2008-09	0	363	363
2009-10	0	363	363
2010-11	0	363	363
2011-12	0	363	363
2012-13[(a)]	0	363	363

[(a)] Proposed.

Marchiselli

The Municipal Streets and Highways Program (often referred to as the Marchiselli Program) provides local governments with State funds to match federal grants for local highway and bridge capital Projects. The Federal Government requires recipients of highway aid to provide non-federal matching funds in the amount of 20-25% depending upon the funding category. Prior to the enactment of the Marchiselli Program, many local governments lacked the financial resources to take advantage of this funding to repair or replace their deteriorating highways and bridges. In State Fiscal Year 1978-79 the New York State Legislature established the Marchiselli Program for the State to fund 75% of that non-federal share. Since that time, localities have been able to utilize this funding resource to address their deteriorating infrastructure.

The Program Legislation contained a schedule for State matching funds under the Marchiselli Program for the State Fiscal Years 2000-01 through 2011-12. The 2012-13 Executive Budget proposes $39.7 million in Marchiselli aid.

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The following table portrays the funding authorization for this program since State Fiscal Year 2003-2004.

MARCHISELLI FUNDING AUTHORIZATION

State Fiscal Year	Funding Authorization (*in millions*)
2003-04	$39.70
2004-05	39.70
2005-06	39.70
2006-07	39.70
2007-08	39.70
2008-09	39.70
2009-10	39.70
2010-11	39.70
2011-12	39.70
2012-13[(a)]	39.70

[(a)] Proposed.

SHIPS

The Suburban Highway Improvement Program (often referred to as the SHIPS Program) is a program for seven counties in the Hudson Valley Region and the two counties on Long Island. The purpose of this program is to finance capital projects to reconstruct, replace, recondition, restore, rehabilitate and preserve State, county, town, city and village roads, highways, parkways and bridges. These projects are intended to restore such facilities and to address current and projected capacity problems. Projects must have a minimum service life of at least ten years. The Program Legislation authorized up to $140 million in SHIPS funding for State Fiscal Years 1993-94 through 1996-97, with no new authorization thereafter.

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The following table portrays the funding authorization for Nassau and Suffolk Counties since the inception of SHIPS. The State Fiscal Year 1996-97 budget completed the program's $50 million four-year authorization for commitments. Project spending, however, is ongoing.

NASSAU/SUFFOLK SHIPS FUNDING AUTHORIZATION

State Fiscal Year	Funding Authorization
	(in millions)
1993-94	$12.50
1994-95	12.50
1995-96	11.25
1996-97	13.75

The following table portrays funding authorization for the Hudson Valley (Westchester, Rockland, Putnam, Dutchess, Columbia, Orange and Ulster Counties) since the inception of SHIPS. The State Fiscal Year 1996-97 budget completed the program's $90 million four-year authorization for commitments. Project spending, however, is ongoing.

HUDSON VALLEY SHIPS FUNDING AUTHORIZATION

State Fiscal Year	Funding Authorization
	(in millions)
1993-94	$22.50
1994-95	22.50
1995-96	20.25
1996-97	24.75

Multi-Modal

The Multi-Modal program consists of authorized State and local highway and bridge, rail, port and aviation projects and fixed ferry facilities. Pursuant to the Program Legislation, as amended by the Enacted Budget for State Fiscal Year 2000-01, the Multi-Modal program may fund the construction, reconstruction, improvement, reconditioning and preservation of: rail freight facilities and intercity rail passenger facilities and equipment; State, municipal, or privately owned ports; municipal airports, privately owned airports and aviation capital facilities, excluding airports operated by the State or operated by a bi-state municipal corporate instrumentality, and for which federal funding is not available, provided such projects are consistent with an approved airport layout plan; and State, county, town, city, and village roads, highways, parkways, bridges, and municipal and privately owned fixed ferry facilities. Projects must have a minimum service life of ten years.

The Program Legislation contained a schedule for Multi-Modal Funding Authorization beginning in State Fiscal Years 1996-97 through 1999-2000. The State Fiscal Year 1999-2000 budget completed the program's $350 million four-year authorization for commitments. Project spending, however, is ongoing. Subsequent Multi-Modal program authorizations have been funded from other financing sources. The Enacted Budget for State Fiscal Year 2005-06 authorized a new multi-year $350 million Multi-Modal program to be funded in the State's Dedicated Highway and Bridge Trust Fund.

The following table portrays the Multi-Modal program authorized to be funded from the proceeds of bonds since State Fiscal Year 1996-97.

MULTI-MODAL FUNDING AUTHORIZATION

State Fiscal Year	Funding Authorization
	(in millions)
1996-97	$ 50
1997-98	100
1998-99	100
1999-00	100

DESCRIPTION OF THE SERIES 2012A BONDS

General

The Series 2012A Bonds will be dated the date of delivery, will bear interest at the rates per annum and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2012A Bonds will be payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2012. The Series 2012A Bonds will be fully registered Bonds in the denomination of $5,000 or any integral multiple thereof (an "Authorized Denomination"). The Series 2012A Bonds will be issued in book-entry only form. See "Book-Entry Only System" below.

The principal of and interest on the Series 2012A Bonds shall be payable in lawful money of the United States of America. Accrued and unpaid interest on the Series 2012A Bonds shall be due on the Interest Payment Dates and payable by wire transfer of immediately available funds to the account specified by the Holder in a written direction received by the The Bank of New York Mellon, as Trustee (the "Trustee") on or prior to a Record Date or, if no such account number is furnished, by check mailed by the Trustee to the Holder at the address appearing on the books required to be kept by the Trustee pursuant to the Resolution.

Redemption Provisions

The Series 2012A Bonds are not subject to redemption prior to maturity.

Book-Entry Only System

The Series 2012A Bonds will initially be issued solely in book-entry only form to be held in the system maintained by DTC. So long as such book-entry only system is used, only DTC will receive or have the right to receive physical delivery of the Series 2012A Bonds and Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Series 2012A Bonds under the Resolution.

The following information about the book-entry only system applicable to the Series 2012A Bonds has been supplied by DTC. The Authority makes no representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Series 2012A Bonds. The Series 2012A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered

Bond certificate will be issued for each maturity of the Series 2012A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Series 2012A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2012A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2012A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect

to the Series 2012A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Series 2012A Bonds may wish to ascertain that the nominee holding the Series 2012A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of a maturity of the Series 2012A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2012A Bonds of such maturity to be redeemed.

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

Principal of, premium, redemption proceeds and interest payments on the Series 2012A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, on a payment 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 Participants and not of DTC, its nominee, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2012A Bonds purchased or tendered, through its Participant, to the Underwriter, and shall effect delivery of such Series 2012A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2012A Bonds, on DTC's records, to the Underwriter. The requirement of physical delivery of Series 2012A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2012A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2012A Bonds to the Underwriter's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2012A Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. 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 for such each maturity of Series 2012A Bonds will be printed and delivered to DTC.

THE AUTHORITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2012A BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND

PREMIUM, IF ANY, ON THE SERIES 2012A BONDS; (ii) CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN SERIES 2012A BONDS; OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2012A BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE AUTHORITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2012A BONDS; (iii) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS UNDER THE RESOLUTION; (iv) THE SELECTION BY DTC, ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF SERIES 2012A BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (vi) ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC, PARTICIPANTS OR INDIRECT PARTICIPANTS UNDER THE BOOK-ENTRY SYSTEM.

DEBT SERVICE REQUIREMENTS

The following schedule sets forth, for each 12-month period ending April 1 of the years shown, the amounts hereafter required to be paid by the Authority from Service Contract Payments for the payment of debt service on the Series 2012A Bonds during each such period, the remaining debt service on other Outstanding Bonds payable during each such period, and the aggregate debt service on all Outstanding Bonds payable during each such period.

	Series 2012A Bonds				
12-Month Period Ending April 1	**Principal Payments**	**Interest Payments[1]**	**Total**	**Other Outstanding Bonds Debt Service[1,2]**	**Aggregate Debt Service[1]**
2012	-	-	-	$166,742,947	$166,742,948
2013	$ 92,485,000	$8,070,213	$100,555,213	101,488,855	202,044,068
2014	71,850,000	5,877,100	77,727,100	113,398,405	191,125,505
2015	55,215,000	3,003,100	58,218,100	125,836,695	184,054,795
2016	15,930,000	796,500	16,726,500	110,604,755	127,331,255
2017	-	-	-	130,100,925	130,100,925
2018	-	-	-	107,752,500	107,752,500
2019	-	-	-	73,981,000	73,981,000
2020	-	-	-	43,594,000	43,594,000
2021	-	-	-	12,594,400	12,594,400
Total[2]	$235,480,000	$17,746,913	$253,226,913	$986,094,482	$1,239,321,396

[1]Totals may not add due to rounding.
[2] Reflects the defeasance of the Refunded Bonds.

PLAN OF FINANCING

The proceeds of the Series 2012A Bonds are being used to provide funds to refund the Refunded Bonds and to pay costs of issuance of the Series 2012A Bonds.

A portion of the proceeds of the Series 2012A Bonds, together with other funds available to the Authority, are to be used to acquire Government Obligations, the principal of and interest on which, when combined with any initial cash deposit, will provide sufficient funds to pay the principal of the Refunded Bonds and the interest on such Refunded Bonds to the date fixed for redemption.

The Government Obligations are to be deposited with the Paying Agent upon the issuance and delivery of the Series 2012A Bonds and pursuant to the Resolution and pursuant to the escrow deposit agreement (the "Escrow Deposit Agreement"), are to be held in trust solely for the payment of the redemption price of and interest on the Refunded Bonds. The Escrow Deposit Agreement will contain irrevocable instructions from the Authority to the Paying Agent to give notice of the refunding of the Refunded Bonds to existing bondholders and to apply the proceeds from the Government Obligations, together with any initial cash deposit, to the payment of interest when due and either the redemption price of such Refunded Bonds or the principal amount due at maturity, whichever is earlier.

In the opinion of Bond Counsel to the Authority, upon the deposit with the Paying Agent of the amount of bond proceeds required by the Escrow Deposit Agreement and the purchase of the Government Obligations as described above, the Refunded Bonds will be deemed to have been paid within the meaning of the Bond Resolution.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds received from the sale of the Series 2012A Bonds, together with other available monies, are expected to be applied in the following amounts:

Sources of Funds	
Principal Amount	$ 235,480,000.00
Net Original Issue Premium	14,984,819.70
Other Available Monies	6,797,862.50
Total Sources of Funds	$ 257,262,682.20
Uses of Funds	
Escrow Deposit	$ 254,548,490.74
Underwriters' Discount	472,596.25
Costs of Issuance†	2,241,595.21
Total Uses of Funds	$ 257,262,682.20

† Includes the State Bond Issuance Charge of $1,961,554.94.

THE AUTHORITY

Introduction

The Authority, a body corporate and politic constituting a public corporation, created in 1950 by the Act, is empowered to finance, construct, operate and maintain as a toll facility, and to improve and reconstruct, the Governor Thomas E. Dewey Thruway. In addition, pursuant to Chapter 766 of the Laws of New York of 1992 and other authorizations, the Authority, among other things, (i) has jurisdiction of and operational and financing authority over the New York State canal system, (ii) will finance and undertake specified economic development transportation projects in the State and (iii) may undertake certain financings on behalf of the State for transportation purposes.

Members and Officers

The Act provides that the Authority consists of a Board of seven members appointed by the Governor of the State, with the advice and consent of the State Senate. Board members serve for terms of nine years each. Vacancies in the Authority occurring other than by expiration of term are filled for the remainder of the unexpired term in the manner previously stated. Pursuant to the New York State Public Officers Law, members of the Authority whose terms have expired continue to serve until a successor is appointed and qualified. The members of the Authority receive no salary but are reimbursed for their necessary expenses incurred in connection with their duties. The Chairman serves in that capacity for the full term of his appointment as a member of the Authority. The members of the Authority may appoint other officers. The present members of the Board and the expiration dates of their terms of office are as follows:

Name	Expiration of Term
Howard P. Milstein	January 1, 2020
Donna J. Luh	June 22, 2017
E. Virgil Conway	January 1, 2017
José Holguín-Veras	December 12, 2018
J. Donald Rice Jr.	June 13, 2018
Brandon R. Sall	January 1, 2014
Richard N. Simberg	September 14, 2017

Pursuant to the Public Officers Law, members of the Authority whose terms have expired continue to serve until a successor is appointed and qualified.

Howard P. Milstein was unanimously confirmed as Chairman of the Authority on June 15, 2011, for a term expiring January 1, 2020. Mr. Milstein is an active investor and leader in industries that include finance, real estate, technology and entertainment. He is also a renowned philanthropist, provides dynamic leadership and generous support for a broad range of charitable, educational and civic causes. Mr. Milstein serves as Chairman, President and Chief Executive Officer of New York Private Bank & Trust and its operating bank, Emigrant Bank (the country's largest privately held bank). He also chairs and operates the Milstein family's real estate companies, including: Milstein Properties, Milford Management, and the Milford Agency. Mr. Milstein is founding chairman of the merchant bank, FriedbergMilstein. Mr. Milstein earned a B.A. in Economics, s*umma cum laude*, from Cornell University, along with a J.D. and an M.B.A from Harvard University.

Donna J. Luh was confirmed as a member of the Authority Board in June 2008 and was appointed Vice Chair on June 16, 2010. Ms. Luh currently owns and operates Luh Consulting Services. Ms. Luh is a graduate of Canisius College, earning a Master of Science in Education Administration.

E. Virgil Conway was confirmed as a member of the Authority Board in December 2006. Mr. Conway has been a financial consultant and corporate director for more than 50 years. Mr. Conway had served as Chairman and Chief Executive Officer for the New York State Metropolitan Transportation Authority (MTA). Mr. Conway is a graduate of Colgate University and received his *Legum Baccalaures* from Yale University School of Law.

José Holguín-Veras, Ph.D., P.E. was confirmed as a member of the Authority Board in May 2010. His term will expire on December 12, 2018. Dr. Holguín-Veras is a Professor and Director of the Center for Infrastructure, Transportation, and the Environment at the Rensselaer Polytechnic Institute. Dr. Holguín-Veras received a Bachelor of Science degree in civil engineering from Universidad Autonoma de Santo Domingo; a Master of Science degree in Transportation from Universidad Central de Venezuela; and a doctoral degree in transportation from University of Texas at Austin.

J. Donald Rice, Jr. was confirmed as a member of the Authority Board in May 2010. His term will expire on June 13, 2018. Mr. Rice is founder and Chief Executive Officer of Rice Financial Products Company, a New York City-based full service municipal investment banking firm. Mr. Rice received an M.B.A. with distinction from Harvard Business School and a bachelor's degree in engineering from Kettering University.

Brandon R. Sall was confirmed as a member of the Authority Board in June 2008. Mr. Sall is currently a partner in the law firm of Schuman Sall & Geist concentrating in real estate law, trusts and estates. Mr. Sall is a graduate of the University of Miami and earned his Juris Doctor at Benjamin N. Cardozo School of Law.

Richard N. Simberg was confirmed as a member of the Authority Board in June 2009. Mr. Simberg previously served in several positions at the New York State Department of Transportation from 1958-1991. He served as Assistant Commissioner for Engineering and Chief Engineer, as well as Regional Director of Transportation for the Central New York and Mohawk Valley Regions. Since then, he has been active in engineering education, engineering ethics, and has consulted with the City of Alexandria regarding the Woodrow Wilson Bridge. Mr. Simberg earned a Bachelor of Civil Engineering degree from Clarkson University and received a Master of Civil Engineering degree from Rensselaer Polytechnic Institute.

The present officers of the Authority are as follows:

Name	**Office**
Howard P. Milstein	Chairman
Donna J. Luh	Vice Chair
Thomas J. Madison, Jr.	Executive Director
John M. Bryan	Treasurer
Michael Sikule	Assistant Treasurer
Jill Warner	Secretary
William F. McDonough	Assistant Secretary
Judy A. Gallagher	Assistant Secretary
Elizabeth A. Yanus	Assistant Secretary

Thomas J. Madison, Jr. is the Executive Director of the Authority and Canal Corporation. Upon the recommendation of Governor Andrew M. Cuomo, Mr. Madison was appointed to serve in this position by the Boards of the Authority and the Canal Corporation on September 15, 2011 and was confirmed by the New York State Senate on January 9, 2012. Previously, Mr. Madison had been Vice President and Director of Transportation Policy for STV, Inc. Prior to his position with STV, Mr. Madison served as Federal Highway Administrator for the United States Department of Transportation. He also served as President of Spectra Subsurface Imaging Group, LLC and as Vice President for Infrastructure Services of Spectra Environmental Group, Inc. Before joining Spectra, Madison served as Commissioner of the New York State Department of Transportation and held several other high level positions in both New York State and local government. Mr. Madison earned a B.A. in Political Science from the State University of New York at Geneseo.

John M. Bryan serves as Chief Financial Officer of the Authority. William J. Estes, Esq. serves as the General Counsel to the Authority.

LITIGATION

There is not now pending or threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the Series 2012A Bonds or in any way contesting or affecting the validity of the Series 2012A Bonds or any proceedings of the Authority taken with respect to the issuance or the sale thereof, or the pledge or the application of any money or security provided for the payment of the Series 2012A Bonds or the existence or powers of the Authority. See "APPENDIX C — INFORMATION CONCERNING THE STATE OF NEW YORK" for a description of certain litigation relating to the State generally.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing law and in reliance upon certain schedules provided by the Underwriters and verified as to mathematical accuracy by AMTEC Corporation of Avon, Connecticut and Ross & Company, PLLC (a Certified Public Accountant) (collectively, the "Verification Agent"), interest on the Series 2012A Bonds is excludable from gross income for federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2012A Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that, unless an exception applies, the Authority rebate certain excess earnings on proceeds and amounts treated as proceeds of the Series 2012A Bonds to the United States Treasury Department; certain restrictions on the investment of such proceeds and other amounts; and restrictions on the ownership and use of any facilities financed or refinanced with the proceeds of the Series 2012A Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied subsequent to the issuance of the Series 2012A Bonds to maintain the exclusion of interest on the Series 2012A Bonds from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the Series 2012A Bonds in the gross income of the owners thereof for federal income tax purposes, retroactive to the date of issuance of the Series 2012A Bonds. The Authority has covenanted to comply with each such requirement of the Code that must be satisfied subsequent to the issuance of the Series 2012A Bonds in order that interest thereon be, or

continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the Authority complies with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the Series 2012A Bonds.

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

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Series 2012A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the Series 2012A Bondholders from realizing the full current benefit of the tax status of the interest on the Series 2012A Bonds. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that have altered or could alter certain federal tax consequences of owning obligations similar to the Series 2012A Bonds. In some cases, these proposals have contained provisions that were to be applied on a retroactive basis. It is likely proposed legislation will be introduced in the near term that, if enacted, could change the federal tax consequences of owning the Series 2012A Bonds and, whether or not enacted, could adversely affect their market value. Prospective purchasers of the Series 2012A Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "APPENDIX E – FORM OF BOND COUNSEL OPINION" for the complete text thereof.

Alternative Minimum Tax

An alternative minimum tax is imposed by the Code on both corporations (as defined for federal income tax purposes) and on taxpayers other than corporations. Interest on the Series 2012A Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax. Interest on the Series 2012A Bonds will therefore not be included in the alternative minimum taxable income of corporations or of taxpayers other than corporations. Interest on the Series 2012A Bonds received by a corporate Bondholder will, however, be included in such Bondholder's adjusted current earnings. A corporation's alternative minimum taxable income will be increased by seventy-five percent (75%) of the corporation's adjusted current earnings not otherwise included in its alternative minimum taxable income. The rate of the alternative minimum tax imposed on corporations is twenty percent (20%).

Original Issue Premium

The Series 2012A Bonds maturing on April 1 in the years 2013 through 2016, inclusive (collectively, the "Premium Bonds") were sold to the public at an original issue premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(a)(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code) will be treated as a gain from the sale or exchange of such Premium Bond and not as interest.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated and Bondholders of Premium Bonds should consult their own tax advisors in order to determine the federal income tax consequences to them of purchasing, holding, selling or surrendering Premium Bonds at their maturity.

Other Tax Consequences

Prospective purchasers of the Series 2012A Bonds should be aware that ownership of the Series 2012A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2012A Bonds. Prospective purchasers of the Series 2012A Bonds should also be aware that ownership of the Series 2012A Bonds may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the Series 2012A Bonds. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the Series 2012A Bonds. Prospective purchasers of the Series 2012A Bonds should consult their own tax advisors as to the collateral federal, state and local income tax consequences to them of owning the Series 2012A Bonds.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds, such as the Series 2012A Bonds, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2012A Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2012A Bonds, under certain circumstances, to "backup withholding" at (i) the fourth lowest rate of tax applicable under Section 1(c) of the Code (i.e., a rate applicable to unmarried individuals) for taxable years beginning on or before December 31, 2012; and (ii) the rate of 31% for taxable years beginning after December 31, 2012, with respect to payments on the Series 2012A Bonds and proceeds from the sale of Series 2012A Bonds. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2012A Bonds. This withholding generally applies if the owner of Series 2012A Bonds (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2012A Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2012A BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE SERIES 2012A BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED

ABOVE. PROSPECTIVE SERIES 2012A BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "APPENDIX E – FORM OF BOND COUNSEL OPINION" for the complete text thereof.

RATINGS OF THE SERIES 2012A BONDS

The Series 2012A Bonds have been rated "AA-" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC Business ("Standard & Poor's") and "AA-" by Fitch Ratings ("Fitch"). Any desired explanation of the significance of such ratings should be obtained from the rating agencies furnishing the same. The Authority furnished to such rating agencies certain materials and information in addition to that provided here. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both 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 of the Series 2012A Bonds.

STATE NOT LIABLE ON THE SERIES 2012A BONDS

The Act provides that the Series 2012A Bonds shall not be an obligation of the State nor shall the State be liable thereon.

UNDERWRITING

The Underwriters, represented by Wells Fargo Bank, N.A. ("WFBNA") have jointly and severally agreed, subject to certain conditions, to purchase from the Authority the Series 2012A Bonds described on the cover page and inside cover page of this Official Statement at an aggregate purchase price of $249,992,223.45 reflecting a net original issue premium of $14,984,819.70 and an underwriters' discount of $472,596.25 and to reoffer such Series 2012A Bonds at the public offering price or prices set forth on the inside cover page hereof. Such Series 2012A Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2012A Bonds into investment trusts) at prices lower than such public offering price and prices may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2012A Bonds if any Series 2012A Bonds are purchased.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including WFBNA. WFBNA has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Series 2012A Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2012A Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent verified the mathematical accuracy of the mathematical computations of the adequacy of the maturing principal of and interest on the Government Obligations to pay when due the maturing principal of, and interest on, the Refunded Bonds. The Verification Agent has restricted its procedures to verify the mathematical accuracy of certain computations and has not made any study or

evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

LEGALITY OF INVESTMENT

Pursuant to the Act, the Series 2012A Bonds are made securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds including capital in their control or belonging to them. The Series 2012A Bonds are also made securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Series 2012A Bonds are subject to the approval of Holland & Knight LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters are subject to the approval of William J. Estes, Esq., General Counsel to the Authority and of Nixon Peabody LLP, Counsel to the Underwriters. The Attorney General of the State will render an opinion as to the validity of the obligations of the State under the Service Contract.

FINANCIAL ADVISOR

Public Resources Advisory Group and Frasca & Associates, LLC are employed as financial advisors to the Authority (the "Financial Advisors") in connection with the issuance of the Series 2012A Bonds. The Financial Advisors' fees for services rendered with respect to the sale of the Series 2012A Bonds are contingent upon the issuance and delivery of the Series 2012A Bonds. Public Resources Advisory Group and Frasca & Associates, LLC, in their capacity as Financial Advisors, do not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2012A Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Public Resources Advisory Group and Frasca & Associates, LLC, Financial Advisors to the Authority, have provided the following sentence for inclusion in this Official Statement. The Financial Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisors do not guarantee the accuracy or completeness of such information.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters of the Series 2012A Bonds to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Authority, the State, and the Trustee will enter

into a written agreement (the "Continuing Disclosure Agreement") for the benefit of the holders of the Series 2012A Bonds to provide continuing disclosure.

Pursuant to the Continuing Disclosure Agreement, the State will undertake to electronically file each year with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system, on or before 120 days after the end of each State fiscal year, commencing with the fiscal year ending March 31, 2012, financial and operating data concerning the State of the type included in this Official Statement, referred to herein as "Annual Information" and described in more detail below. The proposed form of the Continuing Disclosure Agreement is attached hereto as APPENDIX F.

The State Comptroller is required by existing law to issue audited annual financial statements of the State prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") within 120 days after the close of the State fiscal year, and the State will undertake to electronically file with the MSRB the State's annual financial statements for such year, prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be electronically filed with the MSRB and such audited financial statements shall be electronically filed with the MSRB if and when such statements are available.

In addition, the Authority will undertake, for the benefit of the holders of the Series 2012A Bonds, to electronically file a notice with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of any of the fourteen events described in the Continuing Disclosure Agreement. The Authority will also undertake to electronically file with the 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 Continuing Disclosure Agreement.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement is an action to compel specific performance of the undertakings of the State and/or the Authority contained therein, and no person, including any Holder of the Series 2012A Bonds, may recover monetary damages thereunder under any circumstances. Any Series 2012A Bondholder, including any beneficial owner, may enforce the Continuing Disclosure Agreement for the equal and proportionate benefit of all Holders similarly situated to the extent provided in the Continuing Disclosure Agreement. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Continuing Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

Neither the Authority nor the State have failed to comply, in any material respect, in the previous five years, with any previous undertakings pursuant to Rule 15c2-12. The Continuing Disclosure Agreement is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it is related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Continuing Disclosure Agreement do not anticipate that it often will be necessary to amend the information

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

A copy of the Continuing Disclosure Agreement, when executed by the parties thereto on the date of the initial delivery of the Series 2012A Bonds, will be on file at the office of the Authority.

MISCELLANEOUS

The references herein to the Act, the Program Legislation, the Resolution and the Service Contract are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the Act, the Program Legislation, the Resolution and the Service Contract for full and complete statements of such provisions. Copies of the Act, the Program Legislation and the Resolution are available at the office of the Authority. A copy of the form of the Service Contract appears as Appendix B hereto.

The agreements of the Authority with the Holders of the Series 2012A Bonds are fully set forth in the Resolution. Neither any advertisement of the Series 2012A Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2012A Bonds.

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

The delivery of this Official Statement by an Authorized Officer has been duly authorized by the Authority.

By: /s/ John M. Bryan
Chief Financial Officer & Treasurer

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

Following are descriptions of the definitions of certain terms used in the Bond Resolution and in the Series Resolutions and brief summaries of certain provisions of the Bond Resolution and the Series Resolutions. These descriptions and summaries do not purport to be complete or definitive and are subject in all respects to the provisions of, and each is qualified in its entirety by reference to, the respective documents to which they relate, copies of which are available, upon request, from the Authority. All headings and references to "Sections," "Articles" and other subdivisions in or following the summaries of certain provisions of the Bond Resolution and the Series Resolutions are provided solely for convenience of reference and shall not affect the meaning, construction or effect of the Bond Resolution and the Series Resolutions.

Certain Defined Terms

"Act" means the New York State Thruway Authority Act, Title 9 of Article 2 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as may be amended from time to time.

"Administrative Fund Requirement" means the amount of money required to pay Authority Expenses for the next succeeding six months which amount shall be determined and payable in the manner set forth in the Service Contract.

"Amortized Value" when used with respect to securities purchased at a premium above or a discount below par, means the value at any given date obtained by dividing the total premium or discount at which such securities were purchased by the number of Interest Payment Dates remaining to maturity on such securities after such purchase and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of such purchase; and (i) in the case of securities purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price.

"Authority" means the New York State Thruway Authority, a public corporation organized and existing under the Act.

"Authority Expenses" means all proper items of cost or expenditure incurred or anticipated to be incurred by the Authority in connection with any Local Highway and Bridge Project, or direct and indirect administrative costs and expenses and allocable portions of direct and indirect costs of the Authority incurred in connection with such Local Highway and Bridge Projects, including legal fees, fees and expenses of trustees, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified herein as may be necessary or incident to such Local Highway and Bridge Projects, the financing thereof and the placing of the same in use and operation, together with such additional obligations as may be included in the Service Contract, including through the issuance of Bonds or Bond Anticipation Notes or variable rate bonds or the entering into of interest rate exchange transactions or options, and all other expenses and continued operating expenses of the Authority relating to Local Highway and Bridge Projects set forth in Section 380 of the Act. All such Authority Expenses, to the extent not otherwise provided for, shall be payable from the Administrative Fund.

"Authorized Newspaper" means The Bond Buyer or any newspaper customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the

English language and of general circulation in the Borough of Manhattan, City and State of New York, designated by the Authority.

"Authorized Officer" means any member of the Authority, its Treasurer, any Assistant Treasurer, its Secretary, any Assistant Secretary, its Executive Director, its Director of Thruway Finance and any other person authorized by a resolution or the by-laws of the Authority to perform the act or execute the document in question.

"Bond" or "Bonds" means any bond or bonds of the Authority authorized pursuant to the Resolution and issued pursuant to a Supplemental Resolution.

"Bond Anticipation Notes" or "Notes" means notes issued in anticipation of the issuance of a Series of Bonds authorized by a Supplemental Resolution, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized.

"Bondholder," "Holder' or "Holder of Bonds," or any similar terms, means any person who shall be the registered owner of any Outstanding Bond or Bonds.

"Bond Service" for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on the Bonds of such Series, and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment payment date for such Series (or, if there shall be no such preceding Principal Installment payment date, from a date one year prior to the due date of the first Principal Installment of the Bonds of such Series). Such interest and Principal Installments shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof; provided, however, that there shall be excluded from "Bond Service" (1) interest on Bonds to the extent that Escrowed Interest is available to pay such interest, and (2) Principal on Bonds to the extent that the proceeds of Refunding Bonds are on deposit in an irrevocable escrow in satisfaction of the requirements of the Resolution, and such proceeds or the earnings thereon are required to be applied to pay the Principal and such amounts so required to be applied are sufficient to pay such Principal.

"Bond Service Reserve Fund" means the Fund designated as the Local Highway and Bridge Service Contract Bond Service Reserve Fund established pursuant to the Resolution.

"Bond Service Reserve Fund Requirement" means, as of any date of calculation, an amount of money equal to one-half of the maximum amount of aggregate Bond Service for any 12-month period on all Outstanding Bonds issued by the Authority hereunder; provided, however, that the Authority may, by a certificate of an Authorized Officer of the Authority delivered to the Trustee, reduce the Bond Service Reserve Fund Requirement with respect to any or all Bonds then or thereafter Outstanding to any lower amount of money, including $0.00.

"Business Day" means a day of the year which is not a Saturday, Sunday or legal holiday in the State, and not a day on which the Authority or State offices are authorized or obligated to close.

"Certificate of Determination" means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds in accordance with the delegation of power to do so under a Supplemental Resolution.

"Code" means the Internal Revenue Code of 1986, as amended and supplemented from time to time. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds, the use of Bond proceeds or any Local Highway and Bridge Project.

"Computation Period" means each period from the date of issue through the date on which a determination of the Rebate Amount is made.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement among the Authority, the State of New York and the Trustee authorized to be entered into by the Series 2012A Supplemental Resolution.

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the practice of law relating to municipal, state and public agency financing selected by the Authority.

"Credit Facility" means any letter of credit, policy of bond insurance, surety bond, guarantee or similar instrument which is issued by a financial, insurance or other institution and which provides security or liquidity in respect of the Bonds of any Series (and with respect to a policy of bond insurance guarantees the payment of principal of and interest on the Bonds), not including any Reserve Credit Facility.

"Defeased Municipal Obligations" means pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) (i) the municipal obligations are not subject to redemption prior to maturity or (ii) the Authority or the Paying Agent has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or Government Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Obligations (plus any cash in the escrow), and any substitute Government Obligations, have been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, on the municipal obligations;

(d) the cash or Government Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations; and

(e) the cash or Government Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

"Final Judgment" means any judgment or order of any court of competent jurisdiction, or of any arbitrator or panel of arbitrators, as to which all appeals have been exhausted.

"Fitch" mean Fitch Ratings, its successors and assigns.

"Fund" or "Funds" means any one of the funds created and established pursuant to the Resolution.

"Government Obligations" means (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least $50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; and (c) Defeased Municipal Obligations.

"Interest Payment Date" means, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

"Investment Obligations" means to the extent the same are at the time legal for investment of funds of the Authority under the Act, including the amendments thereto made after the date of the Resolution, or under other applicable law:

(a)(i) Government Obligations and (ii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association, the Federal Financing Bank, the Federal Home Loan Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the Government National Mortgage Association, or any other agency controlled by or supervised by and acting as an instrumentality of the United States Government,

(b) certificates of deposit issued by, and time deposits in, any bank (including any Paying Agent or Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that, with respect to any of the foregoing institutions, whose long-term unsecured indebtedness is rated less than A by Moody's or S&P, such certificates of deposit or time deposits are (i) insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,

(c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when "stripped" by the United States Treasury, then by the custodian designated by the United States Treasury,

(d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by S&P and Moody's,

(e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by S&P and Moody's despite the failure of such obligations to qualify as an Investment Obligation investment under (d) above,

(f) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (d), or (e) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least $100,000,000 and is rated in the highest Rating Category by S&P and Moody's,

(g) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(h) any repurchase agreement for Government Obligations by the Authority or any Trustee that is with a bank or trust company (including any Trustee) or any securities dealer which is a member of the Securities Investors Protective Corporation; provided, however, that the Government Obligations must be transferred to the Authority or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims, and further provided that (i) in the case of a bank or trust company, such institution shall have a combined capital and surplus of not less than $50,000,000 or have ratings from S&P and Moody's in one of their three highest Rating Categories and (ii) in the case of a securities dealer, such dealer is a member of the National Association of Securities Dealers, Inc. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations, and

(i) commercial paper rated in the highest Rating Category by S&P and Moody's.

Any investment in obligations described in (a), (c), (d), (e), (f), (g), (h) and (i) above may be made in the form of an entry made on the records of the issuer of the particular obligation.

For purposes of this definition "Investment Obligations," Rating Categories means one of the generic rating categories of either Moody's or S&P without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Local Highway and Bridge Projects" means any project or projects authorized pursuant to Section 380 of the Act, as the same may be amended.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporations shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

"Outstanding," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

(i) Any Bond cancelled or delivered for cancellation at or prior to such date;

(ii) Any Bond (or portion of a Bond) deemed to have been paid in accordance with the defeasance provisions of the Resolution; or

(iii) Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Resolution.

"Parity Debt" has the meaning provided by paragraph (d) of Section 207.

"Paying Agent" or "Paying Agents" means any paying agent for the Bonds of any Series, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and, in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Authority shall act as such Paying Agent.

"Principal" or "principal" means, with respect to any Series 2012A Bond, the principal amount of such Bond payable at maturity.

"Principal Installment" means, as of any date of calculation and with respect to any Series, (a) the Principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts, in each case as specified in the Supplemental Resolution authorizing such Series, reduced by the Principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such future date, plus the unsatisfied balance of any Sinking Fund Installment due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Installments in a principal amount equal to such unsatisfied balance, and (b) with respect to any amounts due under any Credit Facility or Reserve Credit Facility, the Principal amount of such amounts due under any Credit Facility or Reserve Credit Facility.

Qualified Interest Rate Exchange Agreement" means, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Interest Rate Exchange Agreement Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; interest rate exchange agreement (such interest rate exchange agreement may be based on an amount equal either to the principal amount of such Bonds as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Authority for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Interest Rate Exchange Agreement with respect to such Bonds.

"Qualified Interest Rate Exchange Agreement Provider" means an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either at least

as high as (i) the third highest rating category (without reference to any gradations (+, -, numerical or otherwise) within a category) of each of Moody's, S&P and Fitch, if such rating agency then maintains a rating for the Qualified Interest Rate Exchange Agreement Provider or (ii) any such lower rating categories which each such rating agency indicates in writing to the Authority and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Bonds subject to such Qualified Interest Rate Exchange Agreement that is in effect prior to entering into such Qualified Interest Rate Exchange Agreement.

"Rebate Amount" means, with respect to each Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

"Redemption Date" means, with respect to any Bonds, the date upon which Bonds are to be called for redemption pursuant to the Resolution.

"Redemption Price" means, with respect to any Bonds, the Principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

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

"Regulations" means the Income Tax Regulations promulgated by the Department of the Treasury from time to time.

"Reserve Credit Facility" means (a) any irrevocable, unconditional letter of credit issued by a bank or savings and loan association whose long-term uncollateralized debt obligations are rated in one of the two highest rating categories by each nationally recognized rating agency then rating any Series of Bonds, or if no Series of Bonds is then rated, by any nationally recognized rating agency, and (b) any insurance policy providing substantially equivalent liquidity as an irrevocable, unconditional letter of credit, and which is issued by a municipal bond or other insurance company, obligations insured by which are rated in one of the two highest rating categories by each nationally recognized rating agency then rating any Series of Bonds, or if no Series of Bonds is then rated, by a nationally recognized rating agency, and which is used, to the extent permitted under applicable law, including the Act, to fund all or a portion of the Bond Service Reserve Fund Requirement.

"Resolution" means the Local Highway and Bridge Special Limited Obligation Service Contract Bond Resolution, adopted August 23, 1991, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions thereof.

"Revenues" means all Service Contract Payments, including interest due and payable on any delinquent Service Contract Payments, received by the Authority and, except as otherwise provided in the Resolution, interest earned on any moneys or securities held under the Resolution.

"S&P" means Standard & Poor's Ratings Group, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

"Series" means all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds

pursuant to the Resolution regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"Series 2012A Supplemental Resolution" means the Eighteenth Supplemental Local Highway and Bridge Special Limited Obligation Service Contract Bond Resolution, adopted by the Authority on March 2, 2012.

"Service Contract" means the Local Highway and Bridge Service Contract, dated as of August 15, 1991, as amended, between the Authority and the State, acting through the Director of the Budget of the State, as such agreement may be amended or supplemented from time to time.

"Service Contract Payments" means all payments or other amounts received or receivable by the Authority, including for Authority Expenses, pursuant to the Service Contract.

"Sinking Fund Installment" means, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Authority 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 such Bond.

"Special Period" means a period which shall be deemed to commence (i) upon the failure by the State to make all or any part of a scheduled payment when due under the Service Contract, or (ii) at any time that the amounts, if any, required to be maintained in any Fund established under the Resolution shall be less than the requirements therefor resulting from the failure of the State to make any payments required to be made under the Service Contract, in each case, under circumstances not constituting an event of default under the Service Contract; and any such Special Period shall continue until such time as the State shall, either directly or as a result of any transfer of amounts available in any Funds in accordance with the Resolution, make in full the payments referred to in clause (i) or the payments necessary to replenish the Funds referred to in clause (ii) above.

"Subordinate Obligation" has the meaning provided by paragraphs (d) of Section 207.

"Supplemental Resolution" means any resolution supplemental to or amendatory of the Resolution, adopted by the Authority and becoming effective in accordance with the Resolution, and includes the Series 2012A Supplemental Resolution.

"Trustee" means a trustee appointed by the Authority pursuant to the Resolution, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

Resolution to Constitute Contract

The Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by the Resolution. (Resolution, Section 104).

Authorization of Bonds

The Resolutions create an issue of Bonds which are special limited obligations of the Authority payable from and secured as described in the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS." The Bonds shall not be a debt of the State and the State shall not be liable thereon (Resolution, Section 202; Series 2012A Supplemental Resolution, Section 2.01).

Refunding Bonds

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds. The Authority by resolution of its members may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Supplemental Resolution authorizing such Refunding Bonds. (Resolution, Section 205).

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, entitled to a charge or lien or right prior or equal to the charge or lien created by the Resolution and pursuant to a Supplemental Resolution, or prior or equal to the rights of the Authority and Holders of any Series of Bonds provided by the Resolution or with respect to the moneys pledged thereunder or pursuant to any Supplemental Resolution. (Resolution, Section 206).

Bonds Secured by a Credit Facility

The Authority may include provisions regarding Bonds secured by a Credit Facility in a Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Authority deems appropriate, including:

(a) So long as the Credit Facility is in full force and effect, and certain other conditions are met as provided in the Resolution, the issuer of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds of such Series when the approval, consent or action of the Bondholders for such Series of Bonds is required or may be exercised under the Resolution, including, without limitation, following a default under the Resolution.

(b) In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on the Outstanding Bonds of any Series shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Authority to the Bondholders of such Series of Bonds shall continue to exist and such issuer of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(c) The Authority may enter into such agreements with the issuer of such Credit Facility providing for, *inter alia*: (i) the payment of fees and expenses to such issuer for the issuance of such Credit Facility, (ii) the terms and conditions of such Credit Facility and the Bonds affected thereby, and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(d) The Authority may secure such Credit Facility by an agreement providing for the purchase of the Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility (together with interest thereon, a "**Reimbursement Obligation**"); *provided*, *however*, *that* no amounts shall be payable by the Authority under a Reimbursement Obligation for purposes of the Resolution, until amounts are paid under such Credit Facility by the issuer thereof. As determined by Supplemental Resolution Certificate of Determination, any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond and accelerated principal amortization, (i) may be secured by a pledge of, and a lien on, the items pledged in Section 501 of the Resolution (the "Trust Estate") on a parity with the pledge and lien created by such Section to secure the Bonds ("**Parity Debt**"), but only to the extent that (prior to any acceleration of all Bonds) any principal amortization requirements are *either* (A) commensurate with the amortization requirements for such related Bonds, without acceleration, or (B) accelerated to no greater extent than to require repayment in equal principal installments over 5 or more years, or (ii) may constitute a subordinate obligation payable solely from the Administrative Fund (a "**Subordinate Obligation**"), as determined by the Authority; provided that to the extent any Subordinate Obligation created pursuant to paragraph (d) or (f) of this Section 207 is secured by a pledge of, or a lien on, any portion of the Trust Estate, such pledge or lien shall be subordinate to the lien created by Section 501 of the Resolution to secure the Bonds. Parity Debt shall not include any payments (other than interest calculated at a higher rate pursuant to a Credit Facility) (i) of any fees or expenses, (ii) pursuant to any indemnification provisions or (iii) pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than permitted by clauses (A) and (B) of the preceding sentence, and any such payments of the items specified in clauses (i), (ii) or (iii) shall constitute Subordinate Obligations.

(e) Any such Credit Facility shall be for the benefit of and secure such Bonds or portion thereof as specified in any applicable Supplemental Resolution.

(f) In connection with the issuance of any Bonds or at any time thereafter so long as Bonds remain Outstanding, the Authority may, to the extent permitted pursuant to law, from time to time enter into Qualified Interest Rate Exchange Agreements. The Authority's obligation to pay any amount under any Qualified Interest Rate Exchange Agreement shall constitute a Subordinate Obligation.

(g) Neither Parity Debt nor Subordinate Obligations shall be debt of the State and the State shall not be liable thereon, nor shall Parity Debt or Subordinate Obligations be payable out of any funds other than those of the Authority pledged or otherwise available therefor pursuant to the Resolution.

(h) Except to the extent that an Authorized Officer directs that such amounts be deposited in any other Fund or Account pledged to the payment of Bonds, any amounts paid to

the Authority under a Qualified Interest Rate Exchange Agreement shall be deposited in the Bond Service Fund.

(i) To the extent applicable and not readily apparent with respect any Parity Debt, either the terms of such Parity Debt shall specify (or an Authorized Officer shall specify in writing) the interest and principal components of, or the scheduled payments corresponding to principal and interest under, such Parity Debt or the manner of determining the foregoing.

In addition, such Supplemental Resolution or applicable Certificate of Determination may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the issuer of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default required by the issuer of a Credit Facility. (Resolution, Section 207).

Redemption Provisions

Authorization of Redemption

Bonds of a Series subject to redemption prior to maturity pursuant to the Resolution, a Supplemental Resolution or a Certificate of Determination shall be redeemable, in accordance with the Resolution, at such times, at such Redemption Prices and upon such terms as may be specified in the Resolution, in the Bonds or in the Supplemental Resolution authorizing the Bonds of such Series or the Certificate of Determination for such Series. (Resolution, Section 401).

Redemption at the Election of the Authority

In the case of any redemption of Bonds of a Series at the option of the Authority as provided in the Supplemental Resolution authorizing such Bonds or the Certificate of Determination, the Authority shall give written notice to the Paying Agent and any Trustee of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution. Such notice shall be given to the Paying Agent at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Paying Agent. The notice of redemption required by the Resolution to be given shall not be given with respect to such Bonds to be redeemed pursuant to the Resolution unless prior to the date such notice is to be given the Authority shall have paid or caused to be paid to the Paying Agent (i) an amount of money which, in addition to other money available therefor held by the Paying Agent, is sufficient to redeem, on the Redemption Date at the Redemption Price thereof, and (ii) accrued interest to the Redemption Date on, all of the Bonds of such Series to be so redeemed. (Resolution, Section 402).

Redemption other than at Authority's Election

Whenever by the terms of the Resolution the Paying Agent is required or authorized to redeem Bonds of any Series from Sinking Fund Installments, the Paying Agent shall select the Bonds of such Series to be redeemed. Whenever by the terms of the Resolution the Paying Agent is required or authorized to redeem Bonds of any Series other than pursuant to the provisions of the Resolution discussed above under "Redemption at the Election of the Authority" and other than through Sinking Fund redemption, the Authority shall select the maturities of such Series to be redeemed by notice thereof given to such Paying Agent at least ten (10) days prior to the date notice of redemption is mailed. The

Paying Agent shall select the Bonds of the applicable Series and maturities to be redeemed in the manner provided in the Resolution, give the notice of redemption and pay out of moneys available therefor the Redemption Price thereof, together with interest accrued to the Redemption Date, to the appropriate Paying Agents in accordance with the terms of the Resolution. (Resolution, Section 403).

Redemption at Demand of the State

The State may, upon furnishing sufficient funds therefor, require the Authority to redeem the Bonds as provided in the Act in effect on the date of the adoption of the Resolution. (Resolution, Section 407).

The Pledge Effected by the Resolution

There are hereby pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and Parity Debt, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution all right, title and interest of the Authority in (i) the Service Contract, including, without limitation, the Service Contract Payments other than Service Contract Payments representing amounts designated by the State to be applied directly to the payment of Authority Expenses (other than payments of principal of and premium, if any, and interest on any Bond Anticipation Notes) or to be deposited in an escrow fund for the payment of principal of and premium, if any, and interest on any Bonds to be deemed paid within the meaning of Section 1104 of the Resolution or on any Bond Anticipation Notes to be deemed paid within the meaning of the resolution which authorized such Bond Anticipation Notes, (ii) the proceeds of the sale of the Bonds, and (iii) all Funds, accounts and sub-accounts established by the Resolution (other than the Administrative Fund and the Rebate Fund and subject to the provisions governing the application of any separate account in the Reserve Fund for a particular Series of Bonds established in the Supplemental Resolution authorizing such Series of Bonds), including the investments, if any, thereof.

The pledge created by subsection 1 of Section 501 shall in all respects secure on a pari passu basis (subject to the provisions governing the application of any separate account in the Bond Service Reserve Fund for a particular Series of Bonds established in the Supplemental Resolution authorizing such Series of Bonds) all of the Bonds and Parity Debt and nothing contained in the Resolution shall be deemed to confer on the Holders of any Bonds any rights hereunder superior or inferior to the Holders of any other Bonds.

The pledge described above shall be valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge 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 and binding 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.

The items pledged by the Resolution are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Authority to that end has been duly and validly taken.

The revenues, facilities, properties and any and all other assets of the Authority of any name and nature which are related to or are a part of the Authority's ownership and operation of The Governor Thomas E. Dewey Thruway shall not be used for, or as a result of any court proceeding or otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and

interest on the Bonds or Parity Debt, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Authority (Resolution, Section 501).

Establishment of Funds

Unless otherwise provided by a Supplemental Resolution or Certificate of Determination, the following Funds and accounts are established by the Resolution:

(1) Local Highway and Bridge Service Contract Revenue Fund ("Revenue Fund");

(2) Local Highway and Bridge Service Contract Bond Service Fund ("Bond Service Fund");

(3) Local Highway and Bridge Service Contract Bond Service Reserve Fund ("Bond Service Reserve Fund");

(4) Local Highway and Bridge Service Contract Administrative Fund ("Administrative Fund");

(5) Local Highway and Bridge Service Contract Bond Proceeds Fund ("Bond Proceeds Fund") in which there is established a separate Bond Anticipation Note Account ("Bond Anticipation Note Account");

(6) Local Highway and Bridge Service Contract Earnings Fund ("Earnings Fund"); and

(7) Local Highway and Bridge Service Contract Rebate Fund ("Rebate Fund").

As provided under the terms of a Certificate of Determination, in connection with the Series 2012A Bonds, the Trustee shall act as Depositary of the Authority and hold, allocate, use and apply for the benefit of Bondholders, all moneys held in the Bond Service Fund and the Bond Service Reserve Fund. All moneys at any time deposited in any Fund and account created by the Resolution (other than the Administrative Fund and the Rebate Fund), shall be held in trust by the Authority for the benefit of the Holders of each Series of Bonds, but shall nevertheless be disbursed, allocated and applied solely in connection with each Series of Bonds for the uses and purposes provided in the Resolution. (Resolution, Section 502).

Flow of Funds

Revenue Fund

The Revenues as received by the Authority pursuant to the Service Contract shall be deposited into and held in the Revenue Fund. As promptly as practicable, the Authority shall withdraw moneys from the Revenue Fund for deposit into the following Funds in the following order:

First, into the Bond Service Fund, if and to the extent required, so that the amount in the Bond Service Fund shall equal (i) Bond Service accrued on all Outstanding Bonds for the period ending on the next succeeding Interest Payment Date, (ii) Redemption Premium due on all Outstanding Bonds of any Series on the next succeeding Redemption Date, and (iii) principal and interest, if any, due and payable on any outstanding Bond Anticipation Notes authorized under the Act (to the extent not otherwise provided

for) on the next succeeding interest payment date; provided, however, the calculations of the amount of each transfer to the Bond Service Fund or required in clause (i) of this Subparagraph First shall be made on a Series by Series basis and with respect to the Interest Payment Dates for each such series established in the Supplemental Resolution authorizing such Series of Bonds.

Second, into the Bond Service Reserve Fund, if and to the extent required, to increase the amount on deposit therein to the Bond Service Reserve Fund Requirement; and

Third, into the Administrative Fund, the amount required to increase the amount therein to the Administrative Fund Requirement. (Resolution, Section 503).

The amounts paid from the Revenue Fund shall be irrevocably pledged and applied to the purposes described above.

Administrative Fund

The Authority shall pay out of the Administrative Fund the amounts required for the payment of Authority Expenses. (Resolution, Section 504).

Bond Service Fund

The Authority shall on or before the Business Day preceding each Interest Payment Date or Redemption Date, as the case may be, withdraw from the Bond Service Fund and pay (i) the interest due on all Outstanding Bonds on such Interest Payment Date, (ii) the Principal Installments due on all Outstanding Bonds on such Interest Payment Date, (iii) the Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date, and (iv) the Redemption Price due on all Outstanding Bonds on any Redemption Date. The amounts paid from the Bond Service Fund shall be irrevocably pledged and applied to the purposes described above.

In the event that on the Business Day immediately preceding any Interest Payment Date, the amount in the Bond Service Fund shall be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds, for the payment of the principal on the Outstanding Bonds or for the payment of Sinking Fund Installments of the Outstanding Bonds of any Series due and payable on such Interest Payment Date, the Authority, in the following order of priority, shall withdraw from the Bond Service Reserve Fund and then the Bond Proceeds Fund, and deposit to the Bond Service Fund such amounts as will increase the amount in the Bond Service Fund to an amount sufficient to make payment of interest on and principal and Sinking Fund Installments of the Outstanding Bonds of such Series. (Resolution, Section 505).

Bond Service Reserve Fund

In addition to the moneys allocated from the Revenue Fund pursuant to the Resolution, the Authority shall deposit into the Bond Service Reserve Fund such portion of the proceeds of the sale of Bonds of any Series, if any, as shall be prescribed by the Supplemental Resolution or Certificate of Determination for such Series, and any other moneys and investments which may be made available to the Authority for the purposes of the Bond Service Reserve Fund from any other source or sources in order to increase the amounts on deposit in the Bond Service Reserve Fund to the Bond Service Reserve Fund Requirement. Moneys and Investment Obligations held for the credit of the Bond Service Reserve Fund shall be withdrawn by the Authority, deposited to the credit of the Bond Service Fund and applied to the payment of interest, Principal Installments and Sinking Fund Installments at the times and in the amounts required to comply with the provisions of the Resolution relating to the Bond Service Fund. If at

any time moneys and Investment Obligations on deposit to the credit of the Bond Service Reserve Fund exceed the Bond Service Reserve Fund Requirement, the Authority shall withdraw (or cause to be withdrawn) therefrom, and deposit such excess amount, in its discretion, into the Rebate Fund, the Earnings Fund, the Bond Service Fund, the Revenue Fund or apply such moneys to the redemption of Bonds. In lieu of moneys or Investment Obligations, the Authority may, to the extent permitted by law, deposit or cause to be deposited to or substituted for deposit to the Bond Service Reserve Fund a Reserve Credit Facility for the benefit of the Holders of the Bonds for all or any part of the Bond Service Reserve Fund Requirement. Each Reserve Credit Facility deposited to the Bond Service Reserve Fund shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Bond Service Reserve Fund and such withdrawal cannot be made without drawing upon such Reserve Credit Facility. For the purposes of the Resolution, in computing the amount on deposit in the Bond Service Reserve Fund, a Reserve Credit Facility shall be valued at the amount available to be drawn or payable thereunder on the date of computation. (Resolution, Section 506).

Bond Proceeds Fund

The Authority shall deposit into the Bond Proceeds Fund the proceeds of sale of each Series of Bonds, to the extent not required to be deposited into and held in the Bond Service Fund, the Bond Service Reserve Fund or the Administrative Fund, to enable the Authority to comply with the conditions precedent to the issuance of any Bonds or to otherwise comply with the Supplemental Resolution or Certificate of Determination applicable to the Bonds. Whenever the Authority shall determine and the Director of the Budget of the State shall agree that the amount on deposit to the credit of the Bond Proceeds Fund is in excess of its requirements for the purposes for which amounts in such Fund may be used as permitted by law, such excess amount shall be withdrawn therefrom and deposited into the Bond Service Reserve Fund; provided that if the amount then on deposit to the credit of the Bond Service Reserve Fund shall be in excess of the Bond Service Reserve Fund Requirement, such excess amount in the Bond Proceeds Fund, upon such withdrawal, shall be deposited into the Revenue Fund. (Resolution, Section 507).

Earnings Fund

All investment income on all Funds shall be credited by ledger entry or transferred upon receipt by the Authority to the Earnings Fund except that for the first year during which any Series of Bonds is Outstanding, investment income will be credited by ledger entry only and not deposited. The Authority shall debit by ledger entry or withdraw from the Earnings Fund or any other Fund, that amount as is set forth as the Rebate Amount and actually deposit such amount in the Rebate Fund in accordance with the Resolution. A computation of the Rebate Amount shall be prepared by the Authority not less frequently than every Computation Period; provided, that the Authority, at its option, may undertake such computation more frequently. Any amounts remaining in the Earnings Fund following such transfer, or all actual investment income and interest earnings, if merely credited to the Earnings Fund by ledger entry, will be dealt with as provided in the Resolution. (Resolution, Section 508).

Rebate Fund

Moneys on deposit in the Rebate Fund shall be applied by 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 the Authority determines to be in excess of the amount required to be so rebated shall be deposited to the Revenue Fund. If and to the extent required by the

Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and in the following order of priority, (i) transfer from the Earnings Fund and any other of the Funds and Subaccounts held under the Resolution and deposit to the Rebate Fund, all or a portion of the Rebate Amount with respect to such Series of Bonds and (ii) pay out of the Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto. (Resolution, Section 509).

Application of Moneys in the Bond Service Fund for Redemption of Bonds

Moneys delivered to the Authority, which are to be applied for redemption of Bonds, shall upon receipt by the Authority be deposited to the credit of the Bond Service Fund for such purpose. In the event that on any Interest Payment Date the amount in the Bond Service Fund, exclusive of amounts therein deposited for the redemption of Bonds, shall be less than the amounts respectively required for payment of interest on Outstanding Bonds and for the payment of Principal Installments of such Outstanding Bonds due and payable on such Interest Payment Date, the Authority shall, after withdrawals made pursuant to the Resolution, apply moneys in the Bond Service Fund deposited therein for the payment of such Bonds (other than moneys required to pay the Redemption Price of any such Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) in the following order of priority, to pay interest on and then principal of or Sinking Fund Installments of such Bonds, respectively.

Subject to the provisions of the preceding paragraph, moneys in the Bond Service Fund to be used for redemption of Bonds of a Series shall be applied by the Authority to the purchase of Outstanding Bonds of such Series at purchase prices not exceeding the Redemption Price applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Authority shall direct.

Notwithstanding the provisions of the preceding paragraph, if the amount in the Bond Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of a Series theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) is sufficient to make provision pursuant to the Resolution for the payment of such Outstanding Bonds at the maturity or Redemption Date thereof, the Authority may request the Paying Agent to take such action consistent with the provisions of the Resolution as is required thereby to deem certain of such Bonds to have been paid within the meaning of such provision. The Paying Agent, upon receipt of such request and irrevocable instructions of the Authority to purchase direct obligations of the United States of America sufficient to make any deposit required thereby, shall comply with such request. (Resolution, Section 510).

Payment of Bonds

The Authority shall duly and punctually pay or cause to be paid the principal, Sinking Fund Installments, if any, Redemption Price of, and the interest on every Bond, at the dates and places and in the manner set forth in the Bonds according to the true intent and meaning thereof. (Resolution, Section 601).

Further Assurance

At any time and all times the Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances,

assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all the rights, Revenues, Funds, accounts and other moneys and securities pledged or assigned under the Resolution, or intended so to be, or which the Authority may become bound to pledge or assign after the date of the Resolution. (Resolution, Section 604).

Power to Issue Bonds and Pledge Revenues and Other Funds

The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the proceeds from the sale of such Bonds, the Revenues, the Funds and accounts (other than the Administrative Fund and the Rebate Fund) and other moneys and securities pledged by the Resolution. The proceeds from the sale of such Bonds, the Revenues and the Funds and accounts (other than the Administrative Fund and the Rebate Fund) and other moneys and securities pledged by the Resolution are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, subject, however, to the lien of the Paying Agent pursuant to the Resolution, and all corporate action on the part of the Authority to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special limited obligations of the Authority in accordance with their terms and the terms of the Resolution. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues, the Funds and accounts and other moneys and securities pledged under the Resolution and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever. (Resolution, Section 605).

Amendment of Service Contract

The Authority shall not amend, change, modify, alter or terminate any Service Contract so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the 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 the Resolution for this purpose. Any Service Contract may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds to provide changes to cure any ambiguity, or to correct or supplement any provisions contained in any Service Contract which may be defective or inconsistent with any other provisions contained in the Resolution or in such Service Contract and which the Authority determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds. An increase in the amounts of Service Contract Payments payable under the Service Contract or in the amount of net proceeds which may be realized by the Authority from the sale of Bonds or in the term of the State's obligations (other than an increase in such term that changes the maturity date or payment date of any Outstanding Bonds) or the issuance of additional bonds secured by the Service Contract under the Resolution in accordance with applicable law shall not be deemed such a material adverse change.

For the purposes of determining a materially adverse effect, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Service Contract if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds. The Authority may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on all Holders of Bonds.

The Authority shall be required to obtain and be entitled to rely upon a Counsel's Opinion with respect to whether any amendment, change, modification or alteration materially adversely affects the right, security and interest of any Holders of Bonds then Outstanding. (Resolution, Section 606).

Creation of Liens

The Authority shall not issue any bonds or other evidence of indebtedness, other than the Bonds, Bond Anticipation Notes or Parity Debt secured by a prior or equal pledge of the Revenues or of the Funds and other moneys and securities held or set aside by the Authority or by the Paying Agent under the Resolution, and shall not create or cause to be created any lien or charge prior or equal to that of the Bonds, Bond Anticipation Notes or Parity Debt on the proceeds from the sale of such Bonds, the Revenues or the Funds established hereby which are pledged hereby; and provided, however, that nothing contained herein shall prevent the Authority from issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created hereby. (Resolution, Section 607).

Accounts and Reports

The Authority shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than five percent (5%) in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Authority may authorize or permit the Paying Agent or its duly authorized agents to keep any or all of such books on behalf of the Authority. The Authority shall cause such books of record and accounts to be audited annually after the end of its fiscal year by an independent public accountant selected by the Authority. (Resolution, Section 608).

Tax Covenants

Subject to the Resolution, the Authority shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

The Authority shall not permit at any time any of the proceeds of the Bonds or any other funds of the Authority to be used directly or indirectly to acquire any investment property, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148 of the Code.

The Authority shall not permit at any time any proceeds of any Bonds or any other funds of the Authority to be used, directly or indirectly, in a manner which would result in the classification of any Bond as a "private activity bond" within the meaning of Section 141 of the Code.

Notwithstanding the foregoing, the Authority reserves the right to elect to issue obligations the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such obligations, and the tax covenants contained in the Resolution shall not apply to such obligations. (Resolution, Section 609).

Obligations as to Special Period

Upon the commencement of a Special Period the Authority shall cause an Authorized Officer to submit to the State and to any trustee appointed under the Resolution, a notice stating that a Special Period has occurred. (Resolution, Section 611).

Notice as to Event of Default

The Authority shall notify each issuer of a Credit Facility and the Holders of the Bonds in writing that an "Event of Default," as such term is defined in the Resolution, has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof; provided, however, that the Authority shall provide the issuer of a Credit Facility with immediate notice of any payment default after the Authority has obtained actual knowledge thereof. (Resolution, Section 612).

Security for Deposits

All moneys held on deposit under the Resolution 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 direct obligations of the State or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States of America or by the State as to timely payment of principal and interest of a market value or, if authorized by the Act with respect to certain Bonds, of an Amortized Value equal at all times to the amount of the deposit; 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 Authority or any Paying Agent to give security for the deposit of any moneys held in the Bond Service Fund, the Bond Service Reserve Fund, the Bond Proceeds Funds or as discussed below under "Defeasance" and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on a Series of Bonds, or for the Authority 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. (Resolution, Section 701).

Investment of Funds

Amounts in the Funds and accounts established by the Resolution may be invested only in Investment Obligations. Any Trustee shall make such investment in the Bond Service Fund in accordance with any instructions received from an Authorized Officer of the Authority. Securities for deposit in the Bond Service Reserve Fund shall not be purchased at a price greater than par. Except as may be provided by amendment to the Service Contract and except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Resolution.

The Authority or any Trustee shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for any Fund, account or sub-account held under the Resolution from being held in book-entry form. (Resolution, Section 702).

Appointment of Trustee

The Authority may from time to time in the Supplemental Resolution or related Certificate of Determination authorizing any Series of Bonds appoint a Trustee for the Holders of the Bonds, to act as the Depositary of the Authority for the purpose of receiving any or all moneys which the Authority is required to hold and apply under the Resolution, and to hold, allocate, use and apply the same as provided in the Resolution or related Certificate of Determination and to exercise such other powers and duties as are not inconsistent with the provisions of the Resolution, including without limitation, the powers and duties that may be conferred upon a trustee pursuant to the Resolution.

The Trustee may at any time resign and be discharged of its duties and obligations created under the Resolution by giving not less than sixty (60) days written notice to the Authority, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor.

The Authority may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Authority during any Special Period or during the pendency of an Event of Default. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal. Any successor Trustee appointed subsequent to the issuance of the first Series of Bonds issued under the Resolution shall, at the Authority's option, be a bank or trust company with capital, undivided profits and surplus of not less than $50,000,000.

The Bank of New York Mellon, New York, New York, has been appointed Trustee for the Bond Service Fund and the Bond Service Reserve Fund. Such duties of the Trustee shall be subject to the rights of Bondholders to appoint a trustee under the Resolution. (Resolution, Section 808).

Supplemental Resolutions and Amendments

A Supplemental Resolution of the Authority may be adopted at any time or from time to time without consent of the Holders of the Bonds for any one or more of the following purposes: to authorize bonds of an additional Series; to close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness; to add to the covenants and agreements of the Authority contained in the Resolution other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Resolution; to add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Authority which are not contrary to or inconsistent with the Resolution; to surrender any right, power or privilege reserved to or conferred upon the Authority by the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution; to confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created by the Resolution, or any Supplemental Resolution of the Revenues or Funds and other moneys and securities; to modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such

Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; to modify, amend, insert or delete such provisions of the Resolution as, in Counsel's Opinion, shall be necessary or desirable to ensure the continued federal tax exemption of the interest on any Series of Bonds Outstanding under the Resolution, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds; to modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility or a Reserve Credit Facility for any Series of Bonds, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds; to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds; or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect.

Any of the provisions of the Resolution may be modified or amended by a Supplemental Resolution with the written consent of (a) the Holders of at least fifty-one percent (51%) in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least fifty-one percent (51%) in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Resolution. 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 Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. For the purposes of this provision, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the rights, security and interest of the Holders of Bonds of such Series. The Authority may in its discretion determine whether or not in accordance with the foregoing Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Authority shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment. (Resolution, Sections 901, 902, 1002).

Events of Default

The occurrence of one or more of the following events shall constitute an "Event of Default" under the Resolution:

(a) payment of principal, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of thirty (30) days; or

(b) failure by the Authority to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds contained, and failure to remedy

the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority by the Holders of not less than 25% in aggregate principal amount of Bonds at the time Outstanding; provided that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within such period and is diligently pursued until the default is corrected; or

(c) the respective provisions of the Act and Section 11 of Chapter 329 of the Laws of 1991, as amended by Section 6 of Chapter 330 of the Laws of 1991, and Chapter 637 and 638 of the Laws of 1996 pursuant to which the Resolution has been adopted or the Bonds have been issued or the Service Contract authorized, including, without limitation, those provisions authorizing the pledge of the items specified in the Resolution and those provisions establishing the powers and obligations of the State or the Authority which relate to the Bonds, the Resolution and the Service Contract, shall be materially and adversely limited, altered or impaired by any legislative action or any Final Judgment or the terms, conditions and security provided for the Bonds under the Service Contract and the Resolution shall be materially and adversely limited, altered or impaired by legislative action or any Final Judgment; or

(d) there shall occur a default (within the meaning of the Service Contract) in the payment of a Service Contract Payment.

Except as provided above, no default under any resolution, agreement, or other instrument, shall constitute or give rise to a default under the Resolution. (Resolution, Section 1101).

Remedies

Under circumstances where a Trustee shall not have been appointed pursuant to the Resolution, upon the occurrence and continuance of any Event of Default, a group or committee of Bondholders comprising the Holders of not less than twenty-five per centum (25%) in aggregate principal amount of the Bonds or Notes then Outstanding, by instrument or instruments filed in the office of the clerk of the county of Albany and proved and acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the Holders of such Bonds or Notes, and such trustee, or any Trustee appointed under the Resolution, as the case may be, shall be entitled to all of the rights and remedies provided in the Act and to all of the rights and remedies otherwise provided or permitted by law. Such trustee, or any Trustee appointed under the Resolution, as the case may be, may, and upon written request of the Holders of not less than twenty-five per centum (25%) in aggregate principal amount of the Bonds then Outstanding, in its own name:

(a) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Holders of Bonds or Notes under the Resolution or laws of the State;

(b) bring suit upon such Bonds;

(c) by action or suit in equity, require the Authority to account as if it were the trustee of an express trust for the Holders of such Bonds;

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds;

(e) declare all such Bonds due and payable, and if all defaults shall be made good, then with the consent of the Holders of not less than twenty-five per centum (25%) in aggregate principal amount of the Bonds then Outstanding, annul such declaration and its consequences.

Such trustee, or any Trustee appointed under the Resolution, as the case may be, shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Resolution or incident to the general representation of the Holders of the Bonds or Notes in the enforcement and protection of their rights.

The Supreme Court shall have jurisdiction of any suit, action or proceeding by the trustee on behalf of the venue of any such suit, action or proceeding shall be laid in the county of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution. (Resolution, Section 1102).

Priority of Payments After Default

In the event that the funds held by the Authority or by the Paying Agents shall be insufficient for the payment of principal, Sinking Fund Installments, if any, or Redemption Price and interest then due on the Bonds, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Bond Anticipation Notes and subject to the provisions governing the application of any separate account in the Bond Service Reserve Fund for a particular Series of Bonds) and any other moneys received or collected by the Paying Agents, any Trustee or a trustee appointed pursuant to the Resolution and in accordance with the Act, after making provision for the payment of any expenses necessary in the opinion of the Authority to preserve the continuity of the Revenues, or otherwise protect the interests of the Holders of the Bonds, and for the payment of the reasonable charges and expenses and liabilities incurred and advances made by the Paying Agents or any Trustee in the performance of their duties under the Resolution, shall be applied as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable, all such moneys shall be applied:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds. (Resolution, Section 1103).

Defeasance

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds, the principal, Sinking Fund Installments, if any, or Redemption Price thereof, if applicable, and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Authority, the covenants, agreements and other obligations of the Authority to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment or redemption of which moneys shall have been set aside and shall be held by the Paying Agents (through deposit by the Authority of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid as set forth in the Resolution. All Outstanding Bonds of any Series shall prior to the maturity or Redemption Date thereof be deemed to have been paid within the meaning and with the effect expressed in the previous paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have published or caused to be published a notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Authority either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Authority at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall (i) publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (b) above has been made and that said Bonds are deemed to have been paid and stating such maturity date or Redemption Date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, on said Bonds. The Authority shall select which Bonds of a Series and which maturity thereof shall be paid. Neither Government Obligations or moneys deposited pursuant to this provision nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Government Obligations so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required as described above to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be

applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and then the balance thereof to the Authority, and any such moneys so paid shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for three (3) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier Redemption Dates or for three (3) years after the date of deposit of such moneys if deposited with the Paying Agent, after the said date when such Bonds became due and payable, shall, at the written request of the Authority, be repaid by the Paying Agent to the Authority, as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Authority for the payment of such Bonds. Notwithstanding the foregoing, or anything in the Resolution to the contrary, any moneys held by the Paying Agent in trust for the payment and discharge of any Bonds which remain unclaimed after such moneys were to be applied to the payment of such Bonds in accordance with the Resolution may be applied in accordance with the provisions of the Abandoned Property Law of the State, being Chapter 1 of the Consolidated Laws of the State or any successor provision thereto, and upon such application, the Paying Agent shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Comptroller of the State for the payment of such Bonds. Before being required to make any such payment to the Authority, or to apply such moneys in accordance with the Abandoned Property Law of the State, the Paying Agent shall, at the expense of the Authority, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of the Authority, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority or applied in accordance with the Abandoned Property Law of the State, as the case may be. (Resolution, Section 1104).

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APPENDIX B

FORM OF SERVICE CONTRACT

LOCAL HIGHWAY AND BRIDGE SERVICE CONTRACT, dated as of August 15, 1991, as amended August 21, 1992, as amended as of September 15, 1993 as amended as of September 1, 1994, as amended as of September 1, 1995, as amended as of September 1, 1996, as amended as of September 1, 1998, and as further amended as of October 1, 2003 (the "Amended Dates") by and between New York State Thruway Authority, a body corporate and politic constituting a public benefit corporation of the State of New York (the "Authority"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State.

WHEREAS, in order to assist the Authority in the financing of local highway, bridge and other transportation projects as provided for in Section 380 of the Public Authorities Law, as amended (hereinafter referred to as "Projects") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget is authorized, acting on behalf of the State, to enter into long term service contracts with the Authority whereunder the State would agree, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Authority over a period of years, and authorize the Authority to pledge and assign the State payments so to be made as security for bonds and notes which the Authority may issue in order to finance Projects; and

WHEREAS, the State and the Authority agree that their mutual public purposes and their best interests will be promoted by the execution of this Local Highway and Bridge Service Contract, as the same may be from time to time modified or amended (the "Contract"); and

WHEREAS, the Board, constituting the Authority, authorized the Chairman of the Authority to enter into, execute and amend this Service Contract;

NOW, THEREFORE, the parties mutually agree as follows:

I. ISSUANCE OF BONDS BY THE AUTHORITY

1.1 The State agrees that the Authority may, subject to the provisions of the Contract and the New York State Thruway Authority Act, issue one or more series of its Local Highway and Bridge Service Contract Bonds (which are listed on Schedule 1 attached hereto), secured in whole or in part by this Contract and the payments to be made by the State as herein provided in such principal amounts and at such times so that the Authority may realize from the sale thereof net proceeds sufficient, together with the amount of any payments theretofore made by the State under the Contract to the Authority, in order to fund Projects having a cost not in excess of the amount specified by applicable law. The Authority and the State agree that only those Local Highway and Bridge Service Contract Bonds listed on Schedule 1 attached hereto shall be secured by this Contract (the "Bonds") in each case to the extent they remain Outstanding as such term is defined in the hereinafter defined Resolution. The Authority and the State may add a new Series of Bonds to Schedule 1 by executing an amendment to Schedule 1. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Authority may also issue Bonds in amounts sufficient to fund the debt service reserve fund required by said Resolution pursuant to which the Bonds are issued (which requirement shall not exceed the amount set forth in Section 1.2(e)) and to pay the costs and expenses incurred by the Authority in, and the amount of capitalized interest, if any, included in, the issuance and sale of the Bonds.

1.2 The Bonds issued by the Authority pursuant to the provisions of Section 1.1 shall be subject to the following conditions and limitations:

(a) The general resolution pursuant to which the Bonds are issued, not including any series resolution or resolutions, shall have been approved by the New York State Thruway Authority Board in accordance with the provisions of Section 365 of the Public Authorities Law. As used herein, the term "Resolution" shall mean such general resolution as from time to time amended or supplemented and, where appropriate, the resolution pursuant to which any Local Highway and Bridge Service Contract Bond Anticipation Notes may be issued as contemplated by Section 1.3 of this Contract.

(b) No series of Bonds shall mature later than 20 years from the date service contract obligations under this Contract first arise relative to such series.

(c) Unless the Authority and the State shall otherwise agree (and any such agreement shall include, among other things, the agreement of the State to pay or to reimburse the Authority for any additional fees, costs and expenses incurred in connection with the issuance, administration and subsequent conversion to a fixed rate of interest of Bonds bearing interest at a variable rate, including without limitation, the fees, costs and expenses of any provider of credit and/or liquidity support for Bonds bearing interest at a variable rate, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such variable rate Bonds for purposes of Section 1.1 of this Contract and are paid from the proceeds of Bonds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(d) Unless the Authority and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each series of Bonds (other than Bonds bearing interest at a variable rate), or the aggregate of all series of Bonds (not including Bonds bearing interest at a variable rate), as the Authority shall elect, be as nearly equal as practicable.

(e) The debt service reserve fund requirement for each series of Bonds may equal zero, but in any event, shall not exceed an amount equal to the debt service fund requirement applicable to such series of Bonds during the term of such Bonds as determined in the Resolution. In the event the Resolution shall authorize or provide for the deposit or substitution in the Local Highway and Bridge Service Contract Bond Service Reserve Fund of a surety bond, an insurance policy, a letter of credit or other similar obligation as an alternative to the funding in whole or in part of the debt service reserve requirement with the deposit of money in such Fund, and the Authority and the State shall agree to satisfy the debt service reserve requirement in such manner, the cost of obtaining such surety bond, insurance policy, letter of credit or similar obligation shall be deemed an issuance expense or Authority Expense, as applicable, for purposes of Section 1.1 of this Contract.

1.3 The Authority agrees that prior to its issuance of any series of Bonds it will inform the State of the approximate date on which it anticipates entering into a bond purchase agreement with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the State shall request the Authority to postpone the sale of such series of Bonds, or if the Authority shall for any reason determine to defer the issuance and sale of any series of Bonds, the Authority may, in accordance with the provisions of the Resolution, issue and sell Local Highway and Bridge Service Contract Bond Anticipation Notes ("BANs") in such principal amount so that the Authority may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Project costs which the Authority would have realized from the sale of the series of Bonds in

anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the Outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to the Authority's costs and expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Authority an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Authority as shall be deemed necessary by the Authority in order to enable it to publish an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Authority shall issue BANs as herein provided, the Authority (i) may issue Bonds in such principal amounts and at such times so that the Authority may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs in accordance with the Resolution.

II. PAYMENTS BY THE STATE

2.1 In each case below, to the extent such Bonds are Outstanding under the Resolution or other obligations hereunder remain unpaid:

(a) The State agrees to pay to the Authority on or before the fifth business day preceding January 1 of each year for the Series 1991 Bonds dated August 15, 1991 (hereinafter the "Series 1991 Bonds") and the Series 1995A Bonds dated August 15, 1995 (hereinafter the "Series 1995A Bonds") and on or before March 15 of each year for all other Bonds (or if such January 1 or March 15 is not a business day, then the immediately preceding business day) for so long as the Authority shall have Outstanding Bonds (i) a sum of money equal to the amount required for interest payments due on such January 1 on the Series 1991 Bonds and the Series 1995A Bonds and on April 1 on all other Bonds and (ii) a sum of money equal to that portion of the principal payments due on such January 1 on the Series 1991 Bonds and the Series 1995A Bonds and on such April 1 on all other Bonds, which shall be deemed to accrue in the six-month period from the last July 1 through the December 31 immediately preceding such January 1 on the Series 1991 Bonds and the Series 1995A Bonds and from the last October 1 through the March 31 immediately preceding such April 1 on all other Bonds.

(b) The State agrees to pay to the Authority on or before the fifth business day preceding July 1 of each year for the Series 1991 Bonds and the Series 1995A Bonds and on or before September 15 of each year for all other Bonds (or if such July 1 or September 15 is not a business day, then the immediately preceding business day) for so long as the Authority shall have Outstanding Bonds (i) a sum of money equal to the amount required for interest payments due on such July 1 on the Series 1991 Bonds and the Series 1995A Bonds and on October 1 for all other Bonds, and (ii) a sum of money equal to that portion of the principal payments due on the next succeeding January 1 on the Series 1991 Bonds and the Series 1995A Bonds and April 1 on all other Bonds, which shall be deemed to accrue in the six-month period from the last January 1 through the June 30 immediately preceding such July 1 on the Series 1991 Bonds and the Series 1995A Bonds and from the last April 1 through September 30 immediately preceding such October 1 on all other Bonds.

(c) Unless the Authority and the State shall otherwise agree, the initial interest and principal payments on all the Series of Bonds shall be scheduled so that no payment shall be required from the State under this Section 2.1 for principal or interest payments prior to March 15 of the year after the Bonds are issued.

(d) The payments due on the fifth business day preceding each January 1 and July 1 for the Series 1991 Bonds and the Series 1995A Bonds and the payments due on March 15 and September 15 on all other Bonds shall be reduced by an amount equal to the amount on deposit in the Local Highway and Bridge Service Contract Bond Service Fund, established as provided in Section 3.2 of this Contract, on the last business day of the month preceding the month in which each such payment is due to the extent such amount is not required to be applied to or to make any payment of principal or interest or premium due on the Series 1991 Bonds and the Series 1995A Bonds prior to such January 1 or July 1 and on all other Bonds prior to such April 1 or October 1; provided however, in calculating the payments due, amounts deposited in the Bond Service Fund pursuant to Sections 2.1(A)(ii) and 2.1(B)(ii) of this Contract shall only be applied to reduce payments due for the series of Bonds for which such deposits were made. In the event any Bond or Bonds shall, in accordance with Section 1.2(c), bear interest other than at a fixed rate, the amount of the semiannual interest payments by the State under this Section 2.1 shall be determined by assuming that interest during any period for which the rate of interest has not theretofore been finally determined will accrue at the maximum rate of interest established by the Resolution for such Bonds; and, if a semiannual interest payment by the State shall exceed the actual amount of interest payable on such Bonds in the ensuing six-month period, the next semiannual payment due from the State under this Section 2.1 shall be reduced by an amount equal to such excess remaining on deposit in the Local Highway and Bridge Service Contract Bond Service Fund at the time such next semiannual payment is due. In addition, for the Series 1991 Bonds and the Series 1995A Bonds the State agrees to pay to the Authority on or before the fifth business day preceding each January 1 and July 1 and for all other Bonds, the State agrees to pay to the Authority on or before March 15 and September 15 of each year, for so long as the Authority shall have Outstanding Bonds, the Administrative Fund Requirement as defined in the Resolution, except as may otherwise be required by the provisions of this Contract.

(e) Subject to the provisions of Section 2.6, the State agrees to pay to the Authority in any year for which the Authority shall have its Series 2003 Bonds Outstanding: (x) with respect to interest due: (i) on or before the tenth day of each month (in the event the Series 2003 Bonds are bearing interest at a rate that is payable more frequently than quarterly) the estimated amount of interest coming due through the fifteenth day of the next succeeding month, (ii) on or before the tenth day of each March, June, September and December (in the event the Series 2003 Bonds are bearing interest at a quarterly rate) the estimated amount of interest coming due on the next succeeding March 15, June 15, September 15 or December 15, or (iii) on or before each March 10 and September 10 (in the event the Series 2003 Bonds are bearing interest at a fixed interest rate) the interest coming due on the next succeeding March 15 or September 15, all as the case may be, as certified by an Authorized Officer of the Authority to the Director of the Budget, and (y) with respect to principal of, when due by reason of maturity, redemption or acceleration (including mandatory sinking fund payments): (i) on or before the fifth business day preceding March 15 of each year a sum of money equal to that portion of the principal payments due on such March 15, which shall be deemed to accrue in the six-month period from the last September 15 through the March 14 immediately preceding such March 15, and (ii) on or before the fifth business day preceding September 15 of each year a sum of money equal to that portion of the principal payments due on the next succeeding March 15 and, which shall be deemed to accrue in the six-month period from the last March 15 through the September 14 immediately preceding such September 15. If any of the foregoing payment dates is not a business day, then the State's payment is due on the immediately preceding business day.

In the event that all or any portion of the Series 2003 Bonds, shall bear interest at other than a fixed interest rate, the State shall pay the amount of interest payments due, as such amounts are certified by the Authority to the State, including not later than the dates for such payment so certified by the Authority to the State and if any such interest payment on account of interest made by the State shall

exceed the actual amount of interest payable on such Series 2003 Bonds, such excess amount, together with amounts held by the Authority hereunder, including, without limitation, payments received on any interest rate exchange agreements (as such term is defined in Article 5-D of the State Finance Law) (other than payments received in connection with an early termination of any such interest rate exchange agreement) and any earnings on such excess amounts or payments, shall be deemed available for payment of the next succeeding payment on account of interest or any fees and costs payable hereunder.

(f) The State further agrees upon certification of the Authority, such certification to be incorporated within the certification of an Authorized Officer of the Authority specified in Article III hereof, and subject to the provisions of Section 2.6: (i) to pay all amounts which may become due to the issuer of any surety bond, insurance policy, letter of credit or similar obligation which may have been obtained, if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Article II hereof and (ii) to pay all amounts (including any term loans) which may become due to the issuer of any surety bond, insurance policy, letter of credit or similar obligation, which may have been obtained, if and to the extent such obligation arises as a result of funding the purchase price of any tendered Series 2003 Bonds which are not successfully remarketed.

(g) The State further agrees, upon certification of the Authority, such certification to be incorporated within the certification of an Authorized Officer of the Authority specified in Article III hereof, and subject to the provisions of Section 2.6, to pay the Authority a sum of money equal to the amount necessary to provide for the payment of all regularly scheduled amounts owed to the counterparty to each interest rate exchange agreement, including but not limited to any fees or charges in connection therewith. Such payments shall be paid (i) if payment is due at or less frequently than semi-annually, not later than March 10 or September 10 and (ii) if payment is due more frequently than semi-annually, not later than the tenth day of each month, in an amount equal to the estimated amount necessary to provide for such payments through the fifteenth day of the next succeeding month. In addition and subject to the provisions of Section 2.6, the State agrees to timely pay the Authority a sum of money equal to the amount necessary to provide for the payment of any termination payments required with respect to an early termination of an interest rate exchange agreement. The Authority shall apply any amounts received from the State in connection with such regularly scheduled payments and early termination in accordance with the provisions of the applicable interest rate exchange agreement.

(h) The State further agrees upon certification of the Authority, such certification to be incorporated within the certification of an Authorized Officer of the Authority specified in Article III hereof, and subject to the provisions of Section 2.6, to pay to the Authority any and all amounts requested by the Authority for the purpose of paying (i) all fees and costs due which arise from or in any way relate to the Series 2003 Bonds, including, without limitation, fees and costs of any Remarketing Agent, Trustee, Tender Agent, Broker-Dealer, Depository or Auction Agent (as such terms are defined in the Resolution) and (ii) fees and costs of any custodian or valuation agent relating to an interest rate exchange agreement or relating to the provision of any surety bond, insurance policy, letter of credit or similar obligation which may have been obtained (including costs of indemnification assumed by the Authority pursuant to an interest rate exchange agreement or an agreement with the issuer of any such surety bond, insurance policy, letter of credit or similar obligation, or otherwise).

(i) To the extent the Authority so directs, the State hereby agrees, to make the payments required by this Section 2.1 directly to the financial institution acting as trustee under the Resolution (but not in such institution's capacity as trustee). The Authority agrees to direct the such financial institution to transfer amounts received as such payments as follows and in the following order of priority: (i) to itself in its capacity as the trustee under the Resolution (the "Trustee") for deposit and application in accordance with the Resolution all amounts required to be so deposited and applied

pursuant thereto and (ii) to or at the direction of the Authority all other amounts received pursuant to Sections 2.1(F),(G) and (H) and not required to be deposited and applied in accordance with the Resolution.

2.2 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.1. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.1 in the order in which they become due.

(b) The State may, at any time in its sole discretion, make payments to the Authority for the purpose of (i) directly funding the cost of Projects which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3; (iii) redeeming Bonds pursuant to the exercise by the Authority of any option it may have under the Resolution so to do; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution. Any payments made by the State to the Authority for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Authority to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.3 The State further agrees upon demand of the Authority (i) to satisfy any deficiency in any debt service reserve fund applicable to the Bonds; (ii) to pay all amounts which may become due to the issuer of any surety bond, insurance policy, letter of credit or similar obligation which may have been obtained as contemplated by Section 1.2(e), if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 or this Section 2.3; and (iii) to pay all amounts which may become due pursuant to any agreement relating to the issuance of variable rate Bonds as contemplated by Section 1.2(c) of this Contract.

2.4 In the event, in order to maintain the exclusion from gross income of interest on the Bonds under the Internal Revenue Code of 1986, as amended, the Authority shall be required to pay over or rebate to the United States any investment earnings and the amount so to be rebated exceeds the amount of investment earnings retained in the fund or account established by the Authority for the payment of such rebate as provided in Section 3.5, the State further agrees to pay an amount equal to such excess to the Authority.

2.5 The State agrees that, subject to the provisions of Section 2.6, its obligation to make the payments provided for in this Contract shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Authority or any other person or entity having an interest in this Contract or the payments made hereunder.

2.6 Notwithstanding anything in this Contract to the contrary (i) the obligation of the State acting by and through the Director of the Budget to pay the amounts herein provided for is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay the amounts herein provided for 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 available and no liability shall be incurred by the State beyond the monies available for the purpose.

Proceeds from the sale of Bonds deposited in the Local Highway and Bond Service Contract Bond Proceeds Fund shall not be made available to reimburse local governments unless: (i) the Commissioner of Transportation has certified to the Chairman of the Authority that based on

representations to the Commissioner by such local governments, such funds shall be used exclusively for the funding of Projects, and the construction, reconstruction, or improvement of highways, bridges and/or highway-railroad crossings, including right of way acquisition, preliminary engineering, and construction supervision and inspection, where the service life of the project is at least ten years and the project meets all other requirements to qualify as a Project under applicable law; and (ii) the Director of the Budget has certified to the Chairman of the Authority that a spending plan has been submitted by the Commissioner of Transportation and has been approved by the Director of the Budget. The amounts paid to the Authority pursuant to the Contract may be used by the Authority solely to fund the debt service requirements of Bonds, debt service reserve requirements, Administrative Fund Requirements, rebate obligations or other obligations, including Bonds issued to fund any required debt service reserve requirement for Bonds, of the Authority issued to fund Projects.

III. DUTIES OF THE AUTHORITY

3.1 From the net proceeds derived from the sale of the Bonds, and from any other monies available to it for such purpose, the Authority agrees to finance Projects in accordance with applicable law.

3.2 Upon the adoption of the Resolution, the following funds, in addition to such other funds and accounts which may be required or permitted by the Resolution, shall be established and retained under the Resolution:

(a) Local Highway and Bridge Service Contract Revenue Fund;

(b) Local Highway and Bridge Service Contract Administrative Fund;

(c) Local Highway and Bridge Service Contract Bond Service Fund;

(d) Local Highway and Bridge Service Contract Bond Service Reserve Fund;

(e) Local Highway and Bridge Service Contract Bond Proceeds Fund;

(f) Local Highway and Bridge Service Contract Earnings Fund; and

(g) Local Highway and Bridge Service Contract Rebate Fund.

3.3 Proceeds from the sale of Bonds deposited in the Local Highway and Bridge Service Contract Bond Proceeds Fund may be used by the Authority solely (i) to pay or reimburse local governments for costs of Projects, (ii) to pay or reimburse the Authority for costs and expenses incurred in connection with the issuance and sale of Bonds, (iii) to refund or redeem Bonds or (iv) to pay or redeem BANs.

3.4 All payments made by the State pursuant to Section 2.1 of this Contract, and all accrued interest and capitalized interest received by the Authority upon the initial issuance and sale of Bonds, shall be deposited in the Local Highway and Bridge Service Contract Bond Service Fund or the Administrative Fund, as applicable.

3.5 Investment earnings on monies in the Local Highway and Bridge Service Contract Bond Proceeds Fund, the Local Highway and Bridge Service Contract Bond Service Fund, the Local Highway and Bridge Service Contract Bond Service Reserve Fund and the Local Highway and Bridge Service Contract Revenue Fund shall, not less frequently than monthly, be credited by ledger entry or

transferred to and deposited in the Local Highway and Bridge Service Contract Earnings Fund. Any such investment earnings may be transferred to satisfy deficiencies in the Local Highway and Bridge Service Contract Bond Service Fund and Local Highway and Bridge Service Contract Bond Service Reserve Fund at the times and to the extent and in the manner provided in the Resolution. If the Authority shall at any time or times be of the opinion that it is or may become necessary to pay over or rebate to the United States any such investment earnings in order to comply with any applicable rebate requirements of Section 148 of the Internal Revenue Code of 1986, as amended, or any successor provision thereto, it may withdraw amounts equal to such estimated rebate requirement from such Funds and deposit the same in the Local Highway and Bridge Service Contract Rebate Fund, and if the Authority shall thereafter determine that any amounts so withdrawn are not so required, it shall redeposit such excess in the Local Highway and Bridge Service Contract Bond Service Fund. The Authority shall promptly advise the State of each withdrawal and transfer from the Local Highway and Bridge Service Contract Rebate Fund.

3.6 Upon payment to the Authority of the amount required therefor and the State's direction to the Authority so to do, the Authority shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Authority shall deposit into the Local Highway and Bridge Service Contract Bond Service Fund all payments received from the State and designated for such purpose.

3.7 Monies in each fund or account established pursuant to the Resolution shall be held and administered by the Authority or by the Trustee, if any, or the Paying Agent, as provided in the Resolution, and shall not be commingled with any other funds of the Authority.

3.8 In addition to the duties of the Authority with respect to the audit powers granted the State under the Public Authorities Law or of any other law, the Authority agrees to keep accounts and records which clearly identify the purposes for which monies received by the Authority, including the proceeds of Bonds, pursuant to the Contract have been expended. The Authority agrees to submit annual financial reports to the State within 90 days after the end of each Authority fiscal year during which the Contract is in force. The Authority agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.9 Within thirty days after the issuance of each series of Bonds, the Authority shall (except as may be provided in any agreement entered into pursuant to Section 1.2(c) relating to the issuance of variable rate Bonds) furnish to the State a schedule of the aggregate of all debt service payments to be made on each date in respect of all Bonds then being issued or then otherwise Outstanding, and, if principal payments are payable less frequently than semiannually, a schedule of the principal payments accruing, as provided in Section 2.1 hereof, in each six- month period commencing each January 1 and July 1 for the Series 1991 Bonds and the Series 1995A Bonds and in each six-month period commencing each April 1 and October 1 for all other Outstanding Bonds.

3.10 During each year the Authority shall have Bonds Outstanding, the Authority shall, not later than 150 days before the beginning of each State Fiscal Year, advise the State of the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.3 and 2.4 of this Contract. Any such schedule of anticipated cash requirements shall set forth any amounts held in funds or accounts under the Resolution and available for a credit against such requirements as provided in this Contract.

3.11 The Authority agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of the Bonds then Outstanding. Such refunding Bonds shall be deemed Bonds for all purposes of this Contract, except that, notwithstanding the provisions of Section 3.1, the net proceeds derived from the

sale of such refunding Bonds shall be used by the Authority to pay or provide for the payment of the Bonds so to be refunded or repaid. Any refunding Bonds issued to refund all or a portion of Outstanding Bonds may be payable and mature on the payment dates and maturity dates, respectively, consistent with other Outstanding Bonds.

3.12 When all Bonds issued under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Authority shall promptly remit or cause to be remitted to the State any monies remaining in the Local Highway and Bridge Service Contract Bond Service Fund, Local Highway and Bridge Service Contract Bond Service Reserve Fund, Local Highway and Bridge Service Contract Earnings Fund and Local Highway and Bridge Service Contract Revenue Fund not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption (all after transfer of any necessary monies to the Local Highway and Bridge Service Contract Rebate Fund). Any monies so remaining in the Local Highway and Bridge Service Contract Proceeds Fund shall be used by the Authority as provided in Section 3.1 of this Contract. Any monies so remaining in the Local Highway and Bridge Service Contract Administrative Fund after payment to the Authority of all Authority Expenses shall be promptly remitted to the State.

3.13 For so long as the Series 2003 Bonds pay interest at least as frequently as semi-annually, the Authority shall furnish to the State, on the twenty-fifth (25th) day of each month, a certification as to the debt service payments and other amounts payable hereunder, paid or expected to be paid during the current State fiscal year.

3.14 Within ten days after the conversion of any Series 2003 Bonds initially bearing interest at a variable rate to a fixed interest rate, the Authority shall furnish to the State a schedule of the debt service payments and other amounts payable hereunder to be made on each date in respect of the Series 2003 Bonds.

IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Authority to the holders of any of its Bonds, or to any trustee acting on their behalf, or to the obligees of any of its Parity Debt or Subordinate Obligations, of all or any part of the benefits or rights of the Authority herein, of the payments by the State as provided herein and of the funds established under any resolution pursuant to which Bonds are issued (except for the Administrative Fund and the Rebate Fund).

V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Authority, with reasonable advance notification, it shall provide and certify information concerning the State and various other entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds, and (ii) necessary to allow the Authority to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Authority to make any reports required by law or government regulations in connection with the Bonds.

5.2 Neither the Authority nor the State will terminate the 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 party to perform and observe any duty, liability or obligation arising out of or connected with the Contract.

5.3 The Contract may not be amended, changed, modified or altered so as to materially adversely affect the rights of the holders of any Bonds without the consent of such holders or any trustee acting on their behalf given in accordance with the provisions of the Resolution, or in any manner, if adverse to the rights of any counterparty to an interest rate exchange agreement related to the Series 2003 Bonds, without the consent of each such counterparty. An increase in the amounts payable under the Contract or in the amount of net proceeds which may be realized by the Authority from the sale of Bonds or in the term of the State's obligations (other than an increase in such term that changes the maturity date or payment date of any Outstanding Bonds) or the issuance of additional bonds secured by the Contract in accordance with applicable law shall not be deemed such a material adverse change.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of the Contract and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in clauses (i) and (ii) of Section 2.6.

5.5 The State acknowledges and agrees that monies in the funds and accounts established under the Resolution may be invested in investment obligations authorized by the Resolution and that the Authority may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds under the Internal Revenue Code of 1986, as amended.

5.6 The State agrees to request appropriations during the term of this Contract, for each year in an amount equal to the principal of (including mandatory sinking fund payments) and interest on and other amounts payable hereunder with respect to the Series 2003 Bonds coming due on each Interest Payment Date during such year and all other payments due under this Contract, but in no event shall such request include an amount less than eighteen percent (18%) of the aggregate notional amount of all interest rate exchange agreements executed and then in effect with respect to the Series 2003 Bonds.

VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If, for any reason other than a failure by the State Legislature to appropriate monies for such purpose, the State shall fail for a period of four (4) business days to pay when due any of the payments provided for in Section 2.1 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 may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Authority under Section 6.1 in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Contract, nor may they include any amendment, change, modification or alteration of the Contract that is prohibited by Section 5.2 or 5.3.

VII. EVENTS OF DEFAULT BY THE AUTHORITY AND REMEDIES

7.1 If the Authority shall fail to observe or perform any covenant, condition or agreement contained in this Contract 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 may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Authority hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Contract or of the obligations of the State to make the payments provided for in Article II, nor may they include any amendment, change, modification or alteration of the Contract that is prohibited by Section 5.2 or 5.3.

VIII. MISCELLANEOUS

8.1 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

8.2 In the event any provision of the Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8.3 All notices provided for in the Contract shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the state and the Authority as follows:

If to the State: Director of the Budget
State of New York
Executive Department
Division of the Budget
State Capitol, Room 113
Albany, New York 12224

If to the Authority: New York State Thruway Authority
200 Southern Boulevard
Albany, New York 12209
Attention: Chief Financial Officer

The Authority or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.4 The Contract, including Schedule 1 attached hereto, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3.

8.5 Nothing in the Contract shall be construed to confer upon or to give to any person or corporation other than the State, the Authority, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of the Contract or any provision thereof.

8.6 This Contract shall be construed and interpreted in accordance with the laws of the State of New York and any suits or actions arising out of this Service Contract shall be instituted in a court of competent jurisdiction in the State.

8.7 This Contract may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the State has caused the Contract to be executed in its name by the Director of the Budget and the official seal of the State to be hereunto affixed, and the Authority has caused this instrument to be signed by its duly authorized officer and its corporate seal to be hereunto affixed all as of the date and year first above written.

SEAL

Witness as to the State of New York	State of New York
_____	_____
	Director of Budget
Witness as to the New York State Thruway Authority	New York State Thruway Authority
_____	_____
	Authorized Officer
Approval as to form: Attorney General	Approved:
By: _____	_____
	State Comptroller
Date: _____	Date: _____

SCHEDULE 1

1. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1991
2. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1992
3. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1993
4. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1994
5. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1995
6. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1995A
7. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1996
8. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1997
9. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1998A
10. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1998B
11. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1999
12. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2000
13. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2001
14. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2002
15. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2003
16. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2007
17. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2008
18. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2009
19. New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2012A

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APPENDIX C

INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX C

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 C 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 C 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 C is dated May 24, 2011. It was updated on February 8, 2012. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.budget.ny.gov.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2011 were prepared by the State Comptroller in accordance with accounting principles generally accepted in the United States of America and independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 25, 2011 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

The Annual Information Statement of the State of New York (including any and all updates and supplements thereto) may not be included in an Official Statement or included by reference in an Official Statement without the express written authorization of the State of New York, Division of the Budget, State Capitol, Albany, NY 12224.

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UPDATE TO ANNUAL INFORMATION STATEMENT (AIS)
STATE OF NEW YORK

February 8, 2012

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

In this AIS Update, readers will find:

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

2. A summary of operating results through December 2011.

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

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

5. Updated information regarding the State Retirement Systems.

6. Updated information on certain localities of the State.

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

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

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

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

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections or other information relating to the State's financial position, including potential operating results for the current fiscal year and projected budget gaps for future fiscal years, which may vary materially from the information provided in this AIS Update. Investors and other market participants should, however, refer to the AIS, as updated, or supplemented from time to time, for the most current official information regarding the financial position of the State.

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

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

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 the State, as well as certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations.

This AIS Update is available in electronic form on the DOB website (www.budget.ny.gov) and does not create any implication that there have been no changes in the financial position of the State at any time subsequent to its release date. Maintenance of this AIS Update on the DOB website, or on the EMMA website, is not intended as a republication of the information therein on any date subsequent to its release date.

Neither this AIS Update nor any portion thereof may be (i) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224, or (ii) considered to be continuing disclosure in connection with any offering unless a CDA relating to the series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS Update, or any portion thereof, in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing without such consent and agreement by DOB, is unauthorized and the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of this AIS Update if so misused.

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OVERVIEW OF THE CURRENT FINANCIAL PLAN

INTRODUCTION

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

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

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

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

CURRENT FISCAL YEAR (FY 2012)

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

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

[1] Excludes impact of debt service reestimates.

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

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

Estimated disbursements have been reduced across a range of programs and activities in local assistance and debt service, reflecting operating results to date, the continuing impact of cost control measures imposed on discretionary spending, and the conservative estimation of General Fund costs. In addition, the State reached a collective bargaining agreement for FY 2006 to FY 2015 with the Agency Police Services Unit ("APSU") which represents agency law enforcement officers in SUNY, the Office of Parks, Recreation and Historic Preservation, and the Department of Environmental Conservation. This agreement is expected to increase State Operations spending in the current year by $62 million for

negotiated wage increases that cover the current and prior fiscal years. Payments are expected to be financed from the reserve set aside for this purpose and therefore have no impact on net operating results.

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

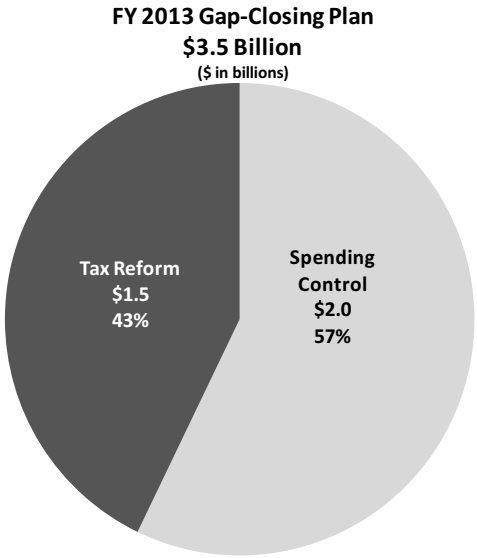
Consistent with prior updates, the Current Financial Plan includes a planned deposit of $100 million to the Rainy Day Reserve in FY 2012. The deposit is subject to the approval of the budget director and dependent on actual operating results in the final quarter of the fiscal year.

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

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

EXECUTIVE BUDGET FINANCIAL PLAN OVERVIEW (FY 2013 PROPOSAL)

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



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

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS
SUMMARY OF CHANGES FROM MID-YEAR THROUGH EXECUTIVE BUDGET RECOMMENDATION
(millions of dollars)

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

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

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

SPENDING CONTROL

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

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

- Savings proposals in local assistance ($756 million) target automatic spending increases that are unrelated to performance or actual costs. The most significant proposal would repeal automatic "cost-of-living" increases and trend factors in FY 2013 for all human service providers, and grant

all future increases, starting in FY 2014, through a performance-based awards system. Other savings include continued programmatic, auditing, and financial reviews, elimination of subsidies, and other measures. Disbursements for State Operating Funds local assistance are projected to total $59.1 billion in FY 2013, an annual increase of 2.6 percent.

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

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

TAX REFORM

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

NEW COSTS/OTHER CHANGES

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

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SPENDING GROWTH

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

TOTAL DISBURSEMENTS
(millions of dollars)

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

SOURCES OF SPENDING GROWTH

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

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

Local assistance spending is expected to increase by $1.5 billion, or 2.6 percent, over FY 2012. In FY 2013, State funding for School Aid (on a school year basis) and Medicaid increases by approximately 4 percent from 2012 levels, consistent with caps enacted in FY 2012. Medicaid spending, before factoring in the savings expected from the State's takeover of administration and including Medicaid costs that are reflected on the non-personal services line of the Current Financial Plan, increases by 4 percent (not shown on table). Other local assistance increases include transportation, reflecting disbursements of dedicated tax receipts; and special education, resulting from actions that temporarily

reduced spending in FY 2012. The increases are partly offset by annual reductions in mental hygiene programs reflecting the impact of ongoing cost-containment efforts, continued programmatic and costs reviews, and lower public health spending due to the phase-down of Federal-State Health Reform Partnership (F-SHRP) program and declines in the EPIC program resulting from prior-year cost containment actions.

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

EXPLANATION OF EXECUTIVE BUDGET GAP-CLOSING PLAN

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

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

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

SPENDING CONTROL

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

STATE AGENCY OPERATIONS

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

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

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

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

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

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

LOCAL ASSISTANCE

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

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

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

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

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

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

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

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

NEW INITIATIVES/INVESTMENTS

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

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

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

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

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

NEW COSTS

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

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

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

PROJECTED CLOSING BALANCES

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

GENERAL FUND ESTIMATED CLOSING BALANCES
(millions of dollars)

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

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

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

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

YEAR-TO-DATE OPERATING RESULTS

GENERAL FUND RESULTS VERSUS MID-YEAR UPDATE

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

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

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

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

RECEIPTS VARIANCE FROM MID-YEAR PLAN

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

DISBURSEMENTS VARIANCE FROM MID-YEAR PLAN

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

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

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

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

GENERAL FUND YEAR-OVER-YEAR RESULTS

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

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

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

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

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

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

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

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

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

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

STATE OPERATING FUNDS RESULTS VERSUS MID-YEAR UPDATE

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

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

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

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

STATE OPERATING FUNDS YEAR-OVER-YEAR RESULTS

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

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

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

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

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

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

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

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

BUDGET RISKS AND UNCERTAINTIES

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

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

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

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

The forecast contains specific transaction risks and other uncertainties including, but not limited to, the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Current Financial Plan, including payments pursuant to the Tribal State Compact; and the achievement of cost-saving measures including, but not limited to, the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Current Financial Plan in the current year or future years.

BUDGET PROCESS

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

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

STATUS OF CURRENT LABOR NEGOTIATIONS

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

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

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

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

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

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

CURRENT CASH-FLOW PROJECTIONS

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

FY 2012

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

The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants.

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

FY 2013

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

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

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

PENSION AMORTIZATION

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

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

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

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

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

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

Source: NYS DOB

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

FEDERAL ACTIONS

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

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

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

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

HEALTH INSURANCE COMPANY CONVERSIONS

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

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)-BASIS PROJECTIONS

The State's budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The GAAP-basis plans model, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. Tables comparing the cash-basis and GAAP-basis General Fund Financial Plans are provided at the end of this Financial Plan.

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

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

OTHER POST-EMPLOYMENT BENEFITS

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

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

The net OPEB liability for FY 2011 totaled $3.7 billion ($3.1 billion for the State and $0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was $2.5 billion ($2.1 billion for the State and $0.4 billion for SUNY) above the payments for retiree costs made by the State in FY 2011. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of FY 2011 by $2.5 billion.

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

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

As noted, there is no provision in the Current Financial Plan to pre-fund the GASBS 45 liability. If such liability were pre-funded at this time, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices in light of existing fiscal conditions.

DEBT REFORM ACT RESTRICTIONS

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

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

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

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

SECURED HOSPITAL PROGRAM

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

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

BOND MARKET

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

LITIGATION

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

ECONOMIC BACKDROP[2]

THE NATIONAL ECONOMY

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

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

RISKS TO THE U.S. FORECAST

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

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

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

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

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

THE NEW YORK STATE ECONOMY

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

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

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

RISKS TO THE NEW YORK FORECAST

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

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

SELECTED ECONOMIC INDICATORS
(Calendar Year)

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

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

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2012 THROUGH 2016

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

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

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

GENERAL FUND PROJECTIONS

MULTI-YEAR GENERAL FUND PROJECTIONS
(millions of dollars)

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

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

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

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

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

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

RECEIPTS PROJECTIONS

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

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

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

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

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

*Estimated Receipts

**Projected Receipts

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

FY 2012 OVERVIEW

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

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

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

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

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

FY 2013 OVERVIEW

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

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

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

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

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

CHANGE FROM MID-YEAR UPDATE

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

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

[1] Excludes Transfers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BASE GROWTH

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

The estimated base receipts growth in FY 2012 results from:

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

The deceleration in base growth in FY 2013 results from:

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

PERSONAL INCOME TAX

PERSONAL INCOME TAX
(millions of dollars)

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

[1] Excludes Transfers.

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

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

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

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS
ALL FUNDS
(millions of dollars)

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

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

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

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

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

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

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

USER TAXES AND FEES

USER TAXES AND FEES
(millions of dollars)

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

[1] Excludes Transfers.

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

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

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

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

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

BUSINESS TAXES

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

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

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

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

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

All Funds bank tax receipts for FY 2012 are estimated to be $1.374 billion, an increase of $196 million (16.6 percent) above last year. This increase is mainly attributable to strong December collections in commercial bank calendar year liability estimated payments and the corresponding expected increase

in the March prepayment. Additionally, refunds are significantly lower in FY 2012 compared to FY 2011 due to the delay in payment of 2009-10 refunds to April 2010. Lower audit receipts are expected to offset a portion of the increase in receipts from higher gross receipts and lower refunds.

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

ALL FUNDS BUSINESS TAX AUDIT AND NON-AUDIT RECEIPTS
(millions of dollars)

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

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

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

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

OTHER TAXES

OTHER TAXES
(millions of dollars)

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

[1] Excludes Transfers.

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

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

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

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

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

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

All funds miscellaneous receipts include monies received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to reach $23.8 billion in FY 2012, an increase of $684 million from FY 2011. Augmenting General Fund growth are growth in SUNY receipts, including bond proceeds available for SUNY capital projects ($694 million), and changes in bond proceed funding for several capital improvement projects including health and environmental conservation ($333 million).

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

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

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

DISBURSEMENTS

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

The multi-year disbursements projections take into account agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections account for the timing of payments, since not all of the amounts appropriated in the Budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in special revenue funds have been adjusted downward in all fiscal years based on typical spending patterns and the observed variance between estimated and actual results over time.

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

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

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

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LOCAL ASSISTANCE GRANTS

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

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

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

EDUCATION

SCHOOL AID

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

SCHOOL YEAR (JULY 1 — JUNE 30)

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

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

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

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

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

STATE FISCAL YEAR

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

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

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

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

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

SCHOOL TAX RELIEF PROGRAM

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

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

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

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

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

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

OTHER EDUCATION AID

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

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

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

HIGHER EDUCATION

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

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

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

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

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

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

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

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

HEALTH CARE

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

MEDICAID

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PUBLIC HEALTH/AGING PROGRAMS

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

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

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

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

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

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

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

HCRA FINANCIAL PLAN

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

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

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

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

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

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

MENTAL HYGIENE

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

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

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

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 5.4 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including: increases primarily associated with

the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline. Additional outyear spending is assumed in the Current Financial Plan estimates for costs associated with efforts to move individuals in nursing homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS. The Current Financial Plan also reflects costs of roughly $100 million annually for adjustments based on not-for-profit provider performance and actual costs.

SOCIAL SERVICES

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

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

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

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

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

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

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

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

TRANSPORTATION

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

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

LOCAL GOVERNMENT ASSISTANCE

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

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

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

ALL OTHER LOCAL ASSISTANCE SPENDING

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

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AGENCY OPERATIONS

Agency operating costs include personal service, non-personal service, and GSCs. Personal service includes salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. Non-personal service generally accounts for the cost of operating State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology, and professional business services), supplies and materials, equipment, telephone service and employee travel. GSCs account for the costs of fringe benefits (e.g., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. In addition, certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and not reflected in the State Operating Funds personal service or non-personal service totals.

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

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

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

[2] Subject to Direct Executive Control.

[3] As Percent of Salary.

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

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

STATE OPERATING FUNDS - AGENCY OPERATIONS
(millions of dollars)

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

GENERAL STATE CHARGES

Fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, Social Security, health insurance, workers' compensation, unemployment insurance, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations. However, certain agencies, including the Judiciary and SUNY, directly pay all or a portion of their employees' fringe benefit costs from their respective budgets. Employee fringe benefits paid through GSCs are paid from the General Fund in the first instance and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. The largest General Fund reimbursement comes from the mental hygiene agencies.

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

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

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

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

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

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

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

General Fund transfers help finance certain capital activities, the State's share of Medicaid costs for State-operated mental hygiene facilities, debt service for bonds that do not have dedicated revenues, and a range of other activities.

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

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

DEBT SERVICE

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities, subject to an appropriation. Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

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

Total debt service is projected at $6.1 billion in FY 2013, of which $1.6 billion is paid from the General Fund through transfers, and $4.5 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

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

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

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

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

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

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

Summary of Net Assets
(millions of dollars)

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

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

STATE RETIREMENT SYSTEMS

GENERAL

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

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

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

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

TIER BENEFIT COMPARISON

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

1. Correction Officers' contributions cease w/ 30 years of service credit. Peace Officers/Court Officers contribute 4 percent.

2. Does not include special plans which permit retirement upon accrual of a certain number of years without regard to age (uniform services plans).

3. Uniformed Court and Peace Officers employed by the Unified Court System, with 30 years of service, may retire after age 55 with no reductions to their pension benefit.

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

1. The vast majority of active PFRS members are enrolled in Tier 2. Tier 3 applies to less than 300 members hired between 7/1/09 and 1/08/10. The PFRS plan has no Tier 4. Tier 5 applies to all PFRS members hired on or after 1/09/10.

2. Certain PFRS members are non-contributory (see "Contributions" section herein).

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

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

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

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

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

CONTRIBUTIONS

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

became Tier 5 members after the expiration of the current collective bargaining agreement would be subject to the 3 percent contribution.

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

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

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

PENSION ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

Sources: State and Local Retirement Systems.

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

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

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

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

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

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THE CITY OF NEW YORK

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

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

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

Source: Office of the State Comptroller.

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

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

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

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

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

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

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

OTHER LOCALITIES

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

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

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

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

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

SELECTED STATE GOVERNMENT SUMMARY

STATE GOVERNMENT ORGANIZATION

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

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

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

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

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

APPROPRIATIONS AND FISCAL CONTROLS

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

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

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

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

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

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

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

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

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

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

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

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

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

WEST VALLEY LITIGATION

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

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

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

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

The Consent Decree also does not resolve two claims raised in the State's lawsuit - the State's natural resource damages claim and its Nuclear Waste Policy Act claim. The first claim, which the federal government has agreed to toll, will be pursued by the NYS Department of Environmental Conservation (DEC) (as trustee of the State's natural resources) and the Attorney General's office. Regarding the latter claim, the State asserts that the federal government bears sole responsibility for the cost of disposing of the 275 canisters of vitrified HLRW waste remaining at the Site at a federal repository once one becomes available. This claim was neither settled nor dismissed and remains in

litigation. The District Court will advise the parties as to the date of a conference for the purpose of preparing a scheduling order for adjudicating this claim. In the meantime, the parties are discussing potential ways to resolve the Nuclear Waste Policy Act claim without litigation.

METROPOLITAN TRANSPORTATION AUTHORITY

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

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

SCHOOL AID

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

In a second case involving the parties, plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid from March 31, 2010 to June 1, 2010, also violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the

commencement of the suit, the moneys at issue were also released. The defendants answered, claiming that the statute in question, Education Law §3609-a, permitted payment on June 1, 2010, and that March 31, 2010 was merely an authorized pre-payment date. Plaintiffs moved for summary judgment on July 21, 2010 and defendants responded and cross-moved for summary judgment on September 16, 2010.

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

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

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

REPRESENTATIVE PAYEES

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

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

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

SALES TAX

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

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

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

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

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

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

system. The court denied plaintiffs' request for a temporary restraining order and, by decision dated August 18, 2011, also denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. Defendants have filed a motion for summary judgment returnable February 16, 2012.

CIVIL SERVICE LITIGATION

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

PUBLIC FINANCE

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

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

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

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

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

PERSONAL INJURY CLAIMS

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

EMINENT DOMAIN

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

INSURANCE DEPARTMENT ASSESSMENTS

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

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

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

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

LITIGATION

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

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

ARBITRATION

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

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

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

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

CASHFLOW
GENERAL FUND
FY 2012
(dollars in millions)

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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Annual Information Statement

State of New York

May 24, 2011

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

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INTRODUCTION

This Annual Information Statement (AIS) is dated May 24, 2011 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the State) and replaces the AIS dated September 7, 2010 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in August 2011, November 2011, and February 2012) and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any current updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State's current financial projections, including summaries and extracts from the State's Enacted Budget Financial Plan (the "Enacted Budget Financial Plan" or "Enacted Budget") for fiscal year 2012 ("FY 2012" or "2011-12") issued by the Division of the Budget ("DOB") on May 6, 2011. The Enacted Budget Financial Plan sets forth the State's official Financial Plan projections for FYs 2012 through 2015. It includes, among other things, the major components of the gap-closing plan approved for FY 2012, projected annual spending growth, the magnitude of future potential budget gaps, and detailed information on projected total receipts and disbursements in the State's governmental funds.

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

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

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

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

INTRODUCTION

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections, or other information relating to the State's financial position, including potential operating results for the current fiscal year and projected budget gaps for future fiscal years, that may vary materially from the information provided in this AIS, as updated or supplemented. Investors and other market participants should, however, refer to this AIS, as updated or supplemented, for the most current official information regarding the financial position of the State.

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

The State may issue AIS supplements or other disclosure notices to this AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. An electronic copy of this AIS can be accessed through the EMMA at www.emma.msrb.org. An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-7705. OSC issued the Basic Financial Statements for FY 2010 in July 2010. The Basic Financial Statements for FY 2011 are expected to be available in late July 2011. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

The AIS has been supplied by the State pursuant to its contractual obligations under various continuing disclosure agreements ("CDA") entered into by the State in connection with financings of the State, as well as certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payments of their respective bonds, notes or other obligations.

The AIS is available in electronic form on the DOB website (www.budget.ny.gov) and is being provided solely as a matter of convenience to readers and does not create any implication that there have been no changes in the financial position of the State at any time subsequent to its release date. Maintenance of this AIS on the DOB website, or on the EMMA website, is not intended as a republication of the information therein on any date subsequent to its release date.

Neither this AIS nor any portion thereof may be (i) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224 or (ii) considered to be continuing disclosure in connection with any offering unless a CDA relating to the series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS or any portion thereof in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing without such consent and agreement by DOB is unauthorized and the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of this AIS if so misused.

BUDGETARY AND ACCOUNTING BACKGROUND

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

THE STATE BUDGET PROCESS

The requirements of the State budget process are set forth in Article VII of the State Constitution and the State Finance Law. The process begins with the Governor's submission of the Executive Budget to the Legislature each January, in preparation for the start of the fiscal year on April 1. (The submission date is February 1 in years following a gubernatorial election.) The Executive Budget must contain a complete plan of estimated available receipts and projected disbursements for the ensuing fiscal year ("State Financial Plan"). The proposed State Financial Plan must be balanced on a cash basis, as described below, and must be accompanied by bills that: (i) set forth all proposed appropriations and reappropriations, (ii) provide for any new or modified revenue measures, and (iii) make any other changes to existing law necessary to implement the budget recommended by the Governor.

In acting on the bills submitted by the Governor, the Legislature has certain powers to alter the recommended appropriations and proposed changes to existing law. The Legislature may strike out or reduce an item of appropriation recommended by the Governor. The Legislature may add items of appropriation, provided such additions are stated separately. These additional items are then subject to line-item veto by the Governor. If the Governor vetoes an appropriation or a bill (or a portion thereof) related to the budget, these items can be reconsidered in accordance with the rules of each house of the Legislature. If approved by two-thirds of the members of each house, such items will become law notwithstanding the Governor's veto.

Once the appropriation bills and other bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates and projections in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economic outlook, updated data on program activities, and other factors, as well as new actions taken by the Governor or the Legislature. As required by the State Finance Law, the DOB updates the State Financial Plan within 30 days of the close of each quarter of the fiscal year, generally issuing reports by July 30, October 30, and as part of the Executive Budget.

Once the budget is adopted for the fiscal year, the Legislature may enact one multi-purpose appropriation bill and additional single-purpose appropriation bills or revenue measures (including tax reductions) during any regular session or, if called into session for that purpose, any special session. In the event additional appropriation bills or revenue measures are disapproved by the Governor, the Legislature may override the Governor's veto upon the vote of two-thirds of the members of each house of the Legislature. The Governor may present deficiency appropriations to the Legislature in any fiscal year to supplement existing appropriations or to provide new appropriations for purposes not covered by the regular and supplemental appropriations.

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

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

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

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

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

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

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

FINANCIAL PLAN INFORMATION

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

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

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

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

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

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

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

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

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

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

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

EXECUTIVE BUDGET PROPOSAL

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

ENACTED BUDGET FOR FISCAL YEAR 2012

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

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

ENACTED BUDGET FINANCIAL PLAN AT-A-GLANCE: SELECTED INDICATORS AND MEASURES
(millions of dollars)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Enacted Budget includes two-year appropriations and changes to law for Medicaid and School Aid to help limit the growth in these programs to the target rates. In Medicaid, the budget grants State officials authority to make certain modifications to the Medicaid program to help maintain spending within the allowable limit. DOB anticipates that most potential modifications that are likely to be considered to constrain Medicaid spending will require the approval of the Federal government. Adherence to the limit is dependent on other factors, including the adoption of voluntary cost-saving

measures by the health care industry. The new administrative authority granted to State officials to modify the Medicaid program expires after two years; however, the statutory Medicaid spending cap is not scheduled to expire. The Financial Plan projections for all fiscal years assume that Medicaid and School Aid will grow at the capped rates.

PROJECTED CLOSING BALANCES

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

GENERAL FUND ESTIMATED CLOSING BALANCE
(millions of dollars)

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

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

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

ANNUAL SPENDING GROWTH

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

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

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

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

FINANCIAL PLAN INFORMATION

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

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

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

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

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

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

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

STATE OPERATING FUNDS AS RESTATED
(millions of dollars)

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

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

FISCAL YEAR 2012 ENACTED BUDGET GAP-CLOSING PLAN

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

GENERAL FUND GAP-CLOSING PLAN FOR 2011-12
(millions of dollars)

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

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

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

SUMMARY OF MEDICAID REDESIGN TEAM SAVINGS ACTIONS
SAVINGS/(COSTS)
(millions of dollars)

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE AGENCY REDESIGN

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

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

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

REVENUE ENHANCEMENTS

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

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

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

NON-RECURRING RESOURCES

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

OTHER RESOURCES

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

OTHER MATTERS AFFECTING THE ENACTED BUDGET FINANCIAL PLAN

GENERAL

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

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

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

BUDGET RISKS AND UNCERTAINTIES

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

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

The Enacted Budget Financial Plan forecast contains specific transaction risks and other uncertainties including, but not limited to, the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Enacted Budget Financial Plan, including payments pursuant to the Tribal State Compact; and the achievement of cost-saving measures including, but not limited to, the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Enacted Budget Financial Plan in the current year or future years.

CURRENT CASH-FLOW PROJECTIONS

The General Fund is authorized to borrow resources temporarily from other available funds in the State's Short-Term Investment Pool (STIP) for up to four months, or to the end of the fiscal year, whichever period is shorter. The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller. Available balances include money in the State's governmental funds (labeled "All Funds" in the following table), as well as relatively small amounts of other money belonging to the State.

The General Fund used this authorization to meet certain payment obligations in May, June, September, November, and December 2010, and April 2011. The General Fund is likely to rely on this borrowing authority at times during FY 2012.

The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants.

The projected month-end cash balances for FY 2012 are shown in the following table. The projections assume successful implementation of the gap-closing plan. General Fund cash balances are expected to be relatively low, especially during the first half of the fiscal year.

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

PROJECTED ALL FUNDS MONTH-END CASH BALANCES FISCAL YEAR 2011-12 (millions of dollars)			
	General Fund	Other Funds	All Funds
April	4,475	4,195	8,670
May	1,098	4,372	5,470
June	489	3,613	4,102
July	1,245	4,454	5,699
August	946	4,830	5,776
September	4,192	2,339	6,531
October	3,023	3,347	6,370
November	1,568	3,661	5,229
December	1,906	2,620	4,526
January	5,645	4,437	10,082
February	5,025	4,776	9,801
March	1,737	2,523	4,260

Source: NYS DOB

PENSION EXPENDITURES (INCLUDING AMORTIZATION)

Part TT of Chapter 57 of the Laws of 2010 (see description on page 113 of this AIS) authorized the State and local governments to elect to defer paying (or "amortize") a portion of their pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by participating employers in a given fiscal year, but results in higher costs overall. Specifically, the amount of the difference between the actuarial contribution rate and statutory amortization thresholds in a given fiscal year (which were 9.5 percent of payroll for Employees' Retirement System (ERS) and 17.5 percent for the Police and Fire Retirement System (PFRS) in FY 2011), may be amortized by governmental entities which elect to do so. The statutory threshold for amortization increases by 1 percentage point annually (e.g., from 9.5 percent in FY 2011 to 10.5 percent in FY 2012). Under the amortization program, if the State elects to amortize each year, the State's minimum ERS pension contribution rate as a percentage of payroll will grow from 10.5 percent in FY 2012 to 13.5 percent in FY 2015. The PFRS minimum contribution rate under the amortization program will be 18.5 percent in FY 2012 and grow to 21.5 percent in FY 2015. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease in the same direction as the actuarial rate by no more than one percentage point for each year. Repayment of the amortized amounts will be made over a ten-year period at an interest rate comparable to taxable fixed income instruments of comparable duration as determined annually by the State Comptroller. For amounts amortized in FY 2011, the State Comptroller set an interest rate of 5 percent.

In March 2011, the State made a pension payment of $1.078 billion for FY 2011, and amortized $216 million. In addition, the State's Office of Court Administration (OCA) made its pension payment of $179 million, and amortized $33 million. The $249 million in total deferred payments will be repaid with interest over the next ten years, beginning in FY 2012. The Enacted Budget Financial Plan assumes that the State and OCA will amortize pension costs, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 5 percent over a 10-year period, beginning in the fiscal year following each deferred payment.

The following table, which summarizes pension contributions and projections for future fiscal years, reflects the "normal costs" of pension contributions as the amount the State would contribute to fund

pensions before amortization, along with "new amortized amounts" assumed in upcoming years. The repayment costs associated with these amortizations are reflected as the "amortization payment." Consistent with these amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that: a) the State make "additional contributions" in upcoming fiscal years, above the actuarially required contribution, and b) once all outstanding amortizations are paid off, that additional contributions will be set aside as "reserves for rate increases", to be invested by the State Comptroller and used to offset future year rate increases. Projections in the table below are based on certain assumptions about actuarial factors on investment earnings and benefits to be paid, and actual results may vary from the projections provided below.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM*
PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS
(millions of dollars)

Fiscal Year	Normal Costs**	New Amortized Amounts	Amortization Payment	Additional Contributions	Total	Reserves for Rate Increases	Plus Interest at 5%
2010-11 Actual	1,552.4	(249.0)	0.0	0.0	1,303.4	0.0	0.0
2011-12 Projected	2,105.9	(634.6)	32.4	0.0	1,503.7	0.0	0.0
2012-13 Projected	2,454.0	(877.8)	114.7	0.0	1,690.9	0.0	0.0
2013-14 Projected	2,832.9	(1,118.7)	228.7	0.0	1,942.9	0.0	0.0
2014-15 Projected	3,088.3	(1,221.2)	373.6	0.0	2,240.7	0.0	0.0
2015-16 Projected	2,734.1	(759.0)	532.2	0.0	2,507.3	0.0	0.0
2016-17 Projected	2,480.4	(414.0)	630.5	0.0	2,696.9	0.0	0.0
2017-18 Projected	2,393.0	(143.8)	684.1	0.0	2,933.3	0.0	0.0
2018-19 Projected	2,360.4	0.0	684.1	80.5	3,125.0	0.0	0.0
2019-20 Projected	2,082.1	0.0	656.0	321.6	3,059.8	0.0	0.0
2020-21 Projected	1,662.1	0.0	545.2	699.9	2,907.2	0.0	0.0
2021-22 Projected	1,104.1	0.0	347.2	1,182.4	2,633.7	0.0	0.0
2022-23 Projected	1,036.3	0.0	23.5	1,168.0	2,227.8	1,136.3	1,193.1
2023-24 Projected	1,005.9	0.0	0.0	1,109.4	2,115.3	2,245.7	2,417.7
2024-25 Projected	993.1	0.0	0.0	1,025.7	2,018.8	3,271.4	3,615.5
2025-26 Projected	957.0	0.0	0.0	957.8	1,914.8	4,229.2	4,802.0

Source: NYS DOB
*Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this AIS include these costs. Pension contribution values include the State's Office of Court Administration (OCA)
**Includes amortization payments from amortizations prior to FY 2011.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

Substantially all of the State's employees become eligible for post-retirement benefits if they reach retirement while working for the State. In accordance with the Governmental Accounting Standards Board Statement 45 (GASBS 45), the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2010, the Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation (after adjusting for amounts previously required).

As reported in the State's Basic Financial Statements for FY 2010, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008, with results projected to April 1, 2009 for the fiscal year ended March 31, 2010. The valuation calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2010 at $55.9 billion ($46.3 billion for the State and $9.6 billion for SUNY). This was determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The net OPEB liability for FY 2010 totaled $3.3 billion ($2.7 billion for the State and $0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was $2.1 billion ($1.7 billion for the State and $0.4 billion for SUNY) above the payments for retiree costs made by the State in FY 2010. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's then positive net asset condition at the end of FY 2010 by $2.1 billion.

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs. The updated calculation shows the present value of the actuarially accrued total liability for benefits at $60.2 billion ($50.1 billion for the State and $10.1 billion for SUNY). The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for FY 2011. In future updates to this calculation, DOB expects the estimate of OPEB costs to increase substantially. The causes of this anticipated increase include: higher assumed increases in the cost of health care, implementation of the Federal Patient Protection and Affordable Care Act, and decreased interest rates.

GASBS 45 does not require the additional costs to be funded on the State's budgetary basis, and no increased funding is assumed for this purpose in the Enacted Budget Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis. The following table summarizes the actual budgeted and projected payments for health insurance in the Enacted Budget Financial Plan.

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)

Year	Active Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Actual)	1,639	1,068	2,707
2009-10 (Actual)	1,609	1,072	2,681
2010-11 (Actual)	1,834	1,221	3,055
2011-12 (Projected)	2,144	1,285	3,429
2012-13 (Projected)	2,367	1,418	3,785
2013-14 (Projected)	2,575	1,543	4,118

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

As noted, there is no provision in the Enacted Budget Financial Plan to pre-fund the OPEB liability. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations (GOER), Civil Service, and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees, and other outside parties. However, it is not expected that the State will alter its planned funding practices, in light of existing fiscal circumstances.

DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 limits outstanding State-supported debt to no greater than 4 percent of New York State personal income, and debt service on State-supported debt to no greater than 5 percent of All Governmental Funds receipts. The limits apply to all State-supported debt issued on or after April 1, 2000. The State estimates that $32.8 billion of State-supported debt outstanding was subject to the limit as of March 31, 2011, which is equal to approximately 3.5 percent of personal income. Debt service subject to the limit will be approximately $3.1 billion, equal to 2.4 percent of All Governmental Funds receipts.

Based on the updated forecast, debt outstanding and debt service costs over the Financial Plan period are expected to remain below the limits imposed by the Debt Reform Act. However, the available room under the debt outstanding cap is expected to decline from $5.0 billion in FY 2011 to approximately $1.1 billion in FY 2013 and FY 2014. The estimates do not include the potential impact of new capital spending that may be authorized in future budgets, or efforts to curtail existing bonded programs. The debt reform projections are sensitive to changes in State personal income levels. Measures to adjust capital spending and debt financing practices are expected to continue to be needed for the State to stay in compliance with the statutory limit on debt outstanding. The table below reflects the State's estimated and projected t available debt capacity (after factoring in the SUNY transaction described below, which would add $152 million to the State's outstanding debt), and other adjustments, such as changes to projected bond-financed capital spending and to estimated growth in State personal income over the plan period.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
2010-11	946,054	4.00%	37,842	32,824	5,018	3.47%	0.53%	18,808	51,632
2011-12	990,586	4.00%	39,623	37,080	2,543	3.74%	0.26%	17,196	54,276
2012-13	1,026,944	4.00%	41,078	39,909	1,169	3.89%	0.11%	15,605	55,513
2013-14	1,079,719	4.00%	43,189	42,119	1,070	3.90%	0.10%	14,011	56,130
2014-15	1,137,630	4.00%	45,505	43,810	1,695	3.85%	0.15%	12,417	56,227
2015-16	1,197,873	4.00%	47,915	45,259	2,656	3.78%	0.22%	10,880	56,139

SUNY ACQUISITION OF LONG ISLAND COLLEGE HOSPITAL (LICH) AND ASSUMPTION OF DEBT

SUNY is expected to take possession of LICH, a 500-licensed-bed facility located in Brooklyn, New York by May 29, 2011. The operations of LICH are expected to be merged into those of SUNY's Downstate Medical Center. As part of the transaction, which has been approved by the State Comptroller, DOB, and the Attorney General, SUNY will assume outstanding LICH debt of $152 million. Annual debt service on this debt is expected to total approximately $17 million. Based on the structure of the transaction, once the debt is assumed by the State it will be classified as State-supported debt and subject to the State's statutory debt limits.

FINANCIAL PLAN INFORMATION

BOND MARKET

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

LITIGATION

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such litigation may not meet the materiality threshold (or a determination of materiality is not possible to make at this time) to warrant individual description in this AIS but, in the aggregate, could still adversely affect the State's Enacted Budget Financial Plan. See "Litigation and Arbitration" herein.

FEDERAL FUNDING

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. The Enacted Budget Financial Plan assumes relatively stable levels of Federal aid over the forecast period. Changes in Federal funding levels could have a materially adverse impact on the Enacted Budget Financial Plan.

The Enacted Budget Financial Plan may be adversely affected by actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. The Federal Centers for Medicare and Medicaid Services (CMS) has engaged the State regarding claims for services provided to individuals in developmental centers operated by OPWDD. Although no official audit has commenced and the rates paid for these services are established in full accordance with the methodology set forth in the approved State Plan, adverse action by CMS relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program. The State has begun the process of seeking CMS approval to proceed with the development of a new demonstration waiver to create a contemporary and sustainable system of service funding and delivery for individuals with developmental disabilities. In addition, the Enacted Budget Financial Plan assumes a Medicaid rate increase in FY 2012 to cover the cost of continuing to provide services to individuals residing in State Development Centers. This increase is primarily attributable to a volume adjustment related to the State's on-going efforts to move individuals with developmental disabilities into more individualized community-based residential settings. An adverse decision regarding this rate increase would jeopardize approximately $150 million in Federal Financial Participation currently assumed in the Enacted Budget Financial Plan.

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State must use the proceeds from a health care company conversion for health-care-related expenses included in the HCRA account. For planning purposes, the Enacted Budget Financial Plan assumes no proceeds from a health care conversion in FY 2012, but counts on proceeds of approximately $250 million annually in future years of the plan, which would be deposited into HCRA. If a conversion does not occur on the timetable or at the levels assumed in the Enacted Budget Financial Plan, the State would be required to take other actions to increase available resources or to reduce planned spending to fund projected HCRA disbursements.

LABOR SETTLEMENTS

The Enacted Budget Financial Plan for FY 2012 includes a reserve of $346 million to cover the costs of a pattern settlement with all unions that have not agreed to contracts for FY 2008 through FY 2011. The pattern is based on the terms agreed to by the State's largest unions for this period. There can be no assurance that actual settlements, some of which are subject to binding arbitration, will not exceed the amounts included in the Enacted Budget Financial Plan. An additional risk is the potential cost of salary increases for judges which could occur in FY 2013 and beyond as a result of the actions of a statutorily authorized judicial compensation commission. The Enacted Budget Financial Plan does not include any costs for potential general wage increases after the current labor agreements expire or for salary increases for judges.

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2012 THROUGH 2015

INTRODUCTION

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2012 Enacted Budget actions. The projections cover the period for FYs 2012 through 2015, with an emphasis on the FY 2012 projections.

The State's cash-basis budgeting system, complex fund structure, and practice of earmarking certain tax receipts for specific purposes complicates the discussion of the State's receipts and disbursement projections. Therefore, to minimize the distortions caused by these factors and, equally important, to highlight relevant aspects of the projections, DOB has adopted the following approaches in summarizing the projections:

- **Receipts**: The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The latter perspective reflects overall estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends and forecast assumptions, by factoring out the distorting effects of earmarking.

- **Disbursements:** Over 40 percent of projected State-financed spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, School Aid, higher education, transportation and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis. The projections for School Aid and Medicaid reflect the FY 2012 Enacted Budget spending limitations, as described earlier.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this AIS. Accordingly, in terms of the outyear projections, FY 2013 is the most relevant from a planning perspective.

SUMMARY

DOB estimates that the Enacted Budget provides for a balanced General Fund Financial Plan in FY 2012 and leaves projected gaps that total approximately $2.4 billion in FY 2013, $2.8 billion in FY 2014, and $4.6 billion in FY 2015. The projected net operating shortfalls in State Operating Funds are projected at $1.8 billion in FY 2013, $2.1 billion in FY 2014, and $3.8 billion in FY 2015.

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

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

GENERAL FUND PROJECTIONS

MULTI-YEAR GENERAL FUND PROJECTIONS
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts					
Taxes (After Debt Service)	49,529	53,137	53,893	56,705	58,201
Miscellaneous Receipts/Federal Grants	3,149	3,158	2,977	2,556	2,126
Other Transfers	1,769	998	772	615	610
Total Receipts	**54,447**	**57,293**	**57,642**	**59,876**	**60,937**
Disbursements					
Local Assistance Grants	37,206	38,888	40,115	41,996	43,734
School Aid	16,645	16,802	17,197	18,030	18,876
Other Education Aid	1,459	1,732	1,904	1,993	2,060
Higher Education	2,448	2,578	2,715	2,804	2,891
Medicaid (incl. administration)	7,478	10,236	10,456	11,009	11,458
Public Health/Aging	765	852	891	881	886
Mental Hygiene	2,239	1,881	1,978	2,161	2,280
Social Services	2,859	3,117	3,441	3,721	3,885
Local Government Assistance	776	767	797	787	787
All Other [1]	2,537	923	736	610	611
State Operations	7,973	7,356	7,951	7,915	8,210
Personal Service	6,151	5,560	5,773	5,879	6,047
Non-Personal Service	1,822	1,796	2,178	2,036	2,163
General State Charges	4,187	4,668	5,126	5,499	5,660
Pensions	1,470	1,670	1,857	2,113	2,411
Health Insurance (Active Employees)	1,834	2,144	2,367	2,575	2,592
Health Insurance (Retired Employees)	1,221	1,285	1,418	1,543	1,553
All Other	(338)	(431)	(516)	(732)	(896)
Transfers to Other Funds	6,007	6,020	6,738	7,160	7,796
State Share Medicaid	2,497	3,032	3,119	3,082	3,082
Debt Service	1,737	1,449	1,712	1,658	1,566
Capital Projects	932	800	1,168	1,361	1,456
SUNY- Hospital Medicaid	207	200	200	200	200
Judiciary Funds	131	119	119	121	123
Banking Services	74	55	55	55	55
Financial Management System	5	42	55	55	55
Indigent Legal Services	45	40	40	40	40
Mental Hygiene	0	0	0	317	869
All Other	379	283	270	271	350
Total Disbursements	**55,373**	**56,932**	**59,930**	**62,570**	**65,400**
Change in Reserves	**(926)**	**361**	**91**	**142**	**142**
Prior-Year Labor Agreements (2007-11)	0	346	142	142	142
Community Projects Fund	40	(85)	(51)		
Rainy Day Fund	0	100			
Reserved for Deferred Payments	(906)				
Reserved for Debt Management	(60)				
Budget Surplus/(Gap) Before Actions	**0**	**0**	**(2,379)**	**(2,836)**	**(4,605)**

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

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts:					
Taxes	59,532	63,615	64,901	68,139	70,093
Personal Income Tax	36,209	39,059	39,210	41,440	43,189
User Taxes and Fees	13,608	14,059	14,510	14,976	15,464
Business Taxes	6,657	7,544	8,024	8,338	7,828
Other Taxes	3,058	2,953	3,157	3,385	3,612
Miscellaneous Receipts/Federal Grants	19,260	19,399	20,126	20,135	19,982
Total Receipts	**78,792**	**83,014**	**85,027**	**88,274**	**90,075**
Disbursements:					
Local Assistance Grants	55,295	57,761	59,893	62,387	64,750
School Aid	19,788	19,686	20,250	21,151	22,018
STAR	3,234	3,293	3,322	3,510	3,693
Other Education Aid	1,474	1,744	1,912	2,000	2,067
Higher Education	2,470	2,594	2,715	2,804	2,891
Medicaid (DOH incl. administration)	11,915	15,280	15,894	16,531	17,192
Public Health/Aging	2,015	2,121	2,139	2,174	2,216
Mental Hygiene	3,578	3,601	3,853	4,169	4,370
Social Services	2,869	3,129	3,452	3,722	3,886
Transportation	4,254	4,236	4,325	4,405	4,495
Local Government Assistance	776	767	797	787	787
All Other [1]	2,922	1,310	1,234	1,134	1,135
State Operations	17,387	16,728	17,545	17,708	18,194
Personal Service	12,422	11,677	11,971	12,174	12,468
Non-Personal Service	4,965	5,051	5,574	5,534	5,726
General State Charges	6,102	6,530	7,125	7,644	7,990
Pensions	1,470	1,670	1,857	2,113	2,411
Health Insurance (Active Employees)	1,834	2,144	2,367	2,575	2,592
Health Insurance (Retired Employees)	1,221	1,285	1,418	1,543	1,553
All Other	1,577	1,431	1,483	1,413	1,434
Debt Service	5,615	5,855	6,332	6,498	6,551
Capital Projects	18	5	5	5	5
Total Disbursements	**84,417**	**86,879**	**90,900**	**94,242**	**97,490**
Net Other Financing Sources/(Uses)	**4,784**	**4,431**	**4,091**	**3,892**	**3,581**
Net Operating Surplus/(Deficit)	**(841)**	**566**	**(1,782)**	**(2,076)**	**(3,834)**
Reconciliation to General Fund Gap:					
Designated Fund Balances	**841**	**(566)**	**(597)**	**(760)**	**(771)**
General Fund	926	(361)	(91)	(142)	(142)
Special Revenue Funds	(42)	(85)	(404)	(512)	(483)
Debt Service Funds	(43)	(120)	(102)	(106)	(146)
General Fund Budget Gap	**0**	**0**	**(2,379)**	**(2,836)**	**(4,605)**

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

FISCAL YEAR 2012 OVERVIEW

RECEIPTS

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

Tax receipts are expected to grow at an average annual rate of approximately 4.2 percent over the multi-year Financial Plan. The tax forecast reflects the sunset of the PIT surcharge after tax year 2011, and an expected continuation of modest economic growth in the New York State economy.

OVERVIEW OF THE RECEIPTS FORECAST

- During the first calendar quarter of 2011 New York's recovery continued to gather momentum, with employment and wages registering their fourth and fifth consecutive quarters of growth, respectively. As a result of this growth and accompanying changes in consumer spending and corporate profits, receipts are expected to grow for the second consecutive year in FY 2012.

- After declining 12.3 percent in FY 2010, base receipts adjusted for tax law changes, grew by 2.1 percent in FY 2011 and are expected to increase by 7.5 percent in FY 2012.

- Corporate profits are expected to record a second consecutive year of growth in calendar year 2011, albeit at a reduced rate compared to 2010. This is expected to translate into continued growth in business tax receipts in FY 2012.

- Both the PIT settlement for tax year 2010 and first quarter 2011 financial sector bonus payments surpassed expectations (compared to the State's last public Financial Plan) and provide the basis for 2011 PIT liability growth of 7.2 percent. A portion of the PIT settlement appears related to the impact of capital gains realized during late 2010 in anticipation of the end of preferential Federal tax rates. This is likely a one-time benefit to revenue results. These lower rates were ultimately extended, but not until December 7, 2010.

- After a decline of 1.6 percent in FY 2010, consumer spending on taxable goods and services rose 7.5 percent in FY 2011 and is estimated to rise 5.4 percent in FY 2012.

- The volatility in oil prices due to the situation in some oil-exporting countries presents a downside risk to the receipts forecast. The uncertainty surrounding fuel prices over the near-term horizon could result in slower receipts growth than anticipated.

- While receipts growth has improved, results to date reflect growth compared to the weak receipts base of the past three fiscal years.

The table below summarizes the receipts projections for FY 2012 and FY 2013.

TOTAL RECEIPTS (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**54,448**	**57,293**	**2,845**	**5.2%**	**57,642**	**349**	**0.6%**
Taxes	39,205	42,237	3,032	7.7%	43,009	772	1.8%
Miscellaneous Receipts	3,095	3,098	3	0.1%	2,917	(181)	-5.8%
Federal Grants	55	60	5	9.1%	60	0	0.0%
Transfers	12,093	11,898	(195)	-1.6%	11,656	(242)	-2.0%
State Funds	**83,981**	**88,396**	**4,415**	**5.3%**	**90,109**	**1,713**	**1.9%**
Taxes	60,870	64,976	4,106	6.7%	66,293	1,317	2.0%
Miscellaneous Receipts	22,993	23,275	282	1.2%	23,671	396	1.7%
Federal Grants	118	145	27	22.9%	145	0	0.0%
All Funds	**133,322**	**131,688**	**(1,634)**	**-1.2%**	**129,768**	**(1,920)**	**-1.5%**
Taxes	60,870	64,976	4,106	6.7%	66,293	1,317	2.0%
Miscellaneous Receipts	23,147	23,407	260	1.1%	23,802	395	1.7%
Federal Grants	49,305	43,305	(6,000)	-12.2%	39,673	(3,632)	-8.4%

Base growth in tax receipts of 7.5 percent is estimated for FY 2012, after adjusting for law changes, and is projected to be 7.2 percent in FY 2013. These projected increases in overall base growth in tax receipts are dependent on many factors, including: continued growth in a broad range of economic activities; improving profitability and compensation gains, particularly among financial services companies; recovery in the overall real estate market, particularly the residential market; and increases in consumer spending as a result of wage and employment gains.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1]	**23,894**	**26,001**	**2,107**	**8.8%**	**26,085**	**84**	**0.3%**
Gross Collections	44,002	46,901	2,899	6.6%	47,417	516	1.1%
Refunds/Offsets	(7,793)	(7,842)	(49)	0.6%	(8,207)	(365)	4.7%
STAR	(3,263)	(3,292)	(29)	0.9%	(3,322)	(30)	0.9%
RBTF	(9,052)	(9,766)	(714)	7.9%	(9,803)	(37)	0.4%
State Funds	**36,209**	**39,059**	**2,850**	**7.9%**	**39,210**	**151**	**0.4%**
Gross Collections	44,002	46,901	2,899	6.6%	47,417	516	1.1%
Refunds/Offsets	(7,793)	(7,842)	(49)	0.6%	(8,207)	(365)	4.7%

[1] Excludes Transfers.

PIT receipts for FY 2012 are projected to be $39.1 billion, an increase of $2.9 billion, or 7.9 percent above FY 2011. This increase reflects stronger growth in extension payments for tax year 2010 ($1.2 billion), stronger growth in estimated payments for tax year 2011 ($944 million) and higher FY 2011 refunds caused by the deferral of $500 million of planned FY 2010 refunds into FY 2011. Withholding, the largest component of PIT is also projected to be 1.8 percent ($562 million) higher than FY 2011, reflecting a combination of moderate underlying wage growth of 4.0 percent and the expiration of the temporary rate increase at the end of December 2011.

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1,2]	**8,795**	**9,105**	**310**	**3.5%**	**9,382**	**277**	**3.0%**
Sales Tax	8,085	8,380	295	3.6%	8,626	246	2.9%
Cigarette and Tobacco Taxes	480	492	12	2.5%	518	26	5.3%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
State Funds	**14,205**	**14,672**	**467**	**3.3%**	**15,129**	**457**	**3.1%**
Sales Tax	11,538	11,915	377	3.3%	12,272	357	3.0%
Cigarette and Tobacco Taxes	1,616	1,686	70	4.3%	1,772	86	5.1%
Motor Fuel	516	511	(5)	-1.0%	515	4	0.8%
Highway Use Tax	129	144	15	11.6%	144	0	0.0%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
Taxicab Surcharge	81	81	0	0.0%	81	0	0.0%
Auto Rental Tax	95	102	7	7.4%	107	5	4.9%

[1] Excludes Transfers.

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

User taxes and fees receipts for FY 2012 are estimated to be $14.7 billion, an increase of $467 million or 3.3 percent from FY 2011. Sales tax receipts are expected to increase by $377 million due to base growth of 5.4 percent ($543 million) and incremental law changes ($43 million). This increase is offset in part by the sunset of a provision that temporarily eliminated the exemption on the per-item price of clothing ($120 million) and other adjustments ($89 million). The exemption on clothing will be $55 in FY 2012, increasing to $110 in FY 2013. Non-sales tax user taxes and fees are estimated to increase by $90 million from FY 2011, mainly due to the full implementation of the cigarette and tobacco tax rate increases as well as assumed part-year enforcement of provisions enacted in FY 2011. Highway use tax receipts are estimated to increase by $15 million due to additional enforcement efforts, including carrier decal requirements. User taxes and fees receipts for FY 2013 are projected to be $15.1 billion, an increase of $457 million, or 3.1 percent from FY 2012. This increase largely reflects an increase in sales tax receipts ($357 million) and cigarette tax collections ($86 million).

General Fund user taxes and fees receipts are expected to total $9.1 billion in FY 2012, an increase of $310 million or 3.5 percent from FY 2011. The increase largely reflects an increase in sales tax receipts ($295 million) and cigarette and tobacco tax collections ($12 million).

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**5,278**	**6,101**	**823**	**15.6%**	**6,456**	**355**	**5.8%**
Corporate Franchise Tax	2,472	3,047	575	23.3%	3,178	131	4.3%
Corporation & Utilities Tax	616	681	65	10.6%	750	69	10.1%
Insurance Tax	1,217	1,266	49	4.0%	1,318	52	4.1%
Bank Tax	973	1,107	134	13.8%	1,210	103	9.3%
State Funds	**7,278**	**8,173**	**895**	**12.3%**	**8,677**	**504**	**6.2%**
Corporate Franchise Tax	2,846	3,463	617	21.7%	3,698	235	6.8%
Corporation & Utilities Tax	813	892	79	9.7%	964	72	8.1%
Insurance Tax	1,351	1,395	44	3.3%	1,451	56	4.0%
Bank Tax	1,178	1,317	139	11.8%	1,414	97	7.4%
Petroleum Business Tax	1,090	1,106	16	1.5%	1,150	44	4.0%

Business tax receipts for FY 2012 are estimated at $8.2 billion, an increase of $895 million, or 12.3 percent from the prior year. The estimates reflect base growth across all taxes from an improving economy as well as an incremental increase of $323 million from the deferral of certain tax credits that was part of the FY 2011 Enacted Budget. Adjusted for this deferral, growth is 7.8 percent.

The annual increase in the corporate franchise tax of $617 million is attributable to the incremental increase of $323 million from the tax credit deferral as well as continued growth in corporate profits. Corporate profits are expected to grow 7.0 percent in calendar year 2011. Higher audit receipts and lower refunds also contribute to growth in FY 2012. Corporate franchise tax growth adjusted for the credit deferral is 10.3 percent for FY 2012. Both the corporation and utilities tax and the insurance tax are expected to return to trend growth in FY 2012 after declines of 14.7 percent and 9.4 percent, respectively, in FY 2011. The economic downturn and several unusual items in the corporation and utilities tax in FY 2011 (e.g. a Tax Tribunal decision that resulted in a FY 2011 refund of $37 million) contributed to the year-over-year decline in these two taxes. The bank tax is estimated to grow 11.8 percent in FY 2012, consistent with the expected improvement in economic conditions and the credit markets.

Business tax receipts for FY 2013 of $8.7 billion are projected to increase $504 million, or 6.2 percent over the prior year reflecting growth across all business taxes.

General Fund business tax receipts for FY 2012 of $6.1 billion are estimated to increase by $823 million, or 15.6 percent above FY 2011 results. Business tax receipts deposited to the General Fund reflect the All Funds trends, and policy changes discussed above. General Fund business tax receipts for FY 2013 of $6.5 billion are projected to increase $355 million, or 5.8 percent from the prior year.

OTHER TAXES

OTHER TAXES (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1]	**1,237**	**1,030**	**(207)**	**-16.7%**	**1,085**	**55**	**5.3%**
Estate Tax	1,218	1,015	(203)	-16.7%	1,070	55	5.4%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Pari-Mutuel Taxes	17	14	(3)	-17.6%	14	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State Funds	**1,817**	**1,650**	**(167)**	**-9.2%**	**1,775**	**125**	**7.6%**
Estate Tax	1,218	1,015	(203)	-16.7%	1,070	55	5.4%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Real Estate Transfer Tax	580	620	40	6.9%	690	70	11.3%
Pari-Mutuel Taxes	17	14	(3)	-17.6%	14	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

[1] Excludes Transfers.

Other tax receipts for FY 2012 are estimated to be $1.7 billion, a decrease of $167 million or 9.2 percent from FY 2011. This reflects a decline of $203 million (16.7 percent) in estate tax receipts and $3 million (17.6 percent) in the pari-mutuel tax as a result of atypically large estate payments in FY 2011 and the closure of NYC Off Track Betting in December 2010, respectively. This decline is partially offset by growth of $40 million (6.9 percent) in the real estate transfer tax as a result of strong commercial activity and improving vacancy rates in New York City. Other tax receipts for FY 2013 are projected to be nearly $1.8 billion, an increase of $125 million or 7.6 percent from FY 2012. This reflects modest growth in the real estate transfer tax and estate tax receipts.

Other tax receipts in the General Fund are expected to be $1.0 billion in FY 2012, a decrease of $207 million or 16.7 percent from FY 2011. This reflects the declines in the estate tax and pari-mutuel taxes noted above. In FY 2013, other tax receipts in the General Fund are expected to total approximately $1.1 billion. This reflects an increase of $55 million in estate tax receipts due to a forecast increase in household net worth.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**3,150**	**3,158**	**8**	**0.3%**	**2,977**	**(181)**	**-5.7%**
Miscellaneous Receipts[1]	3,095	3,098	3	0.1%	2,917	(181)	-5.8%
Federal Grants	55	60	5	9.1%	60	0	0.0%
State Funds	**23,111**	**23,420**	**309**	**1.3%**	**23,816**	**396**	**1.7%**
Miscellaneous Receipts[1]	22,993	23,275	282	1.2%	23,671	396	1.7%
Federal Grants	118	145	27	22.9%	145	0	0.0%
All Funds	**72,452**	**66,712**	**(5,740)**	**-7.9%**	**63,475**	**(3,237)**	**-4.9%**
Miscellaneous Receipts[1]	23,147	23,407	260	1.1%	23,802	395	1.7%
Federal Grants	49,305	43,305	(6,000)	-12.2%	39,673	(3,632)	-8.4%

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

Miscellaneous receipts include monies received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total $23.4 billion in FY 2012, an increase of $260 million from FY 2011, largely driven by growth in SUNY Income Fund revenues ($375 million), which includes the anticipated acquisition of LICH and the incorporation of its financial activities within SUNY, partially offset by the decline or non-recurrence in other sources of miscellaneous receipts.

All Funds miscellaneous receipts are projected to increase by $395 million in FY 2013 driven by increases in HCRA resources ($544 million), SUNY Income Fund revenues ($238 million) and lottery receipts ($169 million), partially offset by a projected decline in programs financed with authority bond proceeds, including economic development and health projects ($331 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, School Aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans for Federal reimbursement to be received in the State fiscal year in which spending occurs. All Funds Federal grants are projected to total $43.3 billion in FY 2012, a decline of $6.0 billion from FY 2011, reflecting the phase-out of extraordinary Federal stimulus aid, including enhanced FMAP. The expiration of Federal ARRA aid is the primary contributor to the All Funds Federal grant decline of $3.6 billion in FY 2013.

General Fund miscellaneous receipts and Federal grants collections are estimated to be nearly $3.2 billion in FY 2012, on par with FY 2011 results.

General Fund miscellaneous receipts for FY 2013 are projected to decline by $181 million from the current year, and primarily reflect the loss of certain one-time sweeps and payments expected in FY 2012.

DISBURSEMENTS

General Fund disbursements in FY 2012 are estimated to total $56.9 billion, an increase of $1.6 billion (2.8 percent) over preliminary FY 2011 results. With State Operating Funds disbursements for FY 2012 are estimated to total $86.9 billion, an increase of $2.5 billion (2.9 percent) over preliminary FY 2011 results.

The multi-year disbursement projections take into account agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections account for the timing of payments, since not all of the amounts appropriated in the Budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in special revenue funds have been adjusted downward in all fiscal years based on typical spending patterns and the observed variance between estimated and actual results over time.

Over the multi-year Financial Plan, spending is expected to increase by an average annual rate of 4.3 percent in the General Fund and 3.7 percent in State Operating Funds. The projections reflect spending at the target growth rates for Medicaid and School Aid, and include a preliminary estimate of the effect of national health care reform on State health care costs. The growth in spending projections reflect an expected return to a lower Federal matching rate for Medicaid expenditures after June 30, 2011, which will increase the share of Medicaid costs that must be financed by State resources, and the expected loss of temporary Federal aid for education.

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

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

	Results	Forecast[2]			
	2010-11	2011-12	2012-13	2013-14	2014-15
Medicaid					
Medicaid Coverage	4,437,840	4,667,275	4,939,712	5,238,126	5,558,859
Family Health Plus Coverage	400,534	412,958	428,096	443,235	458,374
Child Health Plus Coverage	402,892	420,892	438,892	456,892	474,892
State Takeover of County/NYC Costs ($ millions)[1]	$1,839	$2,386	$2,930	$3,513	$4,186
- Family Health Plus	$403	$441	$481	$525	$573
- Medicaid	$1,436	$1,945	$2,449	$2,988	$3,613
Education					
School Aid (School Year) ($000)	$20,924	$19,641	$20,446	$21,386	$22,220
Personal Income Growth Index	N/A	N/A	4.1%	4.6%	3.9%
Higher Education					
Public Higher Education Enrollment (FTEs)	574,350	585,837	585,837	591,695	597,612
Tuition Assistance Program Recipients	325,870	329,177	332,011	331,659	331,659
Welfare					
Family Assistance Caseload	374,338	368,666	364,255	360,860	357,728
Single Adult/No Children Caseload	164,832	163,057	160,692	158,866	157,438
Mental Hygiene					
Total: Mental Hygiene Community Beds	86,017	91,361	95,064	96,959	97,837
- OMH Community Beds	34,832	39,399	42,235	43,251	43,371
- OPWDD Community Beds	38,408	39,101	39,857	40,640	41,313
- OASAS Community Beds	12,777	12,861	12,972	13,068	13,153
Prison Population (Corrections)	56,144	56,300	56,300	56,300	56,300

1 Does not reflect 2010-11 results.
2 Projected by DOB.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

	Results	Forecast[2]			
	2010-11	2011-12	2012-13	2013-14	2014-15
ERS Pension Contribution Rate:[3]					
Before Amortization	12.1%	16.7%	18.0%	20.0%	20.9%
After Amortization	9.5%	10.5%	11.5%	12.5%	13.5%
PFRS Pension Contribution Rate:					
Before Amortization	18.3%	22.1%	24.2%	26.4%	27.1%
After Amortization	17.5%	18.5%	19.5%	20.5%	21.5%
Employee/Retiree Health Insurance Growth Rates	13.3%	11.4%	8.5%	8.5%	8.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.9%	14.8%	15.8%	15.7%	15.4%

[1] As percent of salary.
[2] Projected by DOB.

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at $57.8 billion in FY 2012 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

EDUCATION

SCHOOL AID

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

School Year (July 1 — June 30)

The FY 2012 Enacted Budget provides $19.6 billion in School Aid for the FY 2012 school year, which results in an annual State aid reduction of nearly $1.3 billion, or 6.1 percent. Total school spending is primarily financed through a combination of State and local funding and thus, the reduction in State aid represents 2.4 percent of total general fund operating expenditures projected to be made by school districts statewide in the current (FY 2011) school year. Without consideration of Federal Education Jobs Fund allocations made available to school districts in FY 2011, the year-to-year reduction in School Aid is $675 million or 3.3 percent. This amount represents 1.3 percent of total expenditures by school districts.

The Enacted Budget also includes a two-year appropriation and makes statutory changes to limit future School Aid increases to the rate of growth in New York state personal income. This allowable growth includes spending for new competitive grant programs to reward school districts that demonstrate significant student performance improvements or that undertake long-term structural changes to reduce costs and improve efficiency. Allowable growth also includes increases in expense-based aid programs (e.g., Building Aid, Transportation Aid) under existing statutory provisions. Any remaining amount of allowable growth can be allocated pursuant to a chapter of law for purposes including, but not limited to, additional spending for competitive grants, increases in Foundation Aid or restoration of the Gap Elimination Adjustment.

Under this growth cap, School Aid is projected to increase by an additional $805 million in FY 2013, and $940 million in FY 2014. School Aid is projected to reach an annual total of $22.2 billion in FY 2015.

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

	2010-11	2011-12	Annual $ Change	2012-13	Annual $ Change	2013-14	Annual $ Change	2014-15	Annual $ Change
Total School Aid	20,924	19,641	(1,283)	20,446	805	21,386	940	22,220	834
Percent Change			-6.1%		4.1%		4.6%		3.9%

State Fiscal Year

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

The table below summarizes the multi-year projected funding levels for School Aid on a State fiscal year basis. The total for FY 2011 is restated to exclude a $2.0 billion aid payment that was deferred from FY 2010.

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Total State Funds	**19,788**	**19,686**	**-1%**	**20,250**	**3%**	**21,151**	**4%**	**22,018**	**4%**
General Fund Local Assistance [1]	16,645	16,802	1%	17,197	2%	18,029	5%	18,876	5%
Core Lottery Aid	2,108	2,200	4%	2,217	1%	2,224	0%	2,234	0%
VLT Lottery Aid	912	684	-25%	836	22%	898	7%	908	1%
General Fund Lottery Aid Guarantee	123	0	-100%	0	0%	0	0%	0	0%

[1] General Fund spending in FY 2011 is adjusted to exclude a $2.06B school aid payment deferred from FY 2010.

State spending for School Aid is projected to total $19.7 billion in FY 2012. In future years, receipts available to finance School Aid from lottery sales are expected to increase nominally. Increasing receipts from VLTs in FY 2013 and FY 2014 reflect the anticipated opening of a VLT facility at Aqueduct Racetrack by October 2011. In addition to State aid, school districts receive billions of dollars in Federal categorical aid.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2012 are: the basic school property tax exemption for homeowners with income under $500,000 (59 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (24 percent), and a flat refundable credit and rate reduction for New York City resident personal income taxpayers (17 percent).

STAR
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
STAR	**3,234**	**3,293**	**2%**	**3,322**	**1%**	**3,510**	**6%**	**3,693**	**5%**
Basic Exemption	1,875	1,933	3%	1,937	0%	2,046	6%	2,162	6%
Enhanced (Seniors)	760	790	4%	792	0%	836	6%	883	6%
New York City PIT	599	570	-5%	593	4%	628	6%	648	3%

The STAR program exempts the first $30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens receive a $60,100 exemption. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

The Enacted Budget Financial Plan limits the overall annual increase in a qualifying homeowner's STAR exemption benefit to 2 percent. The multi-year Financial Plan also reflects annual savings from the implementation of an income limitation on STAR benefits, which excludes all homeowners who earn more than $500,000 a year from receiving the STAR property tax exemption, and reduces the benefit for New York City resident personal income taxpayers with annual income over $500,000.

OTHER EDUCATION AID

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

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

EDUCATION
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Special Education	**924**	**1,197**	**30%**	**1,373**	**15%**	**1,456**	**6%**	**1,529**	**5%**
Pre-School Special Education	939	870	-7%	922	6%	978	6%	1,036	6%
ARRA Fiscal Stabilization	(327)	0	-100%	0	0%	0	0%	0	0%
Summer School Programs	208	292	40%	322	10%	343	7%	352	3%
Blind and Deaf	104	35	-66%	129	269%	135	5%	141	4%
All Other Education	**550**	**547**	**-1%**	**539**	**-1%**	**544**	**1%**	**538**	**-1%**
Higher Education Programs	100	86	-14%	86	0%	86	0%	86	0%
Non-Public School Aid	112	107	-4%	104	-3%	104	0%	104	0%
Cultural Education Programs	92	93	1%	93	0%	93	0%	93	0%
Vocational Rehabilitation	91	82	-10%	82	0%	82	0%	82	0%
School Nutrition	35	36	3%	37	3%	37	0%	38	3%
Other Education Programs	120	143	19%	137	-4%	142	4%	135	-5%

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

HIGHER EDUCATION

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

The State also provides a sizeable benefit to SUNY and CUNY through the debt service it pays on bond-financed capital projects at the universities. This is not reflected in the annual spending totals for the universities. State debt service payments for higher education are expected to total over $1 billion in FY 2012.

HESC administers the TAP program that provides awards to income-eligible students, and the New York Higher Education Loan Program (NYHELPS). It also provides centralized processing for other student financial aid programs, and offers prospective students information and guidance on how to finance a college education. The financial aid programs that HESC administers are funded by the State and the Federal government.

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
City University:	**1,183**	**1,205**	**2%**	**1,299**	**8%**	**1,389**	**7%**	**1,477**	**6%**
Community College Aid	187	178	-5%	179	1%	179	0%	179	0%
ARRA Fiscal Stabilization	(32)	0	-100%	0	0%	0	0%	0	0%
Operating Aid to NYC (Senior Colleges)[1]	1,028	1,025	0%	1,118	9%	1,208	8%	1,296	7%
Community Projects	0	2	0%	2	0%	2	0%	2	0%
Higher Education Services:	**814**	**906**	**11%**	**967**	**7%**	**966**	**0%**	**965**	**0%**
Tuition Assistance Program	801	831	4%	911	10%	910	0%	909	0%
ARRA Fiscal Stabilization	(50)	0	-100%	0	0%	0	0%	0	0%
Aid for Part Time Study	11	12	9%	12	0%	12	0%	12	0%
Scholarships/Awards	29	47	62%	44	-6%	44	0%	44	0%
Other	23	16	-30%	0	-100%	0	**0%**	0	0%
State University:	**473**	**483**	**2%**	**449**	**-7%**	**449**	**0%**	**449**	**0%**
Community College Aid	451	441	-2%	439	0%	439	0%	439	0%
ARRA Fiscal Stabilization	(83)	0	-100%	0	0%	0	0%	0	0%
Hospital Subsidy[2]	96	32	-67%	0	-100%	0	0%	0	0%
Other	9	10	11%	10	0%	10	0%	10	0%

[1]State support for SUNY 4-year institutions is funded through State operations rather than local assistance.
[2]Beginning in academic year 2011-12, the SUNY hospital subsidy will be funded as a transfer from General Fund State operations rather than local assistance.

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

HEALTH CARE

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

In addition, health care-related spending appears in State Operations and GSCs for purposes such as health insurance premiums for State employees and retirees, services delivered to inmates, and services provided in State-operated facilities.

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately $52.6 billion in FY 2012, including the local contribution.[5]

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

	2010-11	2011-12	2012-13	2013-14	2014-15
Department of Health	11,915	15,280	15,894	16,531	17,192
State Share Without FMAP	15,863	15,633	15,640	16,531	17,192
Enhanced FMAP	(3,948)	(353)	254	0	0
Mental Hygiene	5,677	5,752	5,979	6,297	6,568
Education	29	0	0	0	0
Foster Care	69	111	121	132	138
State Operations - Contractual Expenses[2]	23	46	46	46	46
State Share Total	**17,713**	**21,189**	**22,040**	**23,006**	**23,944**
Annual $ Change - Total State Share		3,476	851	966	938
Annual % Change - Total State Share		19.6%	4.0%	4.4%	4.1%
Annual $ Change - DOH Only		3,365	614	637	661
Annual % Change - DOH Only		28.2%	4.0%	4.0%	4.0%

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

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

The Financial Plan projections assume that spending growth is limited to 4 percent annually for DOH State Medicaid spending beginning annually in State FY 2013. This reflects the target growth rate for Medicaid proposed in the Enacted Budget, which is the ten-year average change in the medical component of the CPI. Statutory changes adopted with the budget grant the Executive certain statutory powers to hold Medicaid spending to this rate. This statutory authority expires after two years; however, the cap remains in place and the Financial Plan assumes that statutory authority will be extended in subsequent years.

DOH Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services (particularly in managed care), and higher levels of utilization, as well as the expiration of enhanced levels of Federal aid.[6] The number of Medicaid recipients, including FHP, is expected to exceed 6.0 million at the end of FY 2015, an increase of 24.4 percent from the FY 2011 caseload of 4.8 million. The expiration of the enhanced FMAP is expected to result in an increase of State-share spending of over $600 million from FY 2012 to FY 2013, primarily due to the reconciliation of costs between the State and counties related to the Medicaid cap.

[5] The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for counties. In accordance with these statutory indexing provisions, local fiscal year 2011 Medicaid payments by local governments will be held to approximately 3.0 percent over local fiscal year 2010 levels. County and New York City savings from these two local fiscal relief initiatives are expected to total approximately $2.4 billion during State FY 2012, an annual increase in local savings of $547 million over State FY 2011 levels.

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

The table below summarizes the benefit of enhanced FMAP since it began in 2008-09.

DOH MEDICAID SPENDING - STATE OPERATING FUNDS WITH AND WITHOUT FMAP IMPACT [1]
TOTAL DISBURSEMENTS
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12	2012-13
DOH Medicaid - Without FMAP	12,668	14,523	15,887	15,680	15,686
Enhanced FMAP	(1,092)	(3,041)	(3,948)	(353)	254
DOH Medicaid - With FMAP	**11,576**	**11,482**	**11,939**	**15,327**	**15,940**

[1] Additional Federal aid from enhanced FMAP in mental hygiene agencies brings the total cumulative State benefit to $9.6 billion.

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

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

	2011-12	2012-13	Annual $ Change	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
State Operating Funds (Before FMAP) [1]	**15,633**	**15,640**	**7**	**0.0%**	**16,531**	**5.7%**	**17,192**	**4.0%**
Enhanced FMAP -- State Share [2]	**(353)**	**254**	**607**	**-172.0%**	**0**	**-100.0%**	**0**	**0.0%**
State Operating Funds (After FMAP)	**15,280**	**15,894**	**614**	**4.0%**	**16,531**	**4.0%**	**17,192**	**4.0%**
Other State Funds Support	**(5,044)**	**(5,438)**	**(394)**	**7.8%**	**(5,522)**	**1.5%**	**(5,734)**	**3.8%**
HCRA Financing	(3,383)	(3,815)	(432)	12.8%	(3,907)	2.4%	(4,119)	5.4%
Provider Assessment Revenue	(869)	(831)	38	-4.4%	(823)	-1.0%	(823)	0.0%
Indigent Care Revenue	(792)	(792)	0	0.0%	(792)	0.0%	(792)	0.0%
Total General Fund	**10,236**	**10,456**	**220**	**2.1%**	**11,009**	**5.3%**	**11,458**	**4.1%**

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

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

PUBLIC HEALTH/AGING PROGRAMS

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

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

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

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Public Health	**1,898**	**2,011**	**6%**	**2,027**	**1%**	**2,062**	**2%**	**2,104**	**2%**
General Public Health Works	201	319	59%	322	1%	308	-4%	308	0%
Early Intervention	230	167	-27%	165	-1%	169	2%	173	2%
Child Health Plus	341	325	-5%	346	6%	371	7%	397	7%
EPIC	322	232	-28%	166	-28%	174	5%	182	5%
HCRA Program Account	304	498	64%	473	-5%	486	3%	488	0%
All Other	500	470	-6%	555	18%	554	0%	556	0%
Aging	**117**	**110**	**-6%**	**112**	**2%**	**112**	**0%**	**112**	**0%**

Year-to-year growth in the GPHW program reflects lower spending in FY 2011 due to delays in planned payments instituted by the DOH that are not expected to continue. A projected increase in enrollment in the CHP program and inflationary costs are expected to drive growth in the outyears of the plan. Growth in the GPHW and CHP programs is partly offset by a decline in spending for the EI program, which primarily reflects the impact of savings actions implemented in prior year enacted budgets.

EPIC spending is projected to decline through FY 2013, resulting from budgetary actions to provide EPIC coverage to Medicare Part D enrollees only when they are in the coverage gap. After FY 2013, spending is projected to increase slightly as a reflection of the rising costs of prescription medication.

HCRA

HCRA was established in 1996 to help finance a portion of State health care activities in various areas of the budget: Medicaid, Public Health, SOFA, and the Insurance Department. Extensions and modifications to HCRA have financed new health care programs, including FHP, and provided additional funding for the expansion of existing programs such as CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the Health Care Equity and Affordability Law for New Yorkers (HEAL NY) capital program. The FY 2012 Enacted Budget extends the HCRA authorization three years to March 31, 2014.

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

HCRA spending partially finances Medicaid, EPIC, CHP, FHP, and Indigent Care payments, which provide funds to hospitals that serve a disproportionate share of individuals without health insurance; as well as funds Workforce Recruitment and Retention grants and rate adjustments to health facilities; physician excess medical malpractice; and, HEAL NY funds for capital improvement to health care facilities.

HCRA FINANCIAL PLAN 2010-11 THROUGH 2014-15
(millions of dollars)

	2010-11 Results	2011-12 Enacted	2012-13 Projected	2013-14 Projected	2014-15 Projected
Opening Balance	**26**	**159**	**0**	**0**	**0**
Total Receipts	5,286	5,482	6,086	6,220	6,317
Surcharges	2,743	2,810	3,089	3,173	3,266
Covered Lives Assessment	1,021	1,050	1,045	1,045	1,045
Cigarette Tax Revenue	1,136	1,194	1,254	1,232	1,210
Conversion Proceeds	0	0	250	300	300
Hospital Assessment (1 percent)	317	373	394	417	444
NYC Cigarette Tax Transfer/Other	69	55	54	53	52
Total Disbursements	5,153	5,641	6,086	6,220	6,317
Medicaid Assistance Account	2,843	3,390	3,822	3,914	4,127
Medicaid Costs	*1,600*	*2,091*	*2,500*	*2,593*	*2,805*
Family Health Plus	*597*	*635*	*657*	*657*	*657*
Workforce Recruitment & Retention	*196*	*197*	*197*	*197*	*197*
All Other	*450*	*467*	*468*	*467*	*468*
HCRA Program Account	326	522	496	509	511
Hospital Indigent Care	871	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	195	165	166	174	182
Child Health Plus	348	332	354	379	405
Public Health Programs	111	120	120	120	120
All Other	459	320	336	332	180
Annual Operating Surplus/(Deficit)	**133**	**(159)**	**0**	**0**	**0**
Closing Balance	**159**	**0**	**0**	**0**	**0**

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

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of four independent agencies, OMH, OPWDD, OASAS, and the Developmental Disabilities Planning Council (DDPC) as well as one oversight agency, the Commission on Quality Care and Advocacy for Persons with Disabilities (CQCAPD). Services are administered to adults with serious and persistent mental illness; children with serious emotional disturbances; individuals with developmental disabilities, and their families; and persons with chemical dependence. These agencies provide services directly to their patients through State-operated facilities and indirectly through community service providers. The cost of providing services and agency operations are funded by reimbursement from Medicaid, Medicare, third-party insurance, and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, with the remaining revenue deposited to the Patient Income Account, which supports State costs of providing services.

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Office for People with Devel. Disabilities:	**2,175**	**2,158**	**-1%**	**2,271**	**5%**	**2,466**	**9%**	**2,577**	**5%**
Residential Services	1,537	1,496	-3%	1,578	5%	1,717	9%	1,797	5%
Day Programs	555	581	5%	607	5%	655	8%	681	4%
Clinic	22	22	0%	23	6%	25	9%	27	8%
Other	61	59	-3%	63	6%	69	9%	72	5%
CQCAPD	**1**	**1**	**0%**	**1**	**0%**	**1**	**0%**	**1**	**0%**
Mental Health:	**1,106**	**1,126**	**2%**	**1,247**	**11%**	**1,350**	**8%**	**1,441**	**7%**
Adult Local Services	885	901	2%	998	11%	1,080	8%	1,153	7%
OMH Children Local Services	221	225	2%	249	11%	270	8%	288	7%
Alcohol and Substance Abuse:	**295**	**316**	**7%**	**334**	**6%**	**351**	**5%**	**351**	**0%**
Prevention	37	40	8%	42	5%	44	5%	44	0%
Program Support	9	10	11%	10	0%	11	10%	11	0%
Residential	96	103	7%	109	6%	114	5%	114	0%
Outpatient/Methadone	142	152	7%	161	6%	169	5%	169	0%
Crisis	11	11	0%	12	9%	13	8%	13	0%

Local assistance spending in mental hygiene accounts for approximately half of total mental hygiene State spending and is projected to grow by an average rate of 5.2 percent over the plan. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including: increases primarily associated with the OPWDD New York State - Creating Alternatives in Residential Environments and Services (NYS-CARES) program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline, as well as funds for additional supported housing beds and associated support services for individuals leaving certain New York city adult homes, pursuant to a Federal district court order; and several chemical dependence treatment and prevention initiatives in OASAS.

SOCIAL SERVICES

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

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Temporary and Disability Assistance	**1,202**	**1,412**	**17%**	**1,549**	**10%**	**1,599**	**3%**	**1,612**	**1%**
Public Assistance Benefits	309	485	57%	622	28%	658	6%	658	0%
SSI	722	740	2%	753	2%	766	2%	779	2%
Welfare Initiatives	13	23	77%	7	-70%	7	0%	7	0%
All Other	158	164	4%	167	2%	168	1%	168	0%

The State share of OTDA spending is expected to grow primarily due to the loss of Federal TANF Contingency Funds, resulting in costs reverting back to State funding. The average public assistance caseload is projected to total 531,723 recipients in FY 2012, a decrease of 1.4 percent from FY 2011 levels. Approximately 252,353 families are expected to receive benefits through the Family Assistance program, a decrease of 1.3 percent from the current year. In the Safety Net program, an average of 116,313 families are expected to be helped in FY 2012, a decrease of 2.1 percent. The caseload for single adults/childless couples supported through the Safety Net program is projected at 163,057, a decrease of 1.1 percent. Despite the decreases in projected caseload, the State share of public assistance benefits increases in FY 2012 due to the loss of Federal funding described above.

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

CHILDREN AND FAMILY SERVICES STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Children and Family Services	**1,667**	**1,717**	**3%**	**1,903**	**11%**	**2,123**	**12%**	**2,274**	**7%**
Child Welfare Service	490	499	2%	634	27%	827	30%	947	15%
Foster Care Block Grant	433	436	1%	464	6%	493	6%	493	0%
Adoption	196	185	-6%	198	7%	212	7%	219	3%
Day Care	134	145	8%	143	-1%	139	-3%	139	0%
C.S.E.	65	38	-42%	43	13%	50	16%	57	14%
Adult Protective/Domestic Violence	42	44	5%	53	20%	63	19%	74	17%
Youth Programs	113	137	21%	127	-7%	111	-13%	111	0%
Medicaid	69	111	61%	121	9%	132	9%	138	5%
All Other	125	122	-2%	120	-2%	96	-20%	96	0%

OCFS spending is projected to increase, driven primarily by expected growth in claims-based programs. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding. Growth in Foster Care Block Grant is attributable to the Human Services cost-of-living adjustment. Projected growth in Medicaid from FY 2011 to FY 2012 is primarily attributable to the annualization of costs related to the Bridges to Health Medicaid Waiver program.

TRANSPORTATION

In FY 2012, the State will provide $4.2 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. Due to the size and scope of its transit system, the Metropolitan Transportation Authority (MTA) receives the majority of the statewide mass transit operating aid. Additionally, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Spending from this fund is projected to grow modestly in FY 2013 and later years, commensurate with the forecasted growth in receipts.

TRANSPORTATION STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Transportation	**4,254**	**4,236**	**0%**	**4,325**	**2%**	**4,405**	**2%**	**4,495**	**2%**
Mass Transit Operating Aid:	1,894	1,772		1,772		1,772		1,772	
Metro Mass Transit Aid	1,750	1,633	-7%	1,633	0%	1,633	0%	1,633	0%
Public Transit Aid	92	87	-5%	87	0%	87	0%	87	0%
18-B General Fund Aid	27	27	0%	27	0%	27	0%	27	0%
School Fare	25	25	0%	25	0%	25	0%	25	0%
Mobility Tax and MTA Aid Trust	1,662	1,756	6%	1,841	5%	1,927	5%	2,017	5%
Dedicated Mass Transit	653	661	1%	665	1%	659	-1%	659	0%
AMTAP	43	45	5%	45	0%	45	0%	45	0%
All Other	2	2	0%	2	0%	2	0%	2	0%

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments primarily includes the AIM program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams. Along with AIM, the State provides incentive grants to local governments to promote local efforts to increase efficiency and performance through consolidation or shared services. Other direct aid to local governments includes VLT impact aid, Small Government Assistance and Miscellaneous Financial Assistance.

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Local Government Assistance	**776**	**767**	**-1%**	**797**	**4%**	**787**	**-1%**	**787**	**0%**
AIM:									
Big Four Cities	438	429	-2%	429	0%	429	0%	429	0%
Other Cities	222	218	-2%	218	0%	218	0%	218	0%
Towns and Villages	69	68	-1%	68	0%	68	0%	68	0%
Efficiency Incentives	10	15	50%	45	200%	44	-2%	44	0%
All Other Local Aid	37	37	0%	37	0%	28	-24%	28	0%

AGENCY OPERATIONS

Agency operating costs includes personal service, non-personal service costs and GSCs. Personal service includes salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. Non-personal service generally accounts for the cost of operating State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology, and professional business services), supplies and materials, equipment, telephone service and employee travel. GSCs account for the costs of fringe benefits (e.g., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. In addition, certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and not reflected in the State Operating Funds personal service or non-personal service totals.

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

Growth in State Operations spending over the multi-year Financial Plan is concentrated in agencies that operate large facilities, such as the State University, the Mental Hygiene agencies, Corrections and Community Supervision, and Children and Family Services. The main causes of growth include inflationary increases in operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities.

Agency redesign savings over the Plan period are expected to be achieved through several means including, but not limited to, facility closures reflecting excess capacity conditions, operational efficiencies, and wage and benefit changes negotiated with the State's employee unions. If the State is unsuccessful in negotiating changes, DOB expects that significant layoffs would be necessary to achieve the State agency savings expected in the Financial Plan.

The Spending and Government Efficiency (SAGE) Commission is charged with making recommendations to reduce the number of State agencies, authorities, and commissions by 20 percent over the next four years. The Financial Plan does not currently include specific savings from the SAGE Commission, but the Commission is expected to aid in achieving the aggressive savings targets for State agencies.

GENERAL STATE CHARGES

Fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, Social Security, health insurance, workers' compensation, unemployment insurance, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations. However, certain agencies including the Judiciary and SUNY, directly pay all or a portion of their employees' fringe benefit costs from their respective budgets. Employee fringe benefits paid through GSCs are paid from the General Fund in the first instance and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. The largest General Fund reimbursement comes from the mental hygiene agencies.

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

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Fringe Benefits:									
Health Insurance	3,055	3,429	12.2%	3,785	10.4%	4,118	8.8%	4,145	0.7%
Employee Health Insurance	1,834	2,144	16.9%	2,367	10.4%	2,575	8.8%	2,592	0.7%
Retiree Health Insurance	1,221	1,285	5.2%	1,418	10.4%	1,543	8.8%	1,553	0.6%
Pensions	1,470	1,670	13.6%	1,857	11.2%	2,113	13.8%	2,411	14.1%
Social Security	970	972	0.2%	964	-0.8%	974	1.0%	973	-0.1%
All Other Fringe	257	131	-49.0%	187	42.7%	102	-45.5%	119	16.7%
Fixed Costs	350	328	-6.3%	332	1.2%	337	1.5%	342	1.5%
Total State Operating Funds	**6,102**	**6,530**	**7.0%**	**7,125**	**9.1%**	**7,644**	**7.3%**	**7,990**	**4.5%**

GSCs are projected to grow at an average annual rate of 7 percent over the plan period. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees. The projections assume the amortization of pension costs. See "Other Matters Affecting the Enacted Budget Financial Plan — Pension Expenditures (Including Amortization)" herein.

DEBT SERVICE

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (i.e., Empire State Development Corporation (ESDC), Dormitory Authority of the State of New York (DASNY), and the New York State Thruway Authority (NYSTA), subject to an appropriation). Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	2010-11 Results	2011-12 Enacted	Annual Change	Percent Change
General Fund	**1,737**	**1,449**	**(288)**	**-16.6%**
Other State Support	3,878	4,406	528	13.6%
State Operating Funds	**5,615**	**5,855**	**240**	**4.3%**
Total All Funds	**5,615**	**5,855**	**240**	**4.3%**

Total debt service is projected at $5.9 billion in FY 2012, of which $1.4 billion is paid from the General Fund through transfers and $4.4 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including, but not limited to, PIT bonds, DHBTF bonds, and mental health facilities bonds.

Enacted budget projections for debt service spending have been revised to reflect the pre-payment of $154 million of SUNY debt service in March 2011. Otherwise, FY 2012 debt service estimates are relatively unchanged, with minor revisions for Dedicated Highway, general obligation, and PIT bonding programs.

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

	2010-2011 Year-End	2011-2012 Enacted	Annual $ Change	Annual % Change
Opening Fund Balance	2,302	1,376	(926)	-40.2%
Receipts:				
Taxes:				
Personal Income Tax	23,894	26,001	2,107	8.8%
User Taxes and Fees	8,795	9,105	310	3.5%
Business Taxes	5,279	6,101	822	15.6%
Other Taxes	1,237	1,030	(207)	-16.7%
Miscellaneous Receipts	3,095	3,098	3	0.1%
Federal Receipts	54	60	6	11.1%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	7,625	8,096	471	6.2%
Sales Tax in Excess of LGAC Debt Service	2,351	2,409	58	2.5%
Real Estate Taxes in Excess of CW/CA Debt Service	348	395	47	13.5%
All Other Transfers	1,769	998	(771)	-43.6%
Total Receipts	54,447	57,293	2,846	5.2%
Disbursements:				
Local Assistance Grants	37,206	38,888	1,682	4.5%
Departmental Operations:				
Personal Service	6,151	5,560	(591)	-9.6%
Non-Personal Service	1,822	1,796	(26)	-1.4%
General State Charges	4,187	4,668	481	11.5%
Transfers to Other Funds:				
Debt Service	1,737	1,449	(288)	-16.6%
Capital Projects	932	800	(132)	-14.2%
State Share Medicaid	2,497	3,032	535	21.4%
Other Purposes	841	739	(102)	-12.1%
Total Disbursements	55,373	56,932	1,559	2.8%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(926)	361	1,287	-139.0%
Closing Fund Balance	1,376	1,737	361	26.2%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	275	100	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	136	51	(85)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	0	346	346	
Debt Management	13	13	0	

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2011-2012 through 2014-2015
(millions of dollars)

	2011-2012 Enacted	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected
Receipts:				
Taxes:				
Personal Income Tax	26,001	26,085	27,569	28,698
User Taxes and Fees	9,105	9,383	9,723	10,082
Business Taxes	6,101	6,456	6,721	6,141
Other Taxes	1,030	1,085	1,145	1,210
Miscellaneous Receipts	3,098	2,917	2,496	2,066
Federal Receipts	60	60	60	60
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,096	7,923	8,374	8,707
Sales Tax in Excess of LGAC Debt Service	2,409	2,492	2,617	2,729
Real Estate Taxes in Excess of CW/CA Debt Service	395	469	556	634
All Other Transfers	998	772	615	610
Total Receipts	57,293	57,642	59,876	60,937
Disbursements:				
Local Assistance Grants	38,888	40,115	41,996	43,734
Departmental Operations:				
Personal Service	5,560	5,773	5,879	6,047
Non-personal Service	1,796	2,178	2,036	2,163
General State Charges	4,668	5,126	5,499	5,660
Transfers to Other Funds:				
Debt Service	1,449	1,712	1,658	1,566
Capital Projects	800	1,168	1,361	1,456
State Share Medicaid	3,032	3,119	3,082	3,082
Other Purposes	739	739	1,059	1,692
Total Disbursements	56,932	59,930	62,570	65,400
Reserves:				
Community Projects Fund	(85)	(51)	0	0
Rainy Day Reserve Fund	100	0	0	0
Prior-Year Labor Agreements (2007-2011)	346	142	142	142
Increase (Decrease) in Reserves	361	91	142	142
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(2,379)	(2,836)	(4,605)

Source: NYS DOB

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
2011-2012 THROUGH 2014-2015
(millions of dollars)

	2011-2012 Enacted	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected
Taxes:				
Withholdings	31,802	32,356	34,535	36,383
Estimated Payments	11,900	11,728	11,910	12,575
Final Payments	2,110	2,199	2,154	2,151
Other Payments	1,089	1,134	1,210	1,312
Gross Collections	46,901	47,417	49,809	52,421
State/City Offset	(148)	(148)	(98)	(98)
Refunds	(7,694)	(8,059)	(8,272)	(9,136)
Reported Tax Collections	39,059	39,210	41,439	43,187
STAR (Dedicated Deposits)	(3,292)	(3,322)	(3,510)	(3,692)
RBTF (Dedicated Transfers)	(9,766)	(9,803)	(10,360)	(10,797)
Personal Income Tax	26,001	26,085	27,569	28,698
Sales and Use Tax	11,173	11,503	11,960	12,440
Cigarette and Tobacco Taxes	492	518	511	505
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	233	238	242	247
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	11,898	12,259	12,713	13,192
LGAC Sales Tax (Dedicated Transfers)	(2,793)	(2,876)	(2,990)	(3,110)
User Taxes and Fees	9,105	9,383	9,723	10,082
Corporation Franchise Tax	3,047	3,178	3,284	2,527
Corporation and Utilities Tax	681	750	780	813
Insurance Taxes	1,266	1,318	1,376	1,438
Bank Tax	1,107	1,210	1,281	1,363
Petroleum Business Tax	0	0	0	0
Business Taxes	6,101	6,456	6,721	6,141
Estate Tax	1,015	1,070	1,130	1,195
Real Estate Transfer Tax	620	690	770	840
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	14	14	14	14
Other Taxes	1	1	1	1
Gross Other Taxes	1,650	1,775	1,915	2,050
Real Estate Transfer Tax (Dedicated)	(620)	(690)	(770)	(840)
Other Taxes	1,030	1,085	1,145	1,210
Payroll Tax	0	0	0	0
Total Taxes	42,237	43,009	45,158	46,131
Licenses, Fees, Etc.	455	525	486	506
Abandoned Property	755	735	670	655
Motor Vehicle Fees	132	109	36	36
ABC License Fee	49	51	50	50
Reimbursements	202	202	197	197
Investment Income	10	10	10	10
Other Transactions	1,495	1,285	1,047	612
Miscellaneous Receipts	3,098	2,917	2,496	2,066
Federal Grants	60	60	60	60
Total	45,395	45,986	47,714	48,257

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,376	2,141	453	3,970
Receipts:				
Taxes	42,237	8,319	13,059	63,615
Miscellaneous Receipts	3,098	15,212	949	19,259
Federal Receipts	60	1	79	140
Total Receipts	45,395	23,532	14,087	83,014
Disbursements:				
Local Assistance Grants	38,888	18,873	0	57,761
Departmental Operations:				
Personal Service	5,560	6,117	0	11,677
Non-Personal Service	1,796	3,193	62	5,051
General State Charges	4,668	1,862	0	6,530
Debt Service	0	0	5,855	5,855
Capital Projects	0	5	0	5
Total Disbursements	50,912	30,050	5,917	86,879
Other Financing Sources (Uses):				
Transfers from Other Funds	11,898	7,322	6,524	25,744
Transfers to Other Funds	(6,020)	(719)	(14,574)	(21,313)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,878	6,603	(8,050)	4,431
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	361	85	120	566
Closing Fund Balance	1,737	2,226	573	4,536

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	43,009	8,643	13,249	64,901
Miscellaneous Receipts	2,917	16,072	997	19,986
Federal Receipts	60	1	79	140
Total Receipts	45,986	24,716	14,325	85,027
Disbursements:				
Local Assistance Grants	40,115	19,778	0	59,893
Departmental Operations:				
Personal Service	5,773	6,198	0	11,971
Non-Personal Service	2,178	3,334	62	5,574
General State Charges	5,126	1,999	0	7,125
Debt Service	0	0	6,332	6,332
Capital Projects	0	5	0	5
Total Disbursements	53,192	31,314	6,394	90,900
Other Financing Sources (Uses):				
Transfers from Other Funds	11,656	7,285	6,607	25,548
Transfers to Other Funds	(6,738)	(283)	(14,436)	(21,457)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,918	7,002	(7,829)	4,091
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Reserve for Community Projects Fund	51	0	0	51
Net Designated General Fund Reserves	(91)	0	0	(91)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,379)	404	102	(1,873)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,158	8,980	14,001	68,139
Miscellaneous Receipts	2,496	16,456	1,043	19,995
Federal Receipts	60	1	79	140
Total Receipts	47,714	25,437	15,123	88,274
Disbursements:				
Local Assistance Grants	41,996	20,391	0	62,387
Departmental Operations:				
Personal Service	5,879	6,295	0	12,174
Non-Personal Service	2,036	3,436	62	5,534
General State Charges	5,499	2,145	0	7,644
Debt Service	0	0	6,498	6,498
Capital Projects	0	5	0	5
Total Disbursements	55,410	32,272	6,560	94,242
Other Financing Sources (Uses):				
Transfers from Other Funds	12,162	7,477	6,552	26,191
Transfers to Other Funds	(7,160)	(130)	(15,009)	(22,299)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,002	7,347	(8,457)	3,892
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,836)	512	106	(2,218)

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2014-2015
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,131	9,334	14,628	70,093
Miscellaneous Receipts	2,066	16,712	1,064	19,842
Federal Receipts	60	1	79	140
Total Receipts	48,257	26,047	15,771	90,075
Disbursements:				
Local Assistance Grants	43,734	21,016	0	64,750
Departmental Operations:				
Personal Service	6,047	6,421	0	12,468
Non-Personal Service	2,163	3,501	62	5,726
General State Charges	5,660	2,330	0	7,990
Debt Service	0	0	6,551	6,551
Capital Projects	0	5	0	5
Total Disbursements	57,604	33,273	6,613	97,490
Other Financing Sources (Uses):				
Transfers from Other Funds	12,680	7,683	6,185	26,548
Transfers to Other Funds	(7,796)	26	(15,197)	(22,967)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,884	7,709	(9,012)	3,581
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,605)	483	146	(3,976)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,376	2,150	(168)	453	3,811
Receipts:					
Taxes	42,237	8,319	1,361	13,059	64,976
Miscellaneous Receipts	3,098	15,344	4,016	949	23,407
Federal Receipts	60	40,872	2,294	79	43,305
Total Receipts	45,395	64,535	7,671	14,087	131,688
Disbursements:					
Local Assistance Grants	38,888	53,805	2,711	0	95,404
Departmental Operations:					
Personal Service	5,560	6,803	0	0	12,363
Non-Personal Service	1,796	4,203	0	62	6,061
General State Charges	4,668	2,165	0	0	6,833
Debt Service	0	0	0	5,855	5,855
Capital Projects	0	5	5,177	0	5,182
Total Disbursements	50,912	66,981	7,888	5,917	131,698
Other financing sources (Uses):					
Transfers from Other Funds	11,898	7,323	1,060	6,524	26,805
Transfers to Other Funds	(6,020)	(4,791)	(1,445)	(14,574)	(26,830)
Bond and Note Proceeds	0	0	484	0	484
Net Other Financing Sources (Uses)	5,878	2,532	99	(8,050)	459
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	361	86	(118)	120	449
Closing Fund Balance	1,737	2,236	(286)	573	4,260

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	43,009	8,643	1,392	13,249	66,293
Miscellaneous Receipts	2,917	16,203	3,685	997	23,802
Federal Receipts	60	37,687	1,847	79	39,673
Total Receipts	45,986	62,533	6,924	14,325	129,768
Disbursements:					
Local Assistance Grants	40,115	51,669	2,010	0	93,794
Departmental Operations:					
Personal Service	5,773	6,879	0	0	12,652
Non-Personal Service	2,178	4,243	0	62	6,483
General State Charges	5,126	2,331	0	0	7,457
Debt Service	0	0	0	6,332	6,332
Capital Projects	0	5	5,276	0	5,281
Total Disbursements	53,192	65,127	7,286	6,394	131,999
Other Financing Sources (Uses):					
Transfers from Other Funds	11,656	7,286	1,410	6,607	26,959
Transfers to Other Funds	(6,738)	(4,288)	(1,505)	(14,436)	(26,967)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	4,918	2,998	305	(7,829)	392
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Reserve for Community Projects Fund	51	0	0	0	51
Net Designated General Fund Reserves	(91)	0	0	0	(91)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,379)	404	(57)	102	(1,930)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	45,158	8,980	1,397	14,001	69,536
Miscellaneous Receipts	2,496	16,587	3,516	1,043	23,642
Federal Receipts	60	39,731	1,811	79	41,681
Total Receipts	47,714	65,298	6,724	15,123	134,859
Disbursements:					
Local Assistance Grants	41,996	54,433	2,001	0	98,430
Departmental Operations:					
Personal Service	5,879	6,966	0	0	12,845
Non-Personal Service	2,036	4,324	0	62	6,422
General State Charges	5,499	2,483	0	0	7,982
Debt Service	0	0	0	6,498	6,498
Capital Projects	0	5	5,067	0	5,072
Total Disbursements	55,410	68,211	7,068	6,560	137,249
Other Financing Sources (Uses):					
Transfers from Other Funds	12,162	7,478	1,582	6,552	27,774
Transfers to Other Funds	(7,160)	(4,052)	(1,554)	(15,009)	(27,775)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	5,002	3,426	366	(8,457)	337
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,836)	513	22	106	(2,195)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2014-2015
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,131	9,334	1,408	14,628	71,501
Miscellaneous Receipts	2,066	16,843	3,244	1,064	23,217
Federal Receipts	60	45,067	1,809	79	47,015
Total Receipts	48,257	71,244	6,461	15,771	141,733
Disbursements:					
Local Assistance Grants	43,734	60,763	1,730	0	106,227
Departmental Operations:					
Personal Service	6,047	7,095	0	0	13,142
Non-Personal Service	2,163	4,384	0	62	6,609
General State Charges	5,660	2,674	0	0	8,334
Debt Service	0	0	0	6,551	6,551
Capital Projects	0	5	4,995	0	5,000
Total Disbursements	57,604	74,921	6,725	6,613	145,863
Other Financing Sources (Uses):					
Transfers from Other Funds	12,680	7,684	1,519	6,185	28,068
Transfers to Other Funds	(7,796)	(3,524)	(1,528)	(15,197)	(28,045)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	4,884	4,160	297	(9,012)	329
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,605)	483	33	146	(3,943)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2011-2012
(dollars in millions)

	2011 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2012 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,376	4,475	1,098	489	1,245	946	4,192	3,023	1,568	1,906	5,645	5,025	1,376
RECEIPTS:													
Personal Income Tax	4,127	846	2,496	1,720	1,837	2,712	1,693	1,324	441	5,165	1,800	1,840	26,001
User Taxes and Fees	685	669	878	703	717	933	685	689	865	730	625	926	9,105
Business Taxes	151	55	925	74	104	1,063	124	87	1,317	105	122	1,974	6,101
Other Taxes	75	87	87	87	88	88	87	86	86	87	86	86	1,030
Total Taxes	5,038	1,657	4,386	2,584	2,746	4,796	2,589	2,186	2,709	6,087	2,633	4,826	42,237
Licenses, Fees, etc.	46	32	33	31	35	40	41	39	41	39	39	39	455
Abandoned Property	1	0	30	16	10	92	23	127	42	73	56	285	755
ABC License Fee	5	4	4	5	4	5	3	3	3	4	5	4	49
Motor vehicle fees	0	0	0	0	0	7	21	21	21	21	21	20	132
Reimbursements	12	12	25	9	12	24	12	12	27	10	10	37	202
Investment Income	1	1	0	2	0	0	1	0	0	1	1	3	10
Other Transactions	20	51	98	97	55	371	52	48	96	47	76	484	1,495
Total Miscellaneous Receipts	85	100	190	160	116	539	153	250	230	195	208	872	3,098
Federal Grants	2	0	14	0	0	15	0	0	15	0	0	14	60
PIT in Excess of Revenue Bond Debt	1,375	135	964	525	258	1,067	304	171	1,044	1,018	328	907	8,096
Sales Tax in Excess of LGAC Debt S	205	35	443	214	220	224	212	213	263	230	3	147	2,409
Real Estate Taxes in Excess of CW/C	39	36	38	33	41	34	38	25	32	30	26	23	395
All Other	96	14	44	77	9	14	42	22	27	6	(48)	695	998
Total Transfers from Other Funds	1,715	220	1,489	849	528	1,339	596	431	1,366	1,284	309	1,772	11,898
TOTAL RECEIPTS	6,840	1,977	6,079	3,593	3,390	6,689	3,338	2,867	4,320	7,566	3,150	7,484	57,293
DISBURSEMENTS:													
School Aid	232	2,615	2,169	100	540	1,300	500	1,000	1,520	530	500	5,796	16,802
Higher Education	32	25	624	43	198	72	443	32	247	78	321	463	2,578
All Other Education	23	100	306	75	55	70	223	157	62	227	97	337	1,732
Medicaid - DOH	971	927	1,384	480	1,053	156	1,271	1,424	460	810	862	438	10,236
Public Health	15	87	107	79	34	129	29	19	102	16	17	108	742
Mental Hygiene	19	8	352	1	1	533	1	1	349	137	113	366	1,881
Children and Families	8	162	192	117	93	206	88	116	194	78	75	386	1,715
Temporary & Disability Assistance	326	131	136	104	81	122	75	75	89	75	18	170	1,402
Transportation	0	24	0	0	24	0	0	24	15	0	10	3	100
Unrestricted Aid	1	13	295	2	2	92	11	2	205	2	2	140	767
All Other	(23)	25	207	36	50	58	(42)	33	28	33	484	44	933
Total Local Assistance Grants	1,604	4,117	5,772	1,037	2,131	2,738	2,599	2,883	3,271	1,986	2,499	8,251	38,888
Personal Service	602	464	544	512	626	378	348	489	394	373	505	325	5,560
Non-Personal Service	199	149	135	172	166	145	131	112	114	160	157	156	1,796
Total State Operations	801	613	679	684	792	523	479	601	508	533	662	481	7,356
General State Charges	404	338	102	405	416	52	378	440	60	446	282	1,345	4,668
Debt Service	520	0	(99)	375	(4)	(107)	565	0	(84)	445	(18)	(144)	1,449
Capital Projects	(23)	43	(21)	54	59	(42)	87	80	(48)	130	67	414	800
State Share Medicaid	273	209	240	248	257	257	257	257	257	257	257	263	3,032
Other Purposes	162	34	15	34	38	22	142	61	18	30	21	162	739
Total Transfers to Other Funds	932	286	135	711	350	130	1,051	398	143	862	327	695	6,020
TOTAL DISBURSEMENTS	3,741	5,354	6,688	2,837	3,689	3,443	4,507	4,322	3,982	3,827	3,770	10,772	56,932
Excess/(Deficiency) of Receipts over D	3,099	(3,377)	(609)	756	(299)	3,246	(1,169)	(1,455)	338	3,739	(620)	(3,288)	361
CLOSING BALANCE	4,475	1,098	489	1,245	946	4,192	3,023	1,568	1,906	5,645	5,025	1,737	1,737

Source: NYS DOB

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APPENDIX D

BONDS TO BE REFUNDED

The Authority expects to redeem the Local Highway and Bridge Service Contract Bonds listed below, at or prior to maturity, by applying substantially all of the proceeds of the Series 2012A Bonds for the payment of the principal of and interest on such Series 2002 Bonds to the extent and to the maturity dates set forth below. The refunding is contingent upon the delivery of the Series 2012A Bonds.

Dated Date August 7	Maturity Date April 1	Par Amount	Redemption Date	Redemption Price	Interest Rate	CUSIP Number[1]
2002	2013	$92,310,000	April 16, 2012	100%	5.500%	650017QX7
2002	2014	74,555,000	April 16, 2012	100	5.500	650017QY5
2002	2015	59,150,000	April 16, 2012	100	5.500	650017QZ2
2002	2016	20,910,000	April 16, 2012	100	5.500	650017UV6
2002	2017	270,000	April 16, 2012	100	5.500	650017UW4
	TOTAL	$247,195,000				

[1] Copyright 2007, American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2012A Bonds. Neither the Authority, the State, nor the Underwriters were responsible for the selection or uses of these CUSIP numbers and no representation is made to their correctness on the Refunded Bonds or as indicated above.

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APPENDIX E

FORM OF BOND COUNSEL OPINION

Upon delivery of the Series 2012A Bonds in definitive form, Holland & Knight LLP, Bond Counsel to the Authority, proposes to render its approving opinion in substantially the following form:

_____, 2012

New York State Thruway Authority
200 Southern Boulevard
Albany, New York 12209

Ladies and Gentlemen:

We have acted as Bond Counsel to the New York State Thruway Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State") in connection with the issuance and sale by the Authority of its $235,480,000 aggregate principal amount of Local Highway and Bridge Service Contract Bonds, Series 2012A (the "Series 2012A Bonds") . Capitalized terms used herein and not otherwise defined have the meanings set forth in the Resolutions (hereinafter defined).

The Series 2012A Bonds are issued under and pursuant to (i) the Constitution and laws of the State of New York, particularly the New York State Thruway Authority Act, as amended, constituting Title 9 of Article 2 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (the "Act"), and (ii) the Local Highway and Bridge Special Limited Obligation Service Contract Bond Resolution adopted on August 23, 1991, as amended (the "Bond Resolution"), particularly as supplemented by the Eighteenth Supplemental Local Highway and Bridge Special Limited Obligation Service Contract Bond Resolution Authorizing An Amount Not to Exceed $275,000,000 of Local Highway and Bridge Service Contract Bonds, Series 2012A, adopted by the Authority in accordance with the Bond Resolution on March 2, 2012 (such resolution, together with the Bond Resolution, are herein collectively referred to as the "Resolutions") and a Certificate of Determination (the "Series Certificate") delivered by an Authorized Officer of the Authority pursuant to the Resolutions, dated the date hereof, setting forth certain terms of the Series 2012A Bonds.

The Authority and the State, acting by and through the Director of the Budget, have entered into a Service Contract dated as of August 15, 1991, as amended (the "Service Contract"), which provides for the payment, subject to annual appropriation by the State Legislature, of Service Contract Payments by the State Comptroller to The Bank of New York Mellon, New York, New York, as successor trustee (the "Trustee") on behalf of the Authority in amounts sufficient to pay the principal of, redemption premium, if any, and interest on the Series 2012A Bonds.

The Series 2012A Bonds are issuable in the form of fully registered bonds in the denominations of $5,000 or any integral multiple thereof. The Series 2012A Bonds shall be lettered and numbered as provided in the Resolutions.

The Series 2012A Bonds are dated their date of delivery and bear interest payable on April 1 and October 1 in each year, commencing October 1, 2012. The Series 2012A Bonds will mature on the dates

and in the principal amounts, and will bear interest at the respective rates per annum, as set forth in the Series Certificate. The Series 2012A Bonds are not subject to redemption prior to maturity.

Under the provisions of the Resolutions, the Series 2012A Bonds will rank equally as to security and payment with the Authority's Outstanding Series of Bonds and with certain additional Series of Bonds which may hereafter be issued upon the terms and conditions and for the purposes set forth in the Bond Resolution.

A portion of the proceeds of the Series 2012A Bonds is being used to refund certain maturities of the Authority's Local Highway and Bridge Service Contract Bonds, Series 2002 maturing on April 1 in the years 2013 through and including 2017 issued pursuant to the Bond Resolution, as described in the hereinafter defined Escrow Agreement as being refunded with proceeds of the Series 2012A Bonds (collectively, the "Refunded Bonds"). A portion of the proceeds of the Series 2012A Bonds together with any other amounts made available by the Authority (collectively, the "Defeasance Deposit") has been used to purchase direct obligations of the United States of America in an aggregate amount sufficient, together with any amounts held uninvested, to pay when due the principal or applicable redemption price of and interest due and to become due on said Refunded Bonds (the "Defeasance Requirement"). Such Defeasance Deposit is being held in trust under an escrow deposit agreement, dated the date of delivery of the Series 2012A Bonds (the "Escrow Agreement"), by and between the Authority and The Bank of New York Mellon, as trustee and escrow agent thereunder (the "Escrow Agent"). The Authority has given the Escrow Agent, in form satisfactory to the Escrow Agent, irrevocable instructions to give notice in accordance with the Bond Resolution of the redemption of those Refunded Bonds being redeemed prior to maturity and the deposit of the Defeasance Deposit.

The description of the Series 2012A Bonds in this opinion and other statements concerning the terms and conditions of the issuance of the Series 2012A Bonds do not purport to set forth all of the terms and conditions of the Series 2012A Bonds or of any other document relating to the issuance of the Series 2012A Bonds, but are intended only to identify the Series 2012A Bonds and to describe briefly certain features thereof. This opinion shall not be deemed or treated as an offering circular, prospectus or official statement, and is not intended in any way to be a disclosure document used in connection with the sale or delivery of the Series 2012A Bonds.

In rendering the opinions set forth below, we have examined certified copies of the Resolutions and various other agreements, certificates and opinions delivered in connection therewith, and are relying on the covenants and agreements of the Authority contained therein, including, without limitation, the covenant of the Authority to comply with the applicable requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder (the "Code"), to the extent necessary to preserve the exclusion of interest on the Series 2012A Bonds from gross income for federal income tax purposes. We have also examined the Arbitrage and Use of Proceeds Certificate dated the date hereof of the Authority, together with the accompanying letters dated the date hereof from the Director of the Division of the Budget of the State (the "Director of the Budget") and the Commissioner of Transportation of the State (the "Commissioner of Transportation") (collectively, the "Arbitrage and Use of Proceeds Certificate"), in which each of the Authority, the Director of the Budget and the Commissioner of Transportation has made representations, warranties and covenants relating to the federal tax status of interest on the Series 2012A Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2012A Bonds and to the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates each of the Authority, the Director of the Budget and the Commissioner of Transportation to take certain actions necessary to preserve the exclusion of interest on the Series 2012A Bonds from gross income for federal income tax purposes. Noncompliance with the requirements of the

Code could cause interest on the Series 2012A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained.

We have also examined certified copies of the proceedings of the Authority and other information submitted to us relative to the issuance and sale by the Authority of the Series 2012A Bonds. In addition, we have examined and relied upon such other agreements, certificates, documents and opinions, including certificates and representations of public officials and other officers and representatives of the various parties participating in this transaction, as we have deemed relevant and necessary in connection with the opinions expressed below. In particular, we have relied on the opinion of William J. Estes, General Counsel to the Authority, as to the due adoption of the Bond Resolution and the compliance by the Authority with all conditions precedent to the sale and delivery of the Series 2012A Bonds.

We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in such agreements, documents, certificates, representations and opinions, and have relied solely on the facts, estimates and circumstances described and set forth therein. In our examination of the foregoing, we have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of New York and the federal income tax laws of the United States of America.

We have also examined one of the Series 2012A Bonds as executed and authenticated.

Based upon and subject to the foregoing, we are of the opinion that, as of the date hereof and under existing law:

1. The Authority is a body corporate and politic, duly created and validly existing under the provisions of the Act.

2. The Series 2012A Bonds have been duly and validly authorized and issued in accordance with the Act and the Resolutions. The Series 2012A Bonds constitute valid and legally binding special limited obligations of the Authority, payable as provided in and enforceable against the Authority in accordance with their terms and the terms of, the Resolutions and are entitled to the benefits of the Act and the Resolutions.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Series 2012A Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Series 2012A Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Administrative Fund and the Rebate Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Service Contract has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the State, constitutes a valid and binding agreement of the Authority in accordance with its terms.

5. The Series 2012A Bonds are payable solely from the sources described in the Resolutions and do not constitute a legally enforceable obligation on the part of the State or create a debt on behalf of the State

enforceable against the State. The Series 2012A Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2012A Bonds.

6. The interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes and will not be treated as an item of tax preference for purposes of the federal alternative minimum tax; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on such corporations.

The opinions expressed in the preceding paragraph are conditioned upon compliance by the Authority with its covenants relating to certain arbitrage rebate and other tax requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code (including, without limitation, its covenants not to use any proceeds of the Series 2012A Bonds in a manner that would cause any of the Series 2012A Bonds to be classified as private activity bonds under Section 141(a) of the Code the requirements contained in Section 148 of the Code), to the extent necessary to preserve the exclusion of interest on the Series 2012A Bonds from gross income for federal income tax purposes. Failure of the Authority to comply with such requirements could cause the interest on the Series 2012A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2012A Bonds. Other provisions of the Code may give rise to adverse federal income tax consequences to particular bondholders. The scope of this opinion is limited to matters addressed above and no opinion is expressed hereby regarding other federal income tax consequences that may arise due to ownership of the Series 2012A Bonds.

7. Under existing statutes, including the Act, interest on the Series 2012A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof.

8. The Series 2012A Bonds are legal investments under present provisions of New York law for the Comptroller and for insurance companies, banks and trust companies, savings banks and associations, administrators, guardians, executors, trustees and other fiduciaries.

9. The Escrow Agreement has been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery by the Trustee, the Escrow Agreement is a valid and binding obligation of the Authority, enforceable in accordance with its terms. The Refunded Bonds have been paid within the meaning and with the effect expressed in the Resolutions, and the covenants, agreements and other obligations of the Authority to the holders of the Refunded Bonds have been discharged and satisfied.

In rendering the opinions expressed herein, we have relied, without independent investigation or verification of any underlying assumptions, upon all schedules furnished to us by Wells Fargo Bank, N.A., including those illustrating the sufficiency of the cash flow from investments held in the subaccounts established in the Escrow Agreement (the "Escrow Deposit Fund"), to pay the debt service on the Refunded Bonds. We have also relied upon the report of AMTEC Corporation of West Hartford, Connecticut and Ross & Company, PLLC (a Certified Public Accountant) (the "Verification Agent"), verifying the accuracy of the schedules prepared by the Verification Agent, including its calculation of the sufficiency of the cash flow from investments held in the Escrow Deposit Fund to pay the debt service on the Refunded Bonds.

Except as stated in paragraphs 6 and 7 above, we express no opinion as to any federal, state or local tax consequences arising with respect to the Series 2012A Bonds or ownership or disposition

thereof. Furthermore, we express no opinion as to the effect of any action taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the Series 2012A Bonds, or under state and local tax law.

We express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2012A Bonds.

Our opinion is rendered only with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or any other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

Our opinions expressed herein are predicated upon current facts and circumstances, and upon present laws and interpretations thereof, and we assume no affirmative obligation to update the opinions expressed herein if such facts or circumstances, or laws or interpretations thereof, change after the date hereof, even if such changes come to our attention. All opinions as to legal obligations of the Authority set forth above are subject to and limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws, in each case relating to or affecting the enforcement of creditors' rights, (b) applicable laws or equitable principles that may affect remedies or injunctive or other equitable relief, and (c) judicial discretion which may be exercised in applicable cases to adversely affect the enforcement of certain rights or remedies.

The scope of our engagement in relation to the issuance of the Series 2012A Bonds has been limited solely to the examination of facts and laws incident to rendering the opinions expressed herein. We have not been engaged nor have we undertaken to confirm or verify and therefore express no opinion as to the accuracy, completeness, fairness or sufficiency of the Official Statement or any exhibits or appendices thereto or any other offering material relating to the Series 2012A Bonds and therefore express no opinion in regard thereto, except as otherwise set forth in our opinion to the underwriters dated as of the date hereof. In addition, we have not been engaged to and therefore express no opinion regarding the perfection or priority of the lien on the Revenues created by the Bond Resolution or as to the compliance by the Authority or the underwriters with any federal or state registration requirements or securities statutes, regulations or rulings with respect to the offer, sale or distribution of the Series 2012A Bonds.

Our opinion is limited solely to the matters stated herein, and no opinion is to be implied or is intended beyond the opinions expressly stated herein.

Sincerely yours,

HOLLAND & KNIGHT LLP

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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NEW YORK STATE THRUWAY AUTHORITY
LOCAL HIGHWAY AND BRIDGE SERVICE CONTRACT BONDS
SERIES 2012A

CONTINUING DISCLOSURE AGREEMENT

THIS AGREEMENT, dated March__, 2012, is made by and among the Issuer, the State, and the Trustee, each as defined below in Section 1.

In order to permit the Underwriters to comply with the provisions of Rule 15c2-12 in connection with the public offering of the Bonds, the parties hereto, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree, for the sole and exclusive benefit of the Holders and, for the purposes of Section 5, the beneficial owners of Bonds, as follows:

Section 1. Definitions; Rules of Construction. (i) Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Bond Resolution.

"*Annual Information*" shall mean the information specified in Section 3.

"*Bond Resolution*" shall mean the Issuer's Local Highway and Bridge Special Limited Obligation Service Contract Resolution, as amended and supplemented.

"*Bonds*" shall mean the Issuer's Local Highway and Bridge Service Contract Bonds, Series 2012A, that from time to time remain outstanding within the meaning of the Bond Resolution.

"*Comptroller*" shall mean the Comptroller of the State of New York.

"*Director*" shall mean the Director of the Budget of the State of New York.

"*DOB*" shall mean the Division of the Budget of the State of New York.

"*EMMA"* shall mean the Electronic Municipal Market Access system described in Securities Exchange Act Release No. 34-59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

"*GAAP*" shall mean generally accepted accounting principles as prescribed from time to time for governmental units in the United States by the Governmental Accounting Standards Board.

"*GAAS*" shall mean generally accepted auditing standards as in effect from time to time in the United States.

"*Holder*" or "*Bondholder*" shall mean a registered owner of any Bond or Bonds.

"*Issuer*" shall mean the New York State Thruway Authority, a body corporate and public constituting a public corporation and the issuer of the Bonds, and any successor thereto.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

"*OSC*" shall mean the Office of the State Comptroller, constituting the Department of Audit and Control of the State of New York.

"*Rule 15c2-12*" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement, including any official interpretations thereof promulgated on or prior to the effective date of this Agreement.

"*State*" shall mean the State of New York, acting by and through the Director or the Comptroller.

"*Trustee*" shall mean The Bank of New York Mellon.

"*Underwriters*" shall mean the underwriter or underwriters that have contracted to purchase the Bonds from the Issuer upon initial issuance.

(ii) Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Any reference herein to a particular Section or subsection without further reference to a particular document or provision of law or regulation is a reference to a Section or subsection of this Agreement.

(c) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

Section 2. Obligations to Provide Continuing Disclosure.

(i) Obligations of the State and the Trustee.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2012, the Annual Information relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year

ending March 31, 2012, audited financial statements of the State for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be electronically filed with the MSRB and such audited financial statements shall be electronically filed with the MSRB if and when they become available.

(c) The Director and the Trustee shall notify the Issuer upon the occurrence of any of the events listed in Section 2(ii)(a) within ten business days after becoming aware of the occurrence of any such event. With respect to the foregoing, the Trustee shall not be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department becomes aware of the occurrence of any such event.

(ii) Obligations of the Issuer. The Issuer hereby undertakes, for the benefit of Holders of the Bonds, to electronically file the following:

(a) to the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following fourteen events with respect to the Bonds:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(7) modifications to rights of security holders, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the securities, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of any obligated person;

(13) the consummation of a merger, consolidation or acquisition involving any obligated person, or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) to the MSRB, in a timely manner, notice of a failure by the State to comply with Section 2(i)(a) or (b).

(iii) (a) Termination or Modification of Disclosure Obligation. The obligations of the State hereunder may be terminated if the State is no longer an "obligated person" as defined in Rule 15c2-12; provided, however, that if the State has hereby obligated itself to provide information relating to any entity that thereafter continues to constitute such an "obligated person", obligations of the State to provide such information shall not be so terminated. Upon any such termination, the State shall so advise the Issuer and the Issuer shall electronically file notice with the MSRB.

(b) Other Information. Nothing herein shall be deemed to prevent the Issuer or the State from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer or the State should disseminate any such additional information, neither the Issuer nor the State shall have any obligation hereunder to update such information or to include it in any future materials disseminated hereunder.

(c) Disclaimer. Each of the Director, the Comptroller, the Issuer and the Trustee shall be obligated to perform only those duties expressly provided for such entity in this Agreement, and none of the foregoing shall be under any obligation to the Holders or other parties hereto to perform, or monitor the performance of, any duties of such other parties. Without limiting the general application of the foregoing, the Issuer shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information or the financial statements provided pursuant to Section 2(i), and its obligations hereunder shall be limited solely to the undertaking set forth in Section 2(ii) and to the requirements of Section 2(iii)(c), Section 3(iii) and Section 8.

(iv) MSRB Prescribed Identifying Information. All notices, documents and information filed with the MSRB pursuant to this Agreement shall be accompanied by identifying information as prescribed from time to time by the MSRB.

Section 3. Annual Information.

(i) Specified Information. The Annual Information shall consist of the following:

(a) *financial and operating data of the type included in the Annual Information Statement of the State set forth as an Appendix to, or incorporated by cross*

reference in, the Official Statement for the Bonds, under the headings or subheadings "Prior Fiscal Years", "Debt and Other Financing Activities", "State Government Employment", "State Retirement Systems", and "Authorities and Localities", including, more specifically, information consisting of:

(1) *for prior fiscal years*, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is then-currently available;

(2) *for debt and other financing activities*, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning the debt service requirements on that debt;

(3) *for authorities and localities*, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and

(4) material information regarding State government employment and retirement systems; together with

(b) *such narrative explanation* as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the State, and in judging the financial condition of the State.

(ii) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been electronically filed with the MSRB or filed with the Securities and Exchange Commission; provided, however, that if the document is an official statement, it shall have been electronically filed with the MSRB and need not have been filed elsewhere. The audited or unaudited financial statements of the State may be provided in the same manner.

(iii) Informational Categories. The requirements contained in this Agreement under Section 3(i) are intended to set forth a general description of the type of financial and operating data to be filed with the MSRB; such descriptions are not intended to state more than general categories of financial and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be filed with the MSRB.

Section 4. Financial Statements.

The State's annual financial statements for each fiscal year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year).

Section 5. Remedies.

If any party hereto should fail to comply with any provision of this Agreement, then each of the other parties and, as a direct or third-party beneficiary, as the case may be, any Holder of Bonds may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Agreement; provided, however, that the sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of such party hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided further, that the rights of any Holder to challenge the adequacy of the information provided in accordance with Section 2 hereunder are conditioned upon the provisions of the Bond Resolution with respect to the enforcement of remedies of Holders upon the occurrence of an Event of Default described in Section 1101 of the Bond Resolution as though such provisions applied hereunder. Each of the Director, the Comptroller, the Issuer and the Trustee reserves the right, but shall not be obligated, to enforce the obligations of the others. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Bond Resolution or any other agreement executed and delivered in connection with the issuance of the Bonds. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to Section 6, beneficial owners shall be deemed to be Holders of Bonds for purposes of this Section 5.

Section 6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds and, for the purposes of Section 5, beneficial owners of Bonds. For the purposes of such Section 5, beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. No person other than those described in Section 5 shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments.

(i) Without the consent of any Holders (except to the extent required under clause (c)(II) of this sentence), the Issuer, the State, and the Trustee at any time and from time to time may enter into amendments or changes to this Agreement for any purpose, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer or the State or any type of business or affairs conducted by either; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and (c) either (I) the amendment does not materially impair the interests of the Holders, as determined either by the Trustee or by nationally recognized bond counsel or (II) the Holders consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Bond Resolution with the consent of Holders pursuant to Section 1002 of the Bond Resolution. In determining whether there is such a material impairment, the Trustee may rely upon an opinion of a nationally recognized bond counsel approved by the State. The

interests of Holders shall be deemed not to have been materially impaired by an amendment (1) to add a dissemination agent for the information to be provided hereunder and to make any necessary or desirable provisions with respect thereto, (2) to evidence the succession of another entity to the State, the Issuer or the Trustee and the assumption by any such successor to the obligations of such party hereunder, or (3) to add to the obligations of the State or the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the State or the Issuer.

(ii) Annual Information for any fiscal year containing any amended financial or operating data for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of financial or operating data in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial data. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be electronically filed with the MSRB.

Section 8. Termination.

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or defeased in accordance with the Bond Resolution (a "Legal Defeasance"); provided, however, that if Rule 15c2-12 (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance, the Issuer shall electronically file with the MSRB notice of such defeasance, and such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 8, the Issuer shall electronically file with the MSRB notice of such termination.

Section 9. The Trustee.

(i) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of the Trustee and the Trustee shall not be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) The Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the Bond Resolution for matters arising thereunder.

Section 10. Governing Law.

This Agreement shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

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Section 11. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Agreement as of the date first above written.

THE BANK OF NEW YORK MELLON,
as Trustee for the benefit of Bondholders

By:_____
Name: Michael C. White
Title: Vice President

NEW YORK STATE THRUWAY AUTHORITY, *as Issuer of the Bonds*

By:_____
Name: John M. Bryan
Title: Chief Financial Officer & Treasurer

THE STATE OF NEW YORK

By: Robert L. Megna
Director of Budget

By:_____
Name:
Title:

By: Thomas P. DiNapoli
Comptroller

By:_____
Name:
Title:

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