NEW ISSUE **BOOK-ENTRY ONLY**

$523,065,000
New York State Thruway Authority
State Personal Income Tax Revenue Bonds (Transportation)
Series 2012A

Dated: Date of Delivery **Due: March 15, as shown on the inside cover**

The New York State Thruway Authority State Personal Income Tax Revenue Bonds (Transportation), Series 2012A (the "Series 2012A Bonds") are special obligations of the New York State Thruway Authority (the "Authority").

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

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

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

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

The Series 2012A Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See "PART 7—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 Trustee and Paying Agent.

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

In the opinion of Bond Counsel, under current law and assuming compliance with certain covenants in the documents pertaining to the Series 2012A Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Series 2012A Bonds is not includable in gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that under existing law, interest on the Series 2012A Bonds is exempt from personal income taxes imposed by the State and any political subdivision thereof (including The City of New York and the City of Yonkers). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012A Bonds. See "PART 14 – TAX MATTERS" herein.

The Series 2012A Bonds are offered, when, as and if issued and delivered to the Underwriters, and are subject to approval of legality by Sidley Austin 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 Harris Beach PLLC, New York, New York, Counsel to the Underwriters. First Southwest Company is financial advisor to the Authority and Estrada Hinojosa & Company, Inc. is co-financial advisor 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 September 6, 2012.

J.P. Morgan **M.R. Beal & Company**

Morgan Stanley **Raymond James | Morgan Keegan** **Wells Fargo Securities**

Barclays **Janney Montgomery Scott**

Ramirez & Co., Inc. **RBC Capital Markets**

Roosevelt & Cross, Incorporated **Stifel, Nicolaus & Company, Incorporated**

August 22, 2012

$523,065,000
New York State Thruway Authority
State Personal Income Tax Revenue Bonds (Transportation)
Series 2012A

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

Due March 15	Principal Amount	Interest Rate	Yield	CUSIP Number* (Base # 650028)
2013	$10,185,000	2.00%	0.17%	TR4
2014	16,305,000	3.00	0.30	TS2
2015	5,000,000	2.00	0.50	TT0
2015	11,795,000	4.00	0.50	UM3
2016	2,075,000	3.00	0.68	TU7
2016	1,545,000	4.00	0.68	UN1
2016	13,745,000	5.00	0.68	UW1
2017	5,000,000	3.00	0.90	TV5
2017	16,680,000	5.00	0.90	UP6
2018	5,000,000	4.00	1.21	TW3
2018	16,435,000	5.00	1.21	UQ4
2019	5,000,000	3.00	1.55	TX1
2019	15,930,000	5.00	1.55	UR2
2020	5,000,000	4.00	1.83	TY9
2020	17,675,000	5.00	1.83	US0
2021	5,000,000	4.00	2.05	TZ6
2021	19,330,000	5.00	2.05	UT8
2022	5,000,000	3.00	2.22	UA9
2022	19,310,000	5.00	2.22	UU5
2023	5,000,000	4.00	2.36†	UB7
2023	44,970,000	5.00	2.36†	UV3
2024	25,130,000	5.00	2.48†	UC5
2025	26,385,000	5.00	2.56†	UD3
2026	27,705,000	5.00	2.63†	UE1
2027	29,090,000	5.00	2.70†	UF8
2028	30,545,000	5.00	2.78†	UG6
2029	32,070,000	5.00	2.85†	UH4
2030	33,675,000	5.00	2.91†	UJ0
2031	35,360,000	5.00	2.95†	UK7
2032	37,125,000	5.00	3.00†	UL5

† Priced at the stated yield to the September 15, 2021 optional redemption date at a redemption price of 100%.

* Copyright, 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, and with respect to the information supplied or authorized by the State, is not to be construed as a representation by the Authority. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the State. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE SERIES 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.

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

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PART 1—SUMMARY STATEMENT

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

State Personal Income Tax Revenue Bond Financing Program	Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds") by establishing the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund") held separate and apart from all other moneys of the State in the joint custody of the Commissioner of Taxation and Finance and the Comptroller of the State (the "State Comptroller"). The Enabling Act authorizes the New York State Thruway Authority (the "Authority"), the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency and the New York State Urban Development Corporation (collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain authorized purposes (the "Authorized Purposes"). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Division of the Budget of the State (the "Director of the Budget") pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Authority. State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; which together constitute the pledged property under the applicable general resolution.
Purpose of Issue; Security for Series 2012A Bonds	The Series 2012A Bonds are being issued to provide the Authority with funds to (i)(A) make grants to reimburse municipalities and other project sponsors throughout the State for qualifying capital expenditures for highway, bridge and multi-modal projects and (B) fund certain Metropolitan Transportation Authority ("MTA") facilities (collectively, the "Projects"), (ii) advance refund the Refunded Bonds indentified in "APPENDIX F – The Refunded Bonds", and (iii) pay certain costs relating to the issuance of the Series 2012A Bonds. See "PART 2—INTRODUCTION" and "PART 5—THE PROGRAMS" for a more complete description of the programs.

Purpose of Issue; Security for Series 2012A Bonds (cont'd)

The Series 2012A Bonds are special obligations of the Authority, secured by a pledge of the financing agreement payments ("Financing Agreement Payments") to be made by the State Comptroller to the Trustee pursuant to the State Personal Income Tax Revenue Bonds (Transportation) Financing Agreement entered into by the Authority with the Director of the Budget (the "Financing Agreement").

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

The Series 2012A Bonds are not secured by the Projects or any interest therein.

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

The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax, which exclude refunds owed to taxpayers (the "New York State Personal Income Tax Receipts"), shall be deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the School Tax Relief Fund (the "STAR Fund"). Prior to such date, New York State Personal Income Tax Receipts were also net of STAR Fund deposits.

The State Comptroller is required by the Enabling Act to deposit in the Revenue Bond Tax Fund all of the receipts collected from payroll withholding taxes (the "Withholding Component") until an amount equal to 25 percent of the estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund Receipts").

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

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

* As estimated in the First Quarterly Update to the 2012-2013 Financial Plan.

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

Sources of Payment and Security for State Personal Income Tax Revenue Bonds-Revenue Bond Tax Fund Receipts (cont'd)	The Series 2012A Bonds are issued on a parity with approximately $2.735 billion of the Authority's State Personal Income Tax Revenue Bonds (Transportation) currently outstanding and all other bonds which may be issued under the General Resolution. All State Personal Income Tax Revenue Bonds (of which $25.5 billion are outstanding as of August 1, 2012) are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State. Financing agreement payments are made from certain personal income taxes imposed by the State of New York on a statewide basis and deposited, as required by the Enabling Act, to the Revenue Bond Tax Fund. The financing agreement payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. **All payments required by financing agreements entered into by the State are executory only to the extent of the revenues available in the Revenue Bond Tax Fund.** **The obligation of the State to make financing agreement payments is subject to the State Legislature (the "State Legislature") making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.** The Enabling Act provides that: (i) no person (including the Authorized Issuers or the Holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax. For additional information, see "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS" and "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND."
Set Aside for Purpose of Making Financing Agreement Payments	The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature.

Set Aside for Purpose of Making Financing Agreement Payments	The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Revenue Bond Tax Fund Receipts anticipated to be deposited to the Revenue Bond Tax Fund and the amount of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for the 2012-13 State Fiscal Year. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS." If at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all appropriated financing agreement payments on all State Personal Income Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers. Subject to annual appropriation, amounts so transferred to the Revenue Bond Tax Fund will be applied to pay the required financing agreement payments.
Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts	In the event that: (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars ($6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees, on behalf of each Authorized Issuer, including the Authority.
Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts	After the required appropriations and financing agreement payments have been made, excess moneys in the Revenue Bond Tax Fund are paid over and distributed to the credit of the State's General Fund. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Moneys Held in the Revenue Bond Tax Fund."

Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts (cont'd)	As provided in each of the general resolutions, additional bonds may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Revenue Bonds, additional State Personal Income Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations.
Additional Bonds and Debt Service Coverage	Subject to: (i) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and (ii) the additional bonds test described above, the Authority and other Authorized Issuers may issue additional State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of approximately $9.8 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 4.2 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the projected debt service on the Series 2012A Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Additional Bonds." As of August 1, 2012, approximately $25.5 billion of State Personal Income Tax Revenue Bonds were outstanding.
Continuing Disclosure	In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, all Authorized Issuers, the State and each applicable trustee, including the Trustee have entered into a Master Continuing Disclosure Agreement. See "PART 21—CONTINUING DISCLOSURE."

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NEW YORK STATE THRUWAY AUTHORITY

Official Statement

Relating to

$523,065,000
STATE PERSONAL INCOME TAX REVENUE BONDS (TRANSPORTATION)
Series 2012A

Albany, New York
August 22, 2012

PART 2—INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to set forth certain information concerning the New York State Thruway Authority (the "Authority"), a body corporate and politic constituting a public corporation of the State of New York (the "State"), in connection with the offering by the Authority of its State Personal Income Tax Revenue Bonds (Transportation), Series 2012A (the "Series 2012A Bonds"). The interest rates, maturity dates, and prices or yields of the Series 2012A Bonds being offered hereby are set forth on the inside cover page of this Official Statement.

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

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

The Series 2012A Bonds are authorized to be issued pursuant to Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), and the New York State Thruway Authority Act, as amended, Title 9 of Article 2 of the Public Authorities Law, Chapter 43-A of the State of New York (the "Act"), and the Program Legislation, as described under "PART 5—THE PROGRAMS — General" (the "Program Legislation"). The Enabling Act, together with the Program Legislation and the Act, constitute the "Authorizing Legislation." The Enabling Act authorizes the Authority, the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency and the New York State Urban Development Corporation (collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued ("Authorized Purposes").

The Series 2012A Bonds are additionally authorized under the Authority's State Personal Income Tax Revenue Bonds (Transportation) General Resolution, adopted by the Authority on June 27, 2002 (the "General Resolution") as supplemented on August 2, 2012 by the Eleventh Supplemental Resolution (the "Series Resolution") (the General Resolution, as supplemented by the Series Resolution, is hereinafter referred to as the "State Transportation Revenue Bond Resolution"). The Series 2012A Bonds and any

other bonds issued under the General Resolution are sometimes referred to herein as the "Bonds." The Series 2012A Bonds, and any additional series of Bonds which have heretofore been issued or may hereafter be issued under the General Resolution will be equally and ratably secured thereunder.

The Series 2012A Bonds and all other State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of: (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Division of the Budget of the State (the "Director of the Budget"); and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; collectively the "Pledged Property." The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds adopted by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

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

All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State. As of August 1, 2012 approximately $25.5 billion of State Personal Income Tax Revenue Bonds were Outstanding. (See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS — Series 2012A Bonds" and "—Additional Bonds.")

The Series 2012A Bonds are being issued to provide the Authority with funds to (i)(A) make grants to reimburse municipalities and other project sponsors throughout the State for qualifying capital expenditures for highway, bridge and multi-modal projects in furtherance of established State aid programs and (B) fund certain Metropolitan Transportation Authority ("MTA") facilities (collectively, the "Projects"), (ii) advance refund the Refunded Bonds indentified in "APPENDIX F – The Refunded Bonds" (as described in "PART 9 – PLAN OF REFUNDING"), and (iii) pay certain costs relating to the issuance of the Series 2012A Bonds (See "PART 5—THE PROGRAMS — General"). **The Series 2012A Bonds are not secured by the Projects or any interest therein.**

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 also authorizes the financing of certain MTA facilities. The Authorizing Legislation authorizes the Director of the Budget, on behalf of the State and subject to the making of annual appropriations by the State Legislature, to enter into one or more financing agreements with the Authority (i) to fund, or to fund the debt service requirements on bonds issued to fund, the above Programs having a cost not in excess of $7,106,022,000 cumulatively by the end of State Fiscal Year 2012-13 (ending March 31, 2013) and (ii) to fund administrative expenses of the Authority ("Authority Expenses"). Pursuant to the Authorizing Legislation, the Authority and the

State entered into a financing agreement dated as of August 7, 2002 (the "Financing Agreement"). See "APPENDIX C — FINANCING AGREEMENT."

The Enacted Budget for State Fiscal Year 2012-13, including necessary appropriation bills and related legislation for such year, reflects a State highway and bridge capital program for State Fiscal Year 2012-13 of $4.5 billion, including $1.16 billion of new Department of Transportation capital funding for the New York Works Program. The State transportation plan includes funding for highways and bridges, associated engineering and construction inspection, preventive maintenance, canal, rail and port, aviation, local highway and bridge, and other programs. A new plan will be developed for the period beginning in State Fiscal Year 2013-14.

The plan added to the Program Legislation to provide for an additional $403 million authorization for local highway and bridge programs to be financed with State Personal Income Tax Revenue Bonds. This includes $363.1 million of additional funding authorization for the CHIPS program, and $39.7 million of additional funding authorization for the Marchiselli program for State Fiscal Year 2012-13.

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

Capitalized terms used herein unless otherwise defined have the same meaning as ascribed to them in the General Resolution. See "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE STATE TRANSPORTATION REVENUE BOND RESOLUTION — Definitions."

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

The Revenue Bond Tax Fund

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

Financing agreement payments made from amounts set aside in the Revenue Bond Tax Fund are subject to annual appropriation for such purpose by the State Legislature. The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax

Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed by Article 22 of the Tax Law.

Series 2012A Bonds

The Series 2012A Bonds are special obligations of the Authority, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to The Bank of New York Mellon as Trustee and Paying Agent (the "Trustee" or "Paying Agent") on behalf of the Authority in accordance with the terms and provisions of a Financing Agreement by and between the Authority and the Director of the Budget, subject to annual appropriation by the State Legislature, and the Funds and accounts established under the General Resolution (other than the Rebate Fund and other Funds as provided in such Resolution). The Series 2012A Bonds are entitled to a lien, created by a pledge under the State Transportation Revenue Bond Resolution, on the Pledged Property.

The Enabling Act permits the Authority and the other Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of approximately $9.8 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 4.2 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the projected debt service on the Series 2012A Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See "—Additional Bonds" below.

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

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

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

The Enabling Act provides that:

1. No later than October 1 of each year, each Authorized Issuer must submit its State Personal Income Tax Revenue Bond cash requirements (which shall include financing agreement payments) for the following State Fiscal Year and, as required by the financing agreements, each of the subsequent four State Fiscal Years to the Division of the Budget.

2. No later than thirty (30) days after the submission of the Executive Budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate which sets forth an estimate of:

   (a) 25 percent of the amount of the estimated monthly New York State Personal Income Tax Receipts to be deposited in the Revenue Bond Tax Fund pursuant to the Enabling Act during that State Fiscal Year; and

   (b) the monthly amounts necessary to be set aside in the Revenue Bond Tax Fund to make the financing agreement payments required to meet the cash requirements of the Authorized Issuers.

3. In the case of financing agreement payments due semi-annually, Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is equal to not less than the financing agreement payments for State Personal Income Tax Revenue Bonds of all Authorized Issuers in the following month as certified by the Director of the Budget.

4. In the case of financing agreement payments due on a more frequent basis, monthly Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is, in accordance with the certificate of the Director of the Budget, sufficient to pay the required payment on each issue on or before the date such payment is due.

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

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

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

Set Aside of Revenue Bond Tax Fund Receipts

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

1. Beginning on the first day of each month, deposit all of the daily receipts from the Withholding Component to the Revenue Bond Tax Fund until there is on deposit in the Revenue Bond Tax Fund an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts.

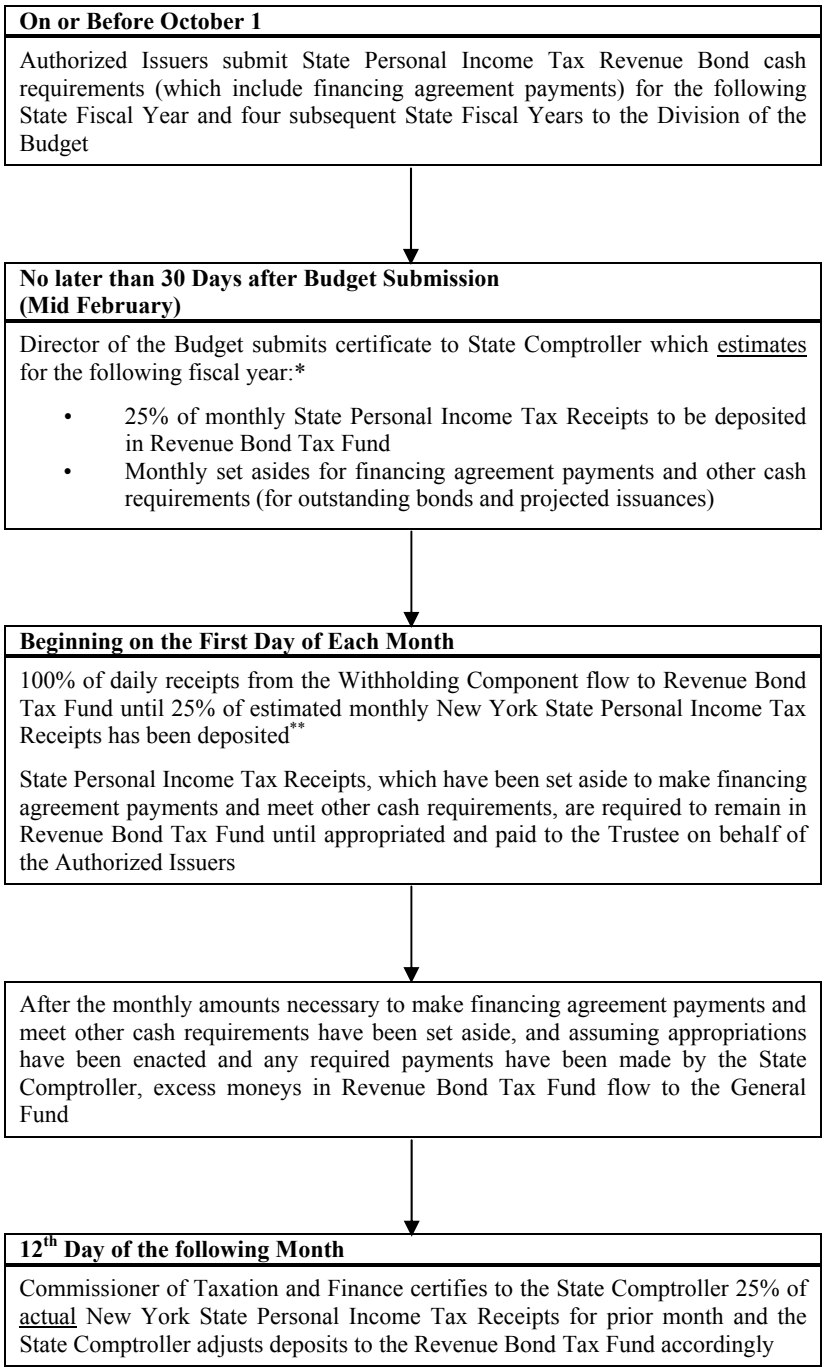
2. Set aside, monthly, amounts on deposit in the Revenue Bond Tax Fund, such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue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

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

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

Flow of Revenue Bond Tax Fund Receipts

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



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

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

Moneys Held in the Revenue Bond Tax Fund

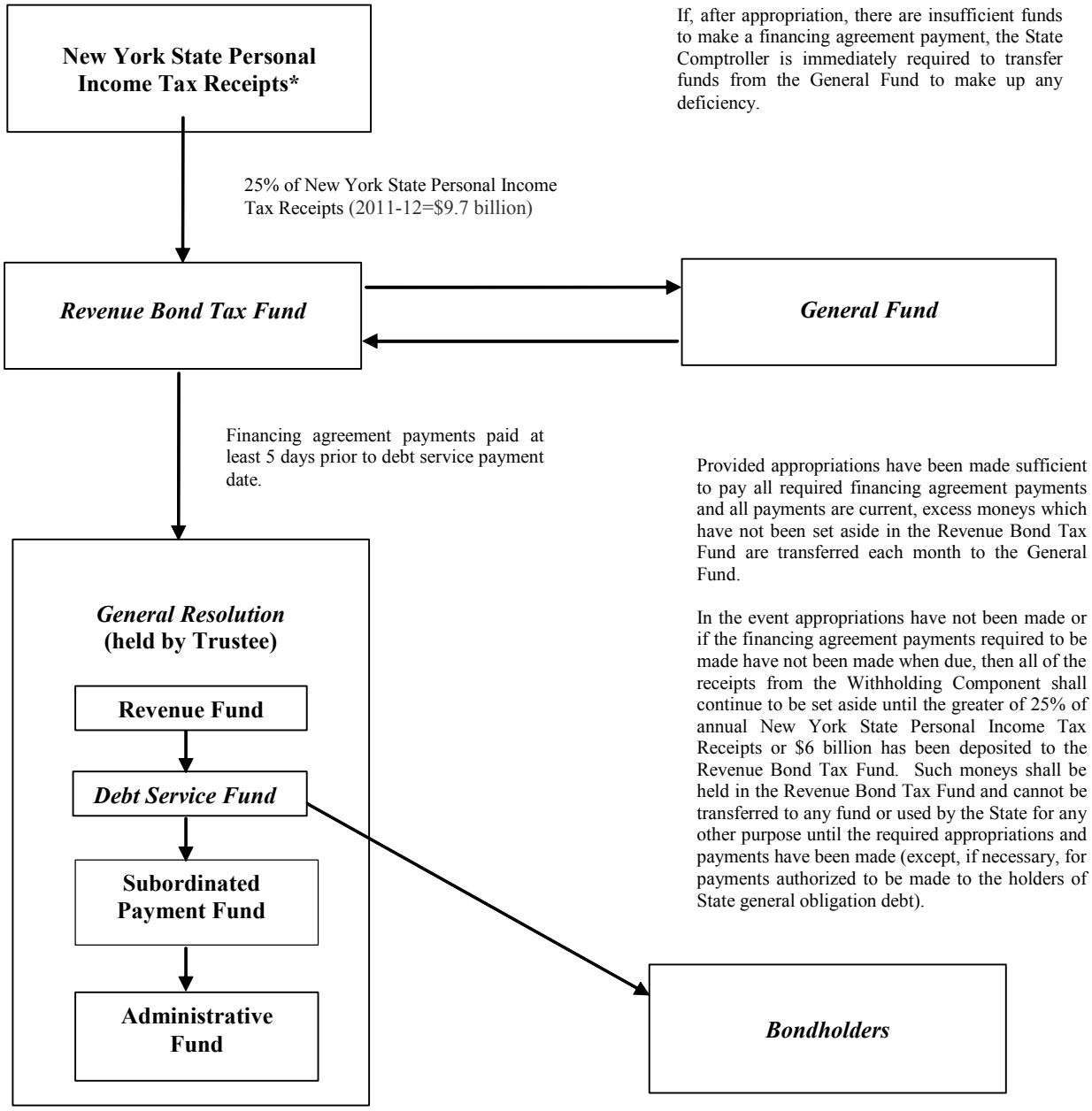
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Authority and other Authorized Issuers (which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

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

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

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

Flow of Revenues



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

Appropriation by the State Legislature

The State may not expend money without an appropriation, except for the payment of debt service on general obligation bonds or notes issued by the State. An appropriation is an authorization approved by the State Legislature to expend money. The State Constitution requires all appropriations of State funds, including funds in the Revenue Bond Tax Fund, to be approved by the State Legislature at least every two years. In addition, the State Finance Law generally provides that appropriations shall cease to have force and effect, except as to liabilities incurred thereunder, at the close of the State Fiscal Year for which they were enacted and that to the extent of liabilities incurred thereunder, such appropriations shall lapse on the succeeding June 30th or September 15th depending on the nature of the appropriation. See "— Moneys Held in the Revenue Bond Tax Fund" in this section.

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

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

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

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

obligation bondholders, the State may also use amounts on deposit in the Revenue Bond Tax Fund to pay debt service on general obligation bonds.

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

Additional Bonds

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

For additional information, see "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE STATE TRANSPORTATION REVENUE BOND RESOLUTION — Summary of Certain Provisions of the Standard Resolution Provisions — Special Provisions for Additional Bonds" and " — Refunding Bonds."

Parity Reimbursement Obligations

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

Certain Covenants of the State

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

Pursuant to the Enabling Act and the general resolutions, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the State personal income taxes imposed pursuant to Article 22 of the Tax Law. An Event of Default under the general resolutions would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter the statutes imposing or relating to such taxes. However, the Director of the Budget believes that any materially adverse amendment, modification or alteration of, or the repeal of, statutes imposing or related to the State personal income tax imposed pursuant to Article 22 of the Tax Law could have a serious impact on the flow of New York State Personal Income Tax Receipts to the Revenue Bond Tax Fund, the ability of the Authorized Issuers to issue Additional Bonds and the marketability of outstanding State Personal Income Tax Revenue Bonds.

Reservation of State's Right to Substitute Credit

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

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

See "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE STATE TRANSPORTATION REVENUE BOND RESOLUTION — Summary of Certain Provisions of the Standard Resolution Provisions — Reservation of State Rights of Assumption, Extinguishment and Substitution."

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

General History of the State Personal Income Tax

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

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

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

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

Personal Income Tax Rates

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

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

Married Filing Jointly and Qualified Widow(er)	**Tax†**
Taxable Income:	
Not over $16,000	4% of taxable income
Over $16,000 but not over $22,000	$640 plus 4.50% of excess over $16,000
Over $22,000 but not over $26,000	$910 plus 5.25% of excess over $22,000
Over $26,000 but not over $40,000	$1,120 plus 5.90% of excess over $26,000
Over $40,000 but not over $150,000	$1,946 plus 6.45% of excess over $40,000
Over $150,000 but not over $300,000	$9,041 plus 6.65% of excess over $150,000
Over $300,000 but not over $2,000,000	$19,016 plus 6.85% of excess over $300,000
Over $2,000,000	$135,466 plus 8.82% of excess over $2,000,000
Single, Married Filing Separately, Estates and Trusts	
Taxable Income:	
Not over $8,000	4% of taxable income
Over $8,000 but not over $11,000	$320 plus 4.50% of excess over $8,000
Over $11,000 but not over $13,000	$455 plus 5.25% of excess over $11,000
Over $13,000 but not over $20,000	$560 plus 5.90% of excess over $13,000
Over $20,000 but not over $75,000	$973 plus 6.45% of excess over $20,000
Over $75,000 but not over $200,000	$4,521 plus 6.65% of excess over $75,000
Over $200,000 but not over $1,000,000	$12,833 plus 6.85% of excess over $200,000
Over $1,000,000	$67,633 plus 8.82% of excess over $1,000,000
Head of Household	
Taxable Income:	
Not over $12,000	4% of taxable income
Over $12,000 but not over $16,500	$480 plus 4.50% of excess over $12,000
Over $16,500 but not over $19,500	$683 plus 5.25% of excess over $16,500
Over $19,500 but not over $30,000	$840 plus 5.90% of excess over $19,500
Over $30,000 but not over $100,000	$1,460 plus 6.45% of excess over $30,000
Over $100,000 but not over $250,000	$5,975 plus 6.65% of excess over $100,000
Over $250,000 but not over $1,500,000	$15,950 plus 6.85% of excess over $250,000
Over $1,500,000	$101,575 plus 8.82% of excess over $1,500,000

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

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

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

Married Filing Jointly	**Tax†**
Taxable Income:	
Not over $16,000	4% of taxable income
Over $16,000 but not over $22,000	$640 plus 4.50% of excess over $16,000
Over $22,000 but not over $26,000	$910 plus 5.25% of excess over $22,000
Over $26,000 but not over $40,000	$1,120 plus 5.90% of excess over $26,000
Over $40,000	$1,946 plus 6.85% of excess over $40,000
Single, Married Filing Separately, Estates and Trusts	
Taxable Income:	
Not over $8,000	4% of taxable income
Over $8,000 but not over $11,000	$320 plus 4.50% of excess over $8,000
Over $11,000 but not over $13,000	$455 plus 5.25% of excess over $11,000
Over $13,000 but not over $20,000	$560 plus 5.90% of excess over $13,000
Over $20,000	$973 plus 6.85% of excess over $20,000
Head of Household	
Taxable Income:	
Not over $12,000	4% of taxable income
Over $12,000 but not over $16,500	$480 plus 4.50% of excess over $12,000
Over $16,500 but not over $19,500	$683 plus 5.25% of excess over $165000
Over $19,500 but not over $30,000	$840 plus 5.90% of excess over $19,500
Over $30,000	$1,460 plus 6.85% of excess over $30,000

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

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

Components of the Personal Income Tax

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

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

Revenue Bond Tax Fund Receipts

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

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

In State Fiscal Year 2011-12, New York State Personal Income Tax Receipts were approximately $38.8 billion and accounted for approximately 60 percent of State tax receipts in all State Funds. The First Quarterly Update to the 2012-2013 Financial Plan estimates New York State Personal Income Tax Receipts at $40.3 billion for State Fiscal Year 2012-13.

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

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

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

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

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

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

In State Fiscal Year 2011-12, New York State Personal Income Tax Receipts totaled approximately $38.8 billion. The First Quarterly Update to the 2012-2013 Financial Plan estimates that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 3.8% to $40.3 billion in 2012-13.

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

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

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

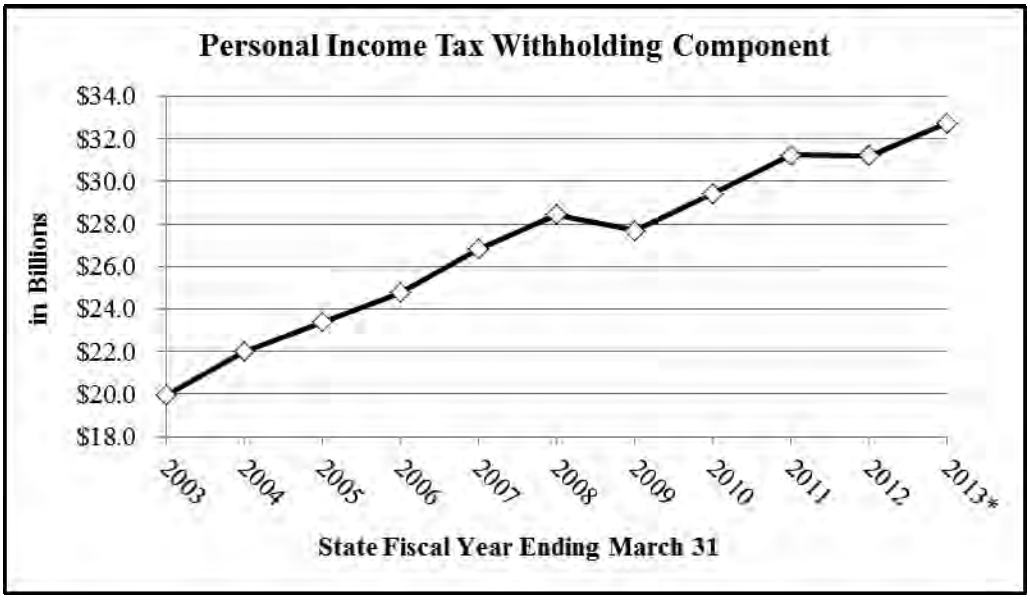
NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 2003 to 2012*

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

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

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

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



* Estimated.

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

PART 5—THE PROGRAMS

General

The laws enabling the Authority to finance the established State aid 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, and additionally to finance certain Metropolitan Transportation Authority Facilities, 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, and Chapters 52 and 109 of the Laws of New York of 2010, Chapters 52, 58 and 60 of the Laws of New York of 2011, and Chapters 52, 58 and 59 of the Laws of New York of 2012, and Section 386-a of the Public Authorities Law (the "Program Legislation").

The Programs authorized by the Program Legislation, including the established State aid programs that 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 (CHIPS, Marchiselli, SHIPS and Multi-Modal) are described below.

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 operating program, which was not bonded, was discontinued after the 2001-02 fiscal year. The capital program continues to utilize bond proceeds to provide grants to localities for expenses of highway and bridge capital improvement. Projects eligible for the capital program generally must have a minimum service life of at least 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. These temporary provisions had been set to expire on April 1, 2012, but were made permanent in the 2012-13 Enacted Budget.

The Program Legislation contains schedules for CHIPS capital aid to localities for State Fiscal Years 2000-01 through 2012-13. The 2012-13 Enacted Budget provides $363.1 million in commitments for CHIPS capital aid.

The following table portrays the funding authorization for the CHIPS Program since State Fiscal Year 2002-03.

CHIPS FUNDING AUTHORIZATION

State Fiscal Year	Funding Authorization (in millions)
2002-03	$242
2003-04	277
2004-05	277
2005-06	283
2006-07	309
2007-08	312
2008-09	363
2009-10	363
2010-11	363
2011-12	363
2012-13	363

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 various amounts 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. Projects eligible for the Marchiselli Program must have a minimum service life of at least ten years.

The Program Legislation contained a schedule for State matching funds under the Marchiselli Program for the State Fiscal Years 2002-03 through 2012-13. The 2012-13 Enacted Budget authorizes $39.7 million in Marchiselli aid. The funding authorization for this program for each year from State Fiscal Year 2002-03 through State Fiscal Year 2012-13 has been $39.7 million.

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.

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 at least 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
1999-2000	100

Metropolitan Transportation Authority

The Metropolitan Transportation Authority ("MTA") is responsible for operating, maintaining and improving public transportation in the Metropolitan Commuter Transportation District consisting of New York City and Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester counties. The MTA oversees the operations of the bus and subway systems in New York City, commuter railroads in the region, and seven bridges and two tunnels in New York City. This oversight includes general policy direction and development and financing of the operating and capital programs.

The 2012-13 Enacted Budget includes $770 million of new funding to support the MTA to fully fund the remaining years of the MTA's 2010-14 Capital Program. A portion of the proceeds of the Series 2012A Bonds will be used for the costs of capital projects for planning and design, acquisition, construction, reconstruction, replacement, improvement, reconditioning, rehabilitation and preservation, including the acquisition of real property and interests therein required or expected to be required in connection therewith, of urban and commuter passenger, freight rail, omnibus, mass transit and rapid transit systems, facilities and equipment, including acquisition, which are capital elements set forth in the 2010-14 Capital Program plans approved by the MTA Capital Program Review Board.

PART 6—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 on September 15 and March 15 of each year, commencing on March 15, 2013. In accordance with the Series Resolution, the Record Date with respect to any interest payment date on the Series 2012A Bonds will be the first day of the calendar month in which such interest payment date occurs, or if such day is not a business day in New York City, the next preceding business day.

The Series 2012A Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Principal and premium, if any, and interest on the Series 2012A Bonds will be payable through the Paying Agent. Purchases of beneficial interests from DTC in the Series 2012A Bonds will be made in book-entry only form (without certificates) in the principal amount of $5,000 or any integral multiple thereof. For so long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2012A Bonds, payments of the principal of, premium, if any, and interest on the Series 2012A Bonds will be made directly to DTC. Disbursement of such payment to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, each such term as hereinafter defined. (See "PART 7—BOOK ENTRY ONLY SYSTEM" below).

Redemption Provisions

The Series 2012A Bonds are subject to optional redemption as described below and in "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE STATE TRANSPORTATION REVENUE BOND RESOLUTION — Summary of Certain Provisions of the Standard Resolution Provisions — Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed."

Optional Redemption. The Series 2012A Bonds maturing on or before March 15, 2022 are not subject to optional redemption prior to maturity. The Series 2012A Bonds maturing on and after March 15, 2023 are subject to redemption prior to maturity on and after September 15, 2021 in any order at the option of the Authority, as a whole or in part, at any time, at par, plus accrued interest to the redemption date.

Selection of Bonds to be Redeemed. In the case of redemptions of Series 2012A Bonds at the option of the Authority, the Authority will select the maturities of the Series 2012A Bonds to be redeemed. If less than all of the Series 2012A Bonds of a maturity are to be redeemed, the Trustee shall assign to each Outstanding Series 2012A Bond of such maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed.

Notice of Redemption. The Trustee is to give notice of the redemption of the Series 2012A Bonds in the name of the Authority, which notice shall be given by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the Redemption Date to the registered owners of any Series 2012A Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority. The failure of any owner of a Series 2012A Bond to be redeemed

to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2012A Bonds. If directed in writing by the Authority, the Trustee shall publish or cause to be published such notice in an Authorized Newspaper not less than thirty (30) days nor more than forty-five (45) days prior to the Redemption Date, but such publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2012A Bonds.

If on the Redemption Date moneys for the redemption of the Series 2012A Bonds to be redeemed, together with interest thereon to the Redemption Date, are held by the Paying Agent so as to be available for payment of the Redemption Price, and if notice of redemption shall have been mailed, then interest on the Series 2012A Bonds to be redeemed will cease to accrue from and after the Redemption Date and such Series 2012A Bonds will no longer be considered to be Outstanding under the General Resolution.

For a more complete description of the redemption and other provisions relating to the Bonds, see "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE STATE TRANSPORTATION REVENUE BOND RESOLUTION."

PART 7—BOOK ENTRY ONLY SYSTEM

The following information concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable, but neither the Authority nor the Underwriters take responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2012A Bonds. The Series 2012A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012A Bond certificate will be issued for each stated maturity of the Series 2012A Bonds bearing interest at the same rate, each in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2012A BONDS, AS NOMINEE FOR DTC, REFERENCES HEREIN TO BONDHOLDERS OR OWNERS OF THE SERIES 2012A BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2012A BONDS.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant,

either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Series 2012A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012A Bonds with DTC and their registration in the name of Cede & Co. or such other 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.

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

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 issuer of the Series 2012A Bonds as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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 securities depository is not obtained, Series 2012A 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 Series 2012A Bond certificates will be printed and delivered to DTC.

NEITHER THE AUTHORITY NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR 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 SERIES 2012A BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2012A BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2012A BONDS.

PART 8—DEBT SERVICE REQUIREMENTS

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

12-Month Period Ending March 31	Series 2012A Bonds			Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service[(1),(2)(3)]	Aggregate Debt Service [(4)]
	Principal Payments	Interest Payments	Debt Service		
2013	$ 10,185,000	$ 12,965,768	$ 23,150,768	$ 2,299,943,041	$ 2,323,093,809
2014	16,305,000	24,493,000	40,798,000	2,292,080,792	2,332,878,792
2015	16,795,000	24,003,850	40,798,850	2,226,084,867	2,266,883,717
2016	17,365,000	23,432,050	40,797,050	2,191,815,253	2,232,612,303
2017	21,680,000	22,620,750	44,300,750	2,168,923,779	2,213,224,529
2018	21,435,000	21,636,750	43,071,750	2,143,941,525	2,187,013,275
2019	20,930,000	20,615,000	41,545,000	2,124,887,615	2,166,432,615
2020	22,675,000	19,668,500	42,343,500	2,101,443,077	2,143,786,577
2021	24,330,000	18,584,750	42,914,750	1,984,022,095	2,026,936,845
2022	24,310,000	17,418,250	41,728,250	1,878,304,012	1,920,032,262
2023	49,970,000	16,302,750	66,272,750	1,791,300,832	1,857,573,582
2024	25,130,000	13,854,250	38,984,250	1,767,444,505	1,806,428,755
2025	26,385,000	12,597,750	38,982,750	1,746,837,105	1,785,819,855
2026	27,705,000	11,278,500	38,983,500	1,755,211,875	1,794,195,375
2027	29,090,000	9,893,250	38,983,250	1,598,596,368	1,637,579,618
2028	30,545,000	8,438,750	38,983,750	1,609,589,712	1,648,573,462
2029	32,070,000	6,911,500	38,981,500	1,326,750,404	1,365,731,904
2030	33,675,000	5,308,000	38,983,000	1,158,276,942	1,197,259,942
2031	35,360,000	3,624,250	38,984,250	1,064,039,955	1,103,024,205
2032	37,125,000	1,856,250	38,981,250	941,044,624	980,025,874
2033	-	-	-	813,090,650	813,090,650
2034	-	-	-	770,204,308	770,204,308
2035	-	-	-	740,838,782	740,838,782
2036	-	-	-	664,149,417	664,149,417
2037	-	-	-	552,637,109	552,637,109
2038	-	-	-	481,234,025	481,234,025
2039	-	-	-	393,751,533	393,751,533
2040	-	-	-	263,043,439	263,043,439
2041	-	-	-	159,409,363	159,409,363
2042	-	-	-	70,627,488	70,627,488
Total[(3)(4)]	$523,065,000	$295,503,918	$818,568,918	$41,079,524,493	$41,898,093,411

(1) Interest on $303,935,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on assumed rates equal to the fixed swap rates paid by the applicable Authorized Issuers on the related interest rate exchange agreements and interest on $74,615,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on an assumed rate of 3.5 percent.

(2) The information set forth under the column captioned "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service" reflects debt service on outstanding State Personal Income Tax Revenue Bonds and on State Personal Income Tax Revenue Bonds contractually obligated to be issued and delivered by Authorized Issuers as of the date of this Official Statement. The State expects that Authorized Issuers will be issuing State Personal Income Tax Revenue Bonds from time to time and to the extent that such other State Personal Income Tax Revenue Bonds are either issued or contractually obligated to be issued and delivered pursuant to one or more executed bond purchase agreements or bond awards after the date of this Official Statement, this Official Statement will not be supplemented to reflect such updated information.

(3) Excludes debt service on outstanding State Personal Income Tax Revenue Bonds that are being refunded by the Series 2012A Bonds.

(4) Totals may not add due to rounding.

PART 9 – PLAN OF REFUNDING

A portion of the proceeds of the Series 2012A Bonds are being used to provide funds, together with other available moneys, to advance refund the maturities of the Refunded Bonds listed in Appendix F hereto.

Such portion of the proceeds of the Series 2012A Bonds is to be used to acquire Government Obligations, the principal of and interest on which, when due will provide moneys sufficient to pay the Redemption Price of the Refunded Bonds and the interest on such Refunded Bonds to the respective dates fixed for redemption.

The Government Obligations are to be deposited with the Trustee, acting as Escrow Agent, upon the issuance and delivery of the Series 2012A Bonds and pursuant to the Series Resolution and an escrow agreement (the "Escrow Agreement"), are to be held in trust solely for the payment of the Redemption Price of and interest on the Refunded Bonds. The Escrow Agreement will contain irrevocable instructions from the Authority to the Escrow 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 the Redemption Price of such Refunded Bonds.

In the opinion of Bond Counsel to the Authority, upon the deposit with the Escrow Agent of the amount of bond proceeds required by the Escrow Agreement and the purchase of the Government Obligations as described above, the Refunded Bonds will be deemed to have been paid with the meaning of the General Resolution. Such opinion will rely, among other things, upon the verification report described in "PART 15 – VERIFICATION OF MATHEMATICAL COMPUTATIONS."

PART 10—SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Series 2012A Bonds	$523,065,000.00
Original Issue Premium	89,601,656.95
Debt Service Fund Moneys Release	970,810.63
Total Sources	$613,637,467.58
Uses of Funds	
Deposit to Bond Proceeds Fund	$560,000,000.00
Deposit to Refunding Escrow Fund	46,570,763.26
Costs of Issuance*	4,628,479.63
Underwriters' Discount	2,438,224.69
Total Uses	$613,637,467.58

* Includes the New York State Bond Issuance Charge of $4,357,145.97.

PART 11—THE AUTHORITY

Introduction

The Authority, a body corporate and politic constituting a public corporation, created in 1950 by the Act, is empowered to 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 otherwise 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
E. Virgil Conway	January 1, 2017
José Holguín-Veras	December 12, 2018
Donna J. Luh	June 22, 2017
J. Donald Rice, Jr.	June 13, 2018
Brandon R. Sall	January 1, 2014
Richard N. Simberg	September 14, 2017

Howard P. Milstein was unanimously confirmed as Chairman of the New York State Thruway 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, *summa cum laude*, from Cornell University, along with a J.D. and a M.B.A. from Harvard University.

E. Virgil Conway was initially 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 most recently 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.

Jose Holguin-Veras, Ph.D., P.E., was confirmed as a member of the Authority Board in May 2010. Dr. Holguin-Veras is a Professor and Director of the Center for Infrastructure, Transportation, and the Environment at the Rensselaer Polytechnic Institute. Dr. Holguin-Veras received a Bachelor of Science degree in Civil Engineering from Universidad Autonoma de Santo Domingo; Master of Science degree in Transportation from Universidad Central de Venezuela; and a doctoral degree in transportation from the University of Texas at Austin.

Donna J. Luh was confirmed as a member of the Authority Board in June 2008. 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.

J. Donald Rice, Jr., was confirmed as a member of the Authority Board in May 2010. 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 a M.B.A. with distinction from Harvard Business School and a bachelor's degree in engineering with honors 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 with the New York State Department of Transportation between 1958 and 1991, including Assistant Commissioner for Engineering and Chief Engineer, and 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 New York State Thruway 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 Thruway 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, Mr. 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 General Counsel to the Authority.

Other Bond Programs

The Authority issues bonds and notes under its General Revenue Bond Resolution to finance capital projects for the Thruway System. The Authority's General Revenue Bonds are secured by toll and other revenues primarily generated by the operation of the Thruway System. The Authority's General Revenue Bonds have no lien on the payments due under the Financing Agreement which secure the Bonds and the Bonds have no lien on the revenues or pledged property securing the Authority's General Revenue Bonds.

Pursuant to its statutory mandate the Authority has also from time to time issued bonds to provide funds to finance primarily non-Authority transportation projects in the State. These bonds and the programs discussed below have no lien on the payments due under the State Transportation Revenue Bond Resolution which secures the Bonds and the Bonds have no lien on the revenues or pledged property securing such other bonds and programs. These bond programs include the Local Highway and Bridge Service Contract Bonds and Highway and Bridge Trust Fund Bonds, all issued in multiple Series for State and local highway purposes. These bond programs require varying debt service payments which are payable solely from payments received by the Authority under contractual agreements with the State. In each of these bond programs, the obligation of the State to make such payments is subject to, and dependent upon, annual State legislative appropriations. The State may from time to time authorize the Authority by statute to undertake additional financing activities.

Under the Authorizing Legislation, the Series 2012A Bonds are special limited obligations of the Authority secured by and payable solely from Financing Agreement 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 Series 2012A 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.

Under the Act, the Authority will remain in existence for at least as long as it has bonds, notes or other obligations outstanding.

PART 12—AGREEMENT OF THE STATE

The Act provides that the State pledges and agrees with the holders of the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to, among other things, fulfill the terms of any agreements made with the holders of the Authority's notes and bonds or in any way impair the rights and remedies of the holders of such notes and bonds until such notes and bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes and bonds are fully met and discharged. The General Resolution includes such pledge to the fullest extent enforceable under applicable Federal and State law. Nevertheless, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax imposed pursuant to Article 22 of the

Tax Law. An Event of Default under the General Resolution would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes and fees.

PART 13—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 A" under the heading "Litigation" for a description of certain litigation relating to the State generally.

PART 14—TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2012A Bonds for interest thereon to be and remain not includable in gross income under Section 103 of the Code. Non-compliance with such requirements could cause the interest on the Series 2012A Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. The Authority has covenanted in the General Resolution and will covenant in its Tax Certificate to be executed and delivered in connection with the issuance of the Series 2012A Bonds to comply with applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2012A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. The State has agreed in the Financing Agreement that if the Authority is required to pay over or rebate to the United States any investment earnings with respect to the Series 2012A Bonds, the State will pay to the Authority on a timely basis such amount as is necessary to maintain the exclusion of interest on the Series 2012A Bonds from gross income for federal income tax purposes. In addition, the Authority, the Commissioner of Transportation and certain other entities benefitting from the Series 2012A Bonds have in their respective certificates made certain representations and certifications of fact and statements of reasonable expectations relating to federal income tax matters. Bond Counsel will not independently verify the accuracy of those certifications and representations.

In the opinion of Sidley Austin LLP, Bond Counsel, based on current law and except as provided in the following sentences, interest on the Series 2012A Bonds is not includable in gross income for purposes of federal income taxation. Interest on the Series 2012A Bonds will be includable in gross income for purposes of federal income taxation retroactive to their date of issuance if the Authority or another entity benefiting from the Series 2012A Bonds fails to comply, subsequent to the issuance of the Series 2012A Bonds with the covenants, agreements, representations and certifications described above relating to compliance with certain federal income tax matters, including requirements of the Code and covenants regarding the use, expenditure and investment of the Series 2012A Bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury. Bond Counsel will render no opinion as to the effect on the exclusion from gross income of interest on the Series 2012A Bonds of any action taken or not taken upon the advice or approval of other counsel.

Interest on the Series 2012A Bonds is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals and corporations under the Code. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of ownership of the Series 2012A Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income. Interest on the Series 2012A Bonds owned by a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S-corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers of the Series 2012A Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Under existing law, the interest on the Series 2012A Bonds is exempt from existing personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers.

Original Issue Discount

The excess, if any, of the amount payable at maturity of any maturity of the Series 2012A Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Series 2012A Bonds with original issue discount (the "Discount Bonds"), will be excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2012A Bonds. In general, the issue price of a maturity of the Series 2012A Bonds is the first price at which a substantial amount of Series 2012A Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Bond is increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such substantially identical Series 2012A Bonds is sold to the public may be determined according to rules that differ from those described above.

Owners of Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Discount Bonds and with respect to State of New York and local tax consequences of owning and disposing of Discount Bonds.

Premium Bonds

The excess of the tax adjusted basis of the Series 2012A Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Series 2012A Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Bond premium is amortized over the term of such Series 2012A Bonds for

federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of such Series 2012A Bonds are required to decrease their adjusted basis in such Series 2012A Bonds by the amount of amortizable bond premium attributable to each taxable year such Series 2012A Bonds are held. The amortizable bond premium on such Series 2012A Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on such Series 2012A Bonds. Owners of such Series 2012A Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Series 2012A Bonds and with respect to the state and local tax consequences of owning and disposing of such Series 2012A Bonds.

Backup Withholding

Interest paid on the Series 2012A Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Series 2012A Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Future Developments

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Series 2012A Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Series 2012A Bonds. Prospective purchasers of the Series 2012A Bonds should consult their tax advisors regarding any future, pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

For example, based on a proposal by the President, the Senate Majority Leader introduced a bill, S. 1549 (the "Proposed Legislation"), which, if enacted, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Series 2012A Bonds, to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of thresholds specified in the Proposed Legislation in tax years beginning after December 31, 2012. The Proposed Legislation would also provide special rules for such bondholders that are also subject to the alternative minimum tax. It is unclear if the Proposed Legislation will be enacted, whether in its current or an amended form, or if other legislation that would subject interest on the Series 2012A Bonds to a tax or cause interest on the Series 2012A Bonds to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted, in its current form or as it may be amended, or such other legislation on their individual situations.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the Code generally prohibit certain transactions between employee benefit plans under ERISA or tax qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In addition, each fiduciary of a Plan ("Plan Fiduciary") must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Series 2012A Bonds, including the role that such an investment in the Series 2012A Bonds would play in the Plan's overall investment portfolio. Each Plan Fiduciary, before deciding to invest in the Series 2012A Bonds, must be satisfied that such investment in the Series 2012A Bonds is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Series 2012A Bonds, are diversified so as to minimize the risk of large losses, and that an investment in the Series 2012A Bonds complies with the documents of the Plan and related trust, to the extent such documents are consistent with ERISA. All Plan Fiduciaries, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Series 2012A Bond.

PART 15 – VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations was independently verified by AMTEC Corporation of Avon, Connecticut and Ross & Company, PLLC (a Certified Public Accountant) of Louisville, Kentucky (collectively, the "Verification Agent"). These computations, which were provided by J.P. Morgan Securities LLC, indicate (i) the sufficiency of the receipts from the Government Obligations, together with an initial cash deposit, to pay to and at early redemption, the principal of and interest on the Refunded Bonds and (ii) the yields to be considered in determining that the Series 2012A Bonds are not "arbitrage bonds" under Section 148 of the Internal Revenue Code. The Verification Agent relied upon assumptions and information supplied by the Underwriters on behalf of the Authority and has not made any study or examination of them, except as noted in its report. The Verification Agent has not expressed an opinion on the reasonableness of the assumptions or the likelihood that the debt service requirements of the Refunded Bonds will be paid as described in its report.

PART 16—RATINGS OF THE SERIES 2012A BONDS

The Series 2012A Bonds have been rated "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and "AA" by Fitch Ratings. 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.

PART 17—UNDERWRITING

The Underwriters 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 $610,228,432.26 reflecting an aggregate original issue premium of $89,601,656.95 and an underwriters' discount of $2,438,224.69, and to reoffer such Series 2012A Bonds at the yields 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 yields higher than such yields and such yields 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. The

Underwriters have designated J.P. Morgan Securities LLC as Representative of the Underwriters of the Series 2012A Bonds.

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

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

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, an underwriter of the Series 2012A Bonds, 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 compensation with respect to the Series 2012A Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

PART 18—LEGALITY OF INVESTMENT AND DEPOSIT

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.

PART 19—CERTAIN LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Series 2012A Bonds are subject to the approval of Sidley Austin LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters are subject to the approval of the William J. Estes, Esq., General Counsel of the Authority and of Harris Beach PLLC, New York, New York, 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 Financing Agreement.

PART 20—FINANCIAL ADVISORS

First Southwest Company is serving as Financial Advisor to the Authority and Estrada Hinojosa & Company, Inc. is serving as Co-Financial Advisor to the Authority in connection with the issuance of the Series 2012A Bonds. The Financial Advisors have not been engaged to undertake an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisors have reviewed the information in this Official Statement but do not guarantee the accuracy or completeness thereof.

PART 21—CONTINUING DISCLOSURE

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

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

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2012A Bonds, may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2012A Bonds, may recover monetary damages thereunder under any circumstances. Any holder of State Personal Income Tax Revenue Bonds, including the holders of Series 2012A Bonds, including any beneficial owner, may enforce the Master

Disclosure Agreement to the equal and proportionate benefit of all holders similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

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

PART 22—MISCELLANEOUS

The references herein to the Enabling Act, the Act, the Program Legislation, the State Transportation Revenue Bond Resolution and the Financing Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the Enabling Act, the Act, the Program Legislation, the State Transportation Revenue Bond Resolution and the Financing Agreement for full and complete statements of such provisions. Copies of the Act, the Program Legislation and the State Transportation Revenue Bond Resolution are available at the office of the Authority. A copy of the Financing Agreement appears as Appendix C hereto.

The agreements of the Authority with the Holders of the Series 2012A Bonds are fully set forth in the State Transportation Revenue Bond 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.

Certain information concerning the State (which is either included in or appended to this Official Statement) has been furnished or reviewed and authorized for use by the Authority by such sources as described in this Official Statement. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources.

The State provided the information relating to the State in "APPENDIX A — INFORMATION CONCERNING THE STATE OF NEW YORK."

The Underwriters have not provided any information contained in this Official Statement except for the information contained under the caption "PART 17—UNDERWRITING" and certain financial and statistical information relating to the Series 2012A Bonds.

The Director of the Budget of the State of New York is to certify that the statements and information appearing (i) under the headings "PART 1—SUMMARY STATEMENT" (except under the subcaption "Purpose of Issue; Security for Series 2012A Bonds" as to which no representation is made), "PART 2—INTRODUCTION" (the second, third, sixth, seventh and eighth paragraphs only), "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS", (ii) under the heading "PART 4—SOURCES OF NEW YORK STATE

PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND", (iii) under the heading captioned "PART 8—DEBT SERVICE REQUIREMENTS" as to the column "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service" and (iv) in the "Annual Information Statement of the State of New York", including any updates or supplements, included in Appendix A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, however, that while the statements and information contained in Appendix A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, further, however, that with regard to the statements and information in Appendix A hereto under the caption "Litigation", such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 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.

NEW YORK STATE THRUWAY AUTHORITY

By: /s/ John M. Bryan
Authorized Officer

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APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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

August 10, 2012

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

In this AIS Update, readers will find:

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

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

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

4. A summary of GAAP-basis results for prior three fiscal years.

5. Updated information regarding the State Retirement Systems.

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

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

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

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

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections or other information relating to the State's

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

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

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

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

In July 2012, OSC issued the Basic Financial Statements for FY 2012 (ended March 31, 2012). Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2012 can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

This AIS Update has been supplied by the State pursuant to its contractual obligations under various continuing disclosure agreements ("CDA") entered into by the State in connection with financings of the State, as well as certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations.

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

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

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OVERVIEW OF THE UPDATED FINANCIAL PLAN

INTRODUCTION

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

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

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

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

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

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

SUMMARY

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

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

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

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

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

MULTI-YEAR FINANCIAL PLAN REVISIONS

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

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS
SUMMARY OF MAJOR CHANGES FROM ENACTED BUDGET
(millions of dollars)

	FY 2013	FY 2014	FY 2015	FY 2016
ENACTED BUDGET SURPLUS/(GAP) FORECAST	**0**	**(950)**	**(3,415)**	**(4,130)**
Collective Bargaining (Net Impact)	0	0	(59)	(95)
Litigation: Gyrodyne Judgment	(16)	4	4	4
Receipts Forecast	49	2	(75)	(102)
Disbursements Forecast	(33)	(38)	(45)	(47)
UPDATED BUDGET SURPLUS/(GAP) FORECAST	**0**	**(982)**	**(3,590)**	**(4,370)**

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

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

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

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

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

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

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FIRST QUARTER OPERATING RESULTS (APRIL-JUNE 2012)

GENERAL FUND RESULTS VERSUS ENACTED BUDGET

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

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

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

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

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

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

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

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

GENERAL FUND YEAR-OVER-YEAR RESULTS

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

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

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

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

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

STATE OPERATING FUNDS RESULTS VERSUS ENACTED BUDGET

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

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

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

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

STATE OPERATING FUNDS YEAR-OVER-YEAR RESULTS

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

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

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

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

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

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

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

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

BUDGET RISKS AND UNCERTAINTIES

While it is estimated in the Updated Financial Plan that the General Fund will remain in balance in FY 2013, there can be no assurance that the State will end the current fiscal year in General Fund balance on a budgetary (cash) basis of accounting, or that the General Fund budget gaps will not increase materially from current projections. If such events were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

State law grants the Executive certain powers to achieve the Medicaid savings assumed in the Updated Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated. In addition, savings are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, revenue performance in the State's HCRA fund, which provides support for approximately one-third of the DOH State-share of Medicaid costs, and the participation of health care industry stakeholders. In particular, funding resources that are expected to be generated through health care surcharges and other provider assessments may decline as a result of Medicaid redesign initiatives which reduce expenditures and unnecessary utilization, as well as from the continued shift of fee-for-service delivery models to managed care. An inability to achieve these planned savings would reduce the available funding support for Medicaid from HCRA, and could potentially require a commensurate level of additional General Fund support in order to meet program needs.

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

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State is entitled to proceeds from a health care conversion, and such must be used for health-care-related expenses. The Updated Financial Plan continues to count on proceeds of $250 million in FY 2013 and $300 million annually in FYs 2014, 2015, and 2016, which would be deposited into the HCRA account. If a conversion does not occur on the timetable or at the levels assumed in the Updated Financial Plan, the State will be required to take other actions to increase available resources or to reduce planned spending in HCRA.

STATUS OF CURRENT LABOR NEGOTIATIONS

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

Employees in the unions that have reached settlements with the State have contingent layoff protection for FY 2013 and limited continuing layoff protection for the full term of the agreements. Reductions in force due to management decisions to close or restructure facilities authorized by legislation, SAGE Commission recommendations, or material or unanticipated changes in the State's fiscal circumstances are not covered by this protection.

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

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Updated Financial Plan continues to include a planned reserve to cover the costs of a pattern settlement with unions that have not agreed to contracts for prior contract periods. The amount of the reserve is based on the general salary increases agreed to by the State's largest unions for the same period. There can be no assurance that actual settlements for prior periods will not exceed the amounts reserved. In addition, the State's ability to fund the amounts reserved in FY 2014 and beyond depends on the achievement of balanced budgets in those years.

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

CURRENT CASH-FLOW PROJECTIONS

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

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

Based on current information, DOB expects that the State will have sufficient liquidity to make payments as they become due throughout FY 2013, but that the General Fund may, from time to time, need to borrow resources temporarily from other funds in STIP. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants. Consistent with prior years, DOB estimates that available daily balances in STIP from time to time will reach relatively low levels in the third and fourth quarters of the current fiscal year. DOB continues to monitor the flow of funds and may take action from time to time to manage the timing of payments.

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

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

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

FEDERAL ACTIONS

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

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

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

In addition, the Updated Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government, and, although no official audit has commenced, questions have been raised with respect to the reimbursement methodology used for New York State OPWDD-delivered developmental center services. The rates paid for these services are established in full accordance with the methodology set forth in New York's federally-approved State Plan. While New York State continues to work collaboratively with its Federal partners to resolve these concerns, adverse action by the Federal government relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program.

PENSION AMORTIZATION

Under legislation enacted in August 2010, the State and local governments may amortize (defer paying) a portion of their annual pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by public employers in a given fiscal year, but results in higher costs overall when repaid with interest. The legislation enacted a formula to set amortization thresholds for each year. The amortization thresholds may increase or decrease by up to one percentage point annually. Pension contribution costs in excess of the amortization thresholds, which, in FY 2013 are 11.5 percent of payroll for the Employees Retirement System (ERS) and 19.5 percent for the Police and Fire Retirement System (PFRS), may be amortized.

The Enacted Budget Financial Plan assumes that the State will continue to amortize a portion of its pension costs, pursuant to the FY 2011 legislation. The State's minimum ERS pension contribution rate, as a percentage of payroll, was 9.5 percent in FY 2011, 10.5 percent in FY 2012 and is 11.5 percent in FY 2013, and is expected to be 12.5 percent in FY 2014, 13.5 percent in FY 2015 and 14.5 percent in FY 2016. The PFRS rate was 17.5 percent in FY 2011, 18.5 percent in FY 2012 and is 19.5 percent in FY 2013 and is expected to be 20.5 percent in FY 2014, 21.5 percent in FY 2015 and 22.5 percent in FY 2016. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization thresholds. In addition, the State is required to begin repayment of the amounts amortized beginning in the fiscal year immediately following the amortizations. Repayment of the amortized amounts is required to be made over a period of not more than ten years at an interest rate to be determined by the State Comptroller annually for amounts amortized in that year and with the rate fixed for the entire term of that amortization.

In February and March 2012, the State made pension payments that totaled $1.321 billion for FY 2012, and amortized $491 million. This payment included a $118 million pre-payment of certain outstanding liabilities. In addition, the State's Office of Court Administration (OCA) made its pension payment of $190 million, and amortized $72 million. The $563 million in total deferred payments will be repaid with interest over the next ten years, beginning in the current fiscal year, FY 2013. For amounts amortized in FY 2011 and FY 2012, the State Comptroller set interest rates of 5 percent and 3.75 percent, respectively. The Enacted Budget Financial Plan assumes that both the State and OCA will elect to amortize pension costs in future years, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 3.75 percent over ten years from the date of each deferred payment.

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

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

Fiscal Year	Normal Costs[2]	New Amortized Amounts	Amortization Payment	Additional Contributions	Total	Reserves for Rate Increases	Plus Interest at 3.75%
2011 Actual	1,552.8	(249.6)	0.0	0.0	1,303.2	0.0	0.0
2012 Actual	2,041.7	(562.9)	32.3	0.0	1,511.1	0.0	0.0
2013 Projected	2,088.5	(781.9)	100.9	0.0	1,407.5	0.0	0.0
2014 Projected	2,388.6	(770.6)	196.1	0.0	1,814.1	0.0	0.0
2015 Projected	2,683.7	(915.5)	289.9	0.0	2,058.1	0.0	0.0
2016 Projected	2,421.1	(553.9)	401.4	0.0	2,268.6	0.0	0.0
2017 Projected	2,317.1	(435.3)	468.8	0.0	2,350.6	0.0	0.0
2018 Projected	2,399.3	(343.4)	521.8	0.0	2,577.7	0.0	0.0
2019 Projected	2,434.4	(195.7)	563.6	0.0	2,082.3	0.0	0.0
2020 Projected	2,510.3	(93.2)	587.4	0.0	3,004.5	0.0	0.0
2021 Projected	2,649.7	(34.9)	598.8	0.0	3,213.6	0.0	0.0
2022 Projected	2,197.4	0.0	570.7	362.7	3,130.8	0.0	0.0
2023 Projected	1,989.2	0.0	313.2	510.4	2,812.8	0.0	0.0
2024 Projected	1,766.6	0.0	84.9	666.6	2,518.1	340.3	353.0
2025 Projected	1,528.9	0.0	0.0	831.8	2,360.7	1,172.1	1,229.2
2026 Projected	1,125.9	0.0	0.0	1,155.8	2,281.7	2,327.9	2,474.5

Source: NYS DOB.
1. Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this AIS include these costs.
2. Includes payments from amortization prior to FY 2011. Such prior amortization payments will end in FY 2016.

DEBT REFORM ACT LIMIT

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

In general, the projections for new bonding over the five-year capital plan do not assume new or increased debt authorizations. Current projections estimate that debt outstanding and debt service will continue to remain below the limits imposed by the Act. However, the State is continuing through a period of relatively limited debt capacity. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $3.6 billion in FY 2012 to $752 million in FY 2014, then increase. The State is continuing to implement measures to address capital spending priorities and debt financing practices.

NEW DEBT OUTSTANDING - CAPPED AT 4 PERCENT OF PERSONAL INCOME
(millions of dollars)

Year	Personal Income	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	983,868	4.00%	3.64%	3,552	0.36%
FY 2013	1,018,904	4.00%	3.87%	1,366	0.13%
FY 2014	1,068,876	4.00%	3.93%	752	0.07%
FY 2015	1,129,704	4.00%	3.91%	1,064	0.09%
FY 2016	1,187,324	4.00%	3.87%	1,524	0.13%
FY 2017	1,245,033	4.00%	3.79%	2,610	0.21%

NEW DEBT SERVICE COSTS - CAPPED AT 5 PERCENT OF ALL FUNDS RECEIPTS
(millions of dollars)

Year	All Funds Receipts	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	132,745	4.65%	2.65%	2,652	2.00%
FY 2013	133,444	4.98%	2.85%	2,848	2.13%
FY 2014	138,732	5.00%	2.96%	2,830	2.04%
FY 2015	142,887	5.00%	3.05%	2,793	1.95%
FY 2016	147,712	5.00%	3.12%	2,782	1.88%
FY 2017	153,922	5.00%	3.16%	2,834	1.84%

SECURED HOSPITAL PROGRAM

Under the Secured Hospital program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State MCFFA and by DASNY through the Secured Hospital program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of March 31, 2012, there were about $503 million of outstanding bonds for the program.

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

BOND MARKET

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

LITIGATION

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

OTHER POST-EMPLOYMENT BENEFITS

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

In accordance with GASB 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2012, the ARC represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2012, an actuarial valuation of OPEB liabilities was performed as of April 1, 2010. The valuation calculated the present value of the actuarial accrued total liability for benefits as of April 1, 2010 at $72.1 billion ($59.7 billion for the State and $12.4 billion for SUNY), determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method. An actuarial valuation of OPEB liabilities as of April 1, 2012 is being performed and is expected to be finalized later this year.

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

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

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

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2013 THROUGH 2016

INTRODUCTION

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

The State's cash-basis budgeting system, complex fund structure, and practice of earmarking certain tax receipts for specific purposes, complicate the discussion of the State's receipts and disbursements projections. Therefore, to minimize the distortions caused by these factors and, equally important, to highlight relevant aspects of the projections, DOB has adopted the following approaches in summarizing the projections:

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The latter perspective reflects overall estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends and forecast assumptions, by factoring out the distorting effects of earmarking certain tax receipts.

- **Disbursements:** Over 40 percent of projected State-financed spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, School Aid, higher education, transportation and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this Updated Financial Plan. Accordingly, in terms of out-year projections (FY 2014 through FY 2016), FY 2014 is the most relevant from a planning perspective.

SUMMARY

The following tables present the multi-year projections and growth rates for the General Fund and State Operating Funds, as well as a reconciliation between the State Operating Funds projections and the General Fund budget gaps[2]. The tables are followed by an updated economic forecast and a summary of the multi-year receipts and disbursements forecasts.

GENERAL FUND PROJECTIONS
(millions of dollars)

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

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

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

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

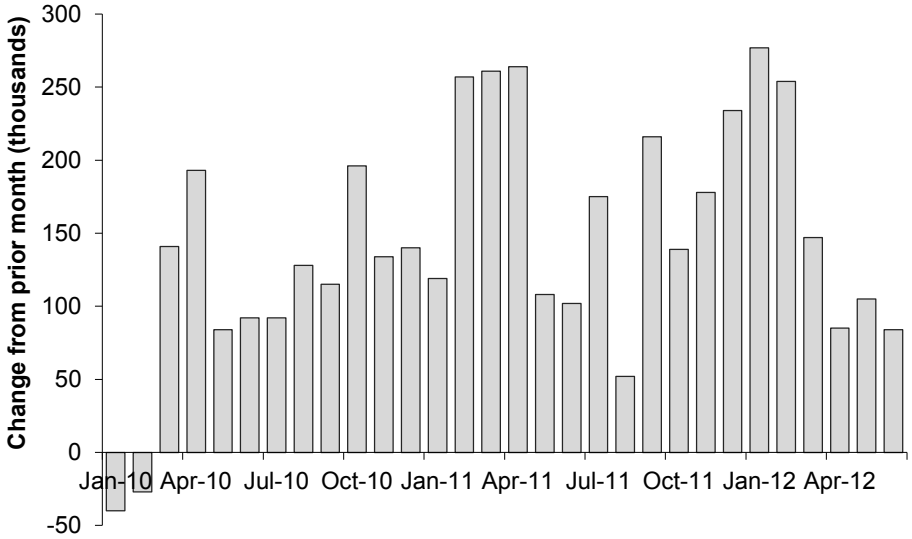
[1] All Other includes spending in a number of other programs, including parks and the environment, economic development, and public safety.

ECONOMIC BACKDROP

THE NATIONAL ECONOMY

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

U.S. Private Sector Job Gains Decelerate … Again



Source: Moody's Analytics.

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

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

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

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

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

Source: Moody's Analytics; DOB staff estimates.

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

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

growth could be stronger than anticipated, since energy price growth acts as a virtual tax on household spending.

THE NEW YORK STATE ECONOMY

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

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

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

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

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

ALL FUNDS RECEIPTS PROJECTIONS

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

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

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

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

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

CHANGE FROM ENACTED BUDGET FORECAST PROVIDED IN AIS

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

[1] Excludes Transfers.

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

MULTI-YEAR RECEIPTS

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

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

REVENUE RISKS

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

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

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

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

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

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

PERSONAL INCOME TAX

PERSONAL INCOME TAX
(millions of dollars)

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

[1] Excludes Transfers.

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

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

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

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

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

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

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

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

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

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

PERSONAL INCOME TAX
(millions of dollars)

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

[1] Excludes Transfers.

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

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

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

USER TAXES AND FEES

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

[1] Excludes Transfers.

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

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

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

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

[1] Excludes Transfers.

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

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

USER TAXES AND FEES
(millions of dollars)

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

[1] Excludes Transfers.

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

BUSINESS TAXES

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

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

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

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

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

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

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

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

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

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

OTHER TAXES

OTHER TAXES
(millions of dollars)

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

[1] Excludes Transfers.

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

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

OTHER TAXES CHANGE FROM ENACTED BUDGET FORECAST
(millions of dollars)

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

[1] Excludes Transfers.

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

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

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

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

[1] Excludes Transfers.

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

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

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

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

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

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in Federally-reimbursed spending and Federal allocations. While the timing of Federal receipts can sometimes be difficult to predict, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs. All Funds Federal grants are projected to total $42.6 billion in FY 2013, a decrease of $2 billion from FY 2012, which largely reflects the expiration of certain Federal ARRA moneys.

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

[1] Excludes Transfers.

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

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

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

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

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

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

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

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

DISBURSEMENTS

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

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

Over the multi-year Financial Plan, State Operating Funds spending is expected to increase by an average annual rate of 3.5 percent. The projections reflect spending at the capped growth rates for Medicaid and School Aid, and contemplate the effect of national health care reform on State health care costs. The projections do not reflect any potential impact of automatic spending reductions that will be triggered if the Federal government does not enact an alternative deficit reduction plan.

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

LOCAL ASSISTANCE GRANTS

Local assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at $58.8 billion in FY 2013 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

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

[1] Reflects estimated FY 2012 results.

EDUCATION

SCHOOL AID

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

School Year (July 1 — June 30)

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

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

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

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

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

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

State Fiscal Year

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

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

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

	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**19,662**	**20,056**	**2.0%**	**20,911**	**4.3%**	**21,725**	**3.9%**	**22,671**	**4.4%**
General Fund Local Assistance	16,778	17,003	1.3%	17,832	4.9%	18,641	4.5%	19,585	5.1%
Core Lottery Aid	2,147	2,187	1.9%	2,200	0.6%	2,195	-0.2%	2,197	0.1%
VLT Lottery Aid	682	847	24.2%	879	3.8%	889	1.1%	889	0.0%
General Fund Lottery/VLT Guarantee	55	19	-65.5%	0	-100.0%	0	0.0%	0	0.0%

State spending for School Aid is projected to total $20 billion in FY 2013. In future years, receipts available to finance School Aid from core lottery sales is projected to remain relatively flat while VLT receipts are anticipated to increase through FY 2015 as a result of the new VLT facility at the Aqueduct Racetrack. In addition to State aid, school districts receive over $3 billion annually in Federal categorical aid.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2013 are: the basic school property tax exemption for homeowners with income under $500,000 (57 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (25 percent), and a flat refundable credit and rate reduction for New York City resident personal-income taxpayers (18 percent).

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

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

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

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

The multi-year Financial Plan includes a new policy whereby the Department of Taxation and Finance will instruct local assessors to withhold the STAR exemption benefit from taxpayers who have a State-imposed and State-administered tax liability of $4,500 or more, and own a home that is STAR-eligible. New York City residents who are similarly in arrears would lose their City PIT rate-reduction benefit, as well as the State School Tax Reduction Credit.

OTHER EDUCATION AID

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

Major programs under the Office of Prekindergarten through Grade 12 Education address specialized student needs or reimburse school districts for education-related services, including the school breakfast and lunch programs, non-public school aid, and various special education programs. In special education, New York provides a full spectrum of services to over 400,000 students from ages 3 to 21. Higher and professional education programs monitor the quality and availability of postsecondary education programs and regulate the licensing and oversight of 49 professions. FY 2013 has been updated to reflect the timing of payments previously allocated in FY 2012.

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

OTHER EDUCATION
(millions of dollars)

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

HIGHER EDUCATION

Local assistance for higher education spending includes funding for CUNY, SUNY and HESC. The State provides reimbursements to New York City for costs associated with CUNY's senior college operations, and works in conjunction with the City of New York to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses. HESC administers the TAP program that provides awards to income-eligible students and provides centralized processing for other student financial aid programs. The financial aid programs that the Corporation administers are funded by the State and the Federal government.

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

HIGHER EDUCATION

(millions of dollars)

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

[1] State support for SUNY 4-year institutions is funded through State operations rather than local assistance.
[2] Beginning in academic year 2011-12, the SUNY hospital subsidy will be funded as a transfer from General Fund State operations rather than local assistance.

Growth in spending for higher education over the plan period largely reflects aid to New York City for reimbursement of CUNY senior college operating expenses associated with the rising contribution rates for fringe benefits, and increased support for the TAP program, which reflects the impact of upward trends in student enrollment at institutions of higher education.

HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The DOH works with the local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts. The Medicaid program finances inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed

care, prescription drugs, home care, FHP, and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services, foster care services and inpatient hospital services provided to inmates on medical leave from State correctional facilities). The State share of Medicaid spending is budgeted and expended principally through DOH, but State share Medicaid spending also appears in the mental hygiene agencies, child welfare programs, School Aid and DOCCS. Medicaid spending is reported separately in the Financial Plan tables for each of the agencies.

MEDICAID

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

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

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

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

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

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

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

The FY 2013 Enacted Budget includes authorization to establish a phased-takeover of local government administration of the Medicaid program, and to cap spending on local Medicaid administration at FY 2012 appropriation levels. The FY 2013 Enacted Budget also provides Medicaid spending relief for all counties and New York City by reducing the growth in local Medicaid payments. These changes are expected to further provide fiscal and administrative relief to local governments, consistent with other legislation the State has enacted in recent years to reduce the tax burden on its citizens.

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

DEPARTMENT OF HEALTH MEDICAID
(millions of dollars)

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

[1] Does not include Medicaid spending in other State agencies, DOH State operations spending, or the local government share of total Medicaid program spending.
[2] Excludes benefits realized in other State agencies. Costs in FY 2013 reflect the reconciliation of the local share benefit for FY 2012 that will occur in FY 2013.

PUBLIC HEALTH/AGING PROGRAMS

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

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

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

PUBLIC HEALTH AND AGING

(millions of dollars)

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

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

The decline in FY 2013 spending is due in large part to decreased Federal aid. The F-SHRP program was provided to the State on a time-limited basis (expiring March 31, 2014) through a Federal waiver under certain terms and conditions aimed at improving the delivery and access of community health care services. EPIC spending is projected to temporarily decline in FY 2013, since the more expansive coverage authorized in the FY 2013 Enacted Budget does not take effect until January 1, 2013. After FY 2014, EPIC coverage is expected to stabilize, while spending is projected to increase due to the rising costs of prescription medication.

HCRA FINANCIAL PLAN

HCRA was established in 1996 to help finance a portion of State health care activities in various areas of the budget: Medicaid, Public Health, and the Department of Financial Services. Extensions and modifications to HCRA continue to finance new health care programs, including FHP, and provide additional funding for the expansion of existing programs such as CHP.

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

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

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

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

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

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

MENTAL HYGIENE

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

MENTAL HYGIENE
(millions of dollars)

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

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 4.6 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the mental hygiene service systems, including: increases primarily associated with the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline. Additional outyear spending is assumed in Updated Financial Plan estimates for costs associated with efforts to move individuals in nursing homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

SOCIAL SERVICES

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

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

[1] Reflects additional spending in FY 2013 that is the result of FY 2012 payment delays.

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

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

CHILDREN AND FAMILY SERVICES (millions of dollars)	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**1,604**	**1,543**	**-3.8%**	**1,891**	**22.6%**	**1,990**	**5.2%**	**2,094**	**5.2%**
Child Welfare Service	446	330	-26.0%	463	40.3%	508	9.7%	556	9.4%
Foster Care Block Grant	436	436	0.0%	464	6.4%	492	6.0%	521	5.9%
Adoption	181	175	-3.3%	182	4.0%	190	4.4%	199	4.7%
Day Care	143	220	53.8%	355	61.4%	354	-0.3%	354	0.0%
Youth Programs	109	125	14.7%	150	20.0%	155	3.3%	156	0.6%
Medicaid	113	93	-17.7%	117	25.8%	122	4.3%	127	4.1%
Committees on Special Education	64	39	-39.1%	42	7.7%	46	9.5%	51	10.9%
Adult Protective/Domestic Violenc	33	34	3.0%	39	14.7%	44	12.8%	51	15.9%
All Other	79	91	15.2%	79	-13.2%	79	0.0%	79	0.0%

OCFS spending reflects expected growth in claims-based programs and an increase in child care General Fund spending to offset a reduction in available TANF dollars.

TRANSPORTATION

In FY 2013, the DOT will provide $4.4 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. The MTA, due to the size and scope of its transit system, receives the majority of the statewide mass transit operating aid. Additionally, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Spending from this fund is projected to grow between 4 percent and 10 percent each year from FY 2014 to FY 2016. Legislation enacted in December 2011 eliminated the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The State is compensating the MTA for the decrease in receipts from the December 2011 tax reduction and is expected to continue to compensate the MTA over the multi-year Financial Plan.

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

LOCAL GOVERNMENT ASSISTANCE

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

ALL OTHER LOCAL ASSISTANCE SPENDING

LOCAL GOVERNMENT ASSISTANCE

(millions of dollars)

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

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

AGENCY OPERATIONS

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

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

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

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

[2] As Percent of Salary.

Growth in agency operating spending over the multiple years of the Updated Financial Plan is concentrated in agencies that operate large facilities, such as the State University, the mental hygiene agencies, and Corrections and Community Supervision. The main causes of growth include inflationary increases in operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities, offset by expected savings from enterprise procurement efforts.

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

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

STATE OPERATING FUNDS - AGENCY OPERATIONS
(millions of dollars)

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

GENERAL STATE CHARGES

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

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

GENERAL STATE CHARGES
(millions of dollars)

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

GSCs are projected to increase at an average annual rate of 5.1 percent over the Financial Plan period. The annual decrease in FY 2013 is driven by the impact of collective bargaining agreements, workforce attrition and the prepayment of certain pension costs in FY 2012. These declines are partially offset by increased workers' compensation payments commensurate with 2007 legislative reforms and Court of Claims payments related to the Gyrodyne eminent domain lawsuit against the State. Increases in future years are driven by projected growth in health insurance and pension costs, offset by revenue collected from fringe benefit assessments, particularly from the mental hygiene agencies.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

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

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

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

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

DEBT SERVICE

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Results	FY 2013 Updated	Annual Change	Percent Change
General Fund	**1,516**	**1,564**	**48**	**3.2%**
Other State Support	4,348	4,536	188	4.3%
State Operating Funds	**5,864**	**6,100**	**236**	**4.0%**
Total All Funds	**5,864**	**6,100**	**236**	**4.0%**

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

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

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

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

The following table summarizes recent governmental funds results on a GAAP basis. The State issued the Basic Financial Statements for FY 2012 in July 2012.

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

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2012	137	56	80	346	619	(1,868)
March 31, 2011	1,529	742	198	(568)	1,901	(2,009)
March 31, 2010	(594)	(722)	378	1,061	123	(3,538)

Summary of Net Assets
(millions of dollars)

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

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

STATE RETIREMENT SYSTEMS

GENERAL

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

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

THE SYSTEMS

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 34 percent of the membership during FY 2012. There were 3,039 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2012, approximately 656,000 persons were members of the Systems and approximately 403,000 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be "a contractual relationship, the benefits of which shall not be diminished or impaired."

COMPARISON OF BENEFITS BY TIER

The Systems' members are categorized into six tiers depending on date of membership. As of March 31, 2012, approximately 87 percent of ERS members were in Tiers 3 and 4 and approximately 93 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and made significant changes to the benefit structure for ERS members joining on or after January 1, 2010 and PFRS members joining on or after January 9, 2010. Tier 6 was enacted in 2012 and made further changes to the benefit structure for ERS and PFRS members joining on or after April 1, 2012.

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

2010 RETIREMENT INCENTIVE PROGRAM

Legislation enacted in June 2010 provided the State and local employers with the option to offer a temporary Retirement Incentive Program for certain ERS members for periods ending no later than December 31, 2010. This program did not apply to PFRS members. The Program had two distinct parts:

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

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

Participating members whose employer offered both parts of the program, and who met the eligibility requirements of both parts, had to choose between the two. The cost of the incentive is borne by the State and each employer electing the incentive over a five-year period commencing with a payment in FY 2012. The number of members who retired under the State Early Retirement Incentive (ERI) is approximately 6,400. Three hundred ninety-nine (399) participating employers elected to participate in Part A of the ERI. Two hundred eleven (211) participating employers elected to participate in Part B of the ERI. Five thousand four hundred fifty three (5,453) members from participating employers retired under the ERI.

CONTRIBUTIONS AND FUNDING

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 are required to contribute 3 percent of their salaries for the first ten years of membership. All ERS members joining after 2009, and most PFRS members joining after January 9, 2010, are members of Tier 5 and are required to contribute 3 percent of their salaries for their career. However, if a participating employer had a collective bargaining agreement in effect when Tier 5 became effective (January 9, 2010) that provided for PFRS members to be non-contributory, individuals who first become Tier 5 members prior to the expiration of the agreement are non-contributory in their plan for their career. Individuals who first became Tier 5 members after the expiration of the current collective bargaining agreement are subject to the 3 percent contribution. Members in Tier 6 are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members of both ERS and PFRS earning $45,000 or less must contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 will contribute 3.5 percent; members earning between $55,001 and $75,000 will contribute 4.5 percent; members earning between $75,001 and 100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 will contribute 6 percent of their gross annual salary.

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 percent. The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period. Thus, because of the significant investment loss in FY 2009, employer contribution rates increased for FY 2011, FY 2012 and FY 2013 and further increases are expected for FY 2014 and FY 2015. The amount of such future increases will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the Systems as of each April 1. Final contribution rates for FY 2013 were released in early September 2011. The average ERS rate increased from 16.3 percent of salary in FY 2012 to 18.9 percent of salary in FY 2013, while the average PFRS rate increased from 21.6 percent of salary in FY 2012 to 25.8 percent of salary in FY 2013. Information regarding average rates for FY 2013 may be found in the 2011 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at www.osc.state.ny.us/retire/publications. Contribution rates for FY 2014 are expected to be released by early September 2012.

Legislation enacted in May 2003 realigned the Systems' billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. The employer contribution for a given fiscal year is based in part on the value of the CRF's assets and its liabilities on the preceding April 1. Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at five percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2012, the amortized amount receivable pursuant to Chapter 260 from the State is $249 million and from participating employers is $65.3 million. The State paid $1,511.1 million in contributions (including Judiciary) for FY 2012 including amortization payments of approximately $69.1 million pursuant to Chapter 260.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. Amortized amounts must be paid by State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without

penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in fiscal year 2011, the Comptroller set an interest rate of 5 percent. For amounts amortized in fiscal year 2012, the interest rate is 3.75 percent. The rate for amounts amortized in fiscal year 2013 will be released by early September 2012. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions. As of March 31, 2012, the amortized amount receivable for the 2011 amortization is $230.67 million from the State and $40.39 million from participating employers. In FY 2012, the State elected to amortize $562.9 million and 134 participating employers amortized a total of $216.33 million.

The estimated State payment (including Judiciary) due March 1, 2013 is $2,189.4 million. The State (including Judiciary) has the option to amortize up to $781.9 million which would reduce the required payment to $1,407.5 million. The State payment for FY 2013 is an estimate. If this amount changes, then the amount that can be amortized would also change. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF.

PENSION ASSETS AND LIABILITIES

Assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the CRF. The Systems report that the net assets available for benefits as of March 31, 2012 were $153.4 billion (including $3.5 billion in receivables, which consist of employer contributions, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of $3.9 billion or 2.6 percent from the FY 2011 level of $149.5 billion. The increase in net assets available for benefits from FY 2011 to FY 2012 reflects, in large part, equity market performance. The valuation used by the Systems Actuary will be based on audited net assets available for benefits as of March 31, 2012 and will be included in the NYSLRS' CAFR for that fiscal year.

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

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

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $194.3 billion on April 1, 2011 to $198.6 billion (including $89.3 billion for current retirees and beneficiaries) on April 1, 2012. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2012 in that amortized cost was used instead of market value for bonds and mortgages, and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected loss for FY 2012, 40 percent of the unexpected gain for the FY 2011, 60 percent of the unexpected gain for FY 2010 and 80 percent of the unexpected loss for FY 2009[4]. Actuarial assets decreased from $148.6 billion on April 1, 2011 to $147.8 billion on April 1, 2012. The funded ratio, as of April 1, 2012, calculated by the System Actuary in August 2012 using the entry age normal funding method and actuarial assets, was 87 percent[5].

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

[5] Detail on the funded ratios of ERS and PFRS as of April 1 for each of the 5 years previous to the fiscal year ended March 31, 2011 can be found on page 54 of the NYSLRS' CAFR for the fiscal year ending March 31, 2011. Detail regarding employers Annual Required Contributions for FY 2011 and each of the 5 previous fiscal years can be found on page 55 of the NYSLRS' CAFR for the fiscal year ending March 31, 2011.

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

Contributions and Benefits
New York State and Local Retirement Systems
(millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid(3)
	All Participating Employers(1)(2)	Local Employers(1)(2)	State(1)(2)	Employees	
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938

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

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

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

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

Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)
2010	134,252	21.0
2011	149,549	11.4
2012	153,394	2.6

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2012 includes approximately $3.5 billion of receivables.

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

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

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

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

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As of December 31, 2011 (NYJDA is as of March 31, 2012), each of the 18 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $170 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities.

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

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

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

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

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

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

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

(5) Includes debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995. The debt also includes $220 million in bonds outstanding issued by the Dormitory Authority for Roswell Park Cancer Institute.

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

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

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

LOCALITIES

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. Between 2004 and January 2012, the State Legislature passed 21 special acts authorizing, or amending authorizations for, bond issuances to finance local government operating deficits, including a total of four passed during the 2009 and 2010 legislative sessions. However, the legislation introduced during the regular 2012 legislative session that would have authorized Rockland County and the City of Long Beach to issue bonds to address accumulated deficits did not pass both houses of the legislature. In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality.

The Buffalo Fiscal Stability Authority has exercised Control Period powers with respect to the City of Buffalo since the City's 2004 fiscal year, but recently transitioned to Advisory Period powers during the City's 2013 fiscal year.

In January 2011, the Nassau County Interim Finance Authority ("NIFA") declared that it was entering a Control Period, citing the "substantial likelihood and imminence" that Nassau would incur a major operating funds deficit of 1 percent or more during the County's 2011 fiscal year. Nassau County challenged NIFA's determination and authority to impose a Control Period in State Supreme Court and did not prevail. NIFA is now exercising Control Period powers over Nassau County.

Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Yonkers no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The City of Newburgh operates under fiscal monitoring by the State Comptroller pursuant to special State legislation. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's FY 2013 or thereafter.

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

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

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

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

During the pendency of this case, significant decisions were rendered by the United States Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York,* 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki,* 413 F.3d 266 (2d Cir. 2005), *cert. denied*, 547 U.S. 1128 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims.

Relying on these decisions, in *Oneida Indian Nation et al. v. County of Oneida et al.,* 617 F.3d 114 (2d Cir. 2010), the Second Circuit Court of Appeals dismissed the *Oneida* land claim. On October 17, 2011, the United States Supreme Court denied plaintiffs' petitions for certiorari to review the decision of the Second Circuit. See 132 S. Ct. 452 (2011).

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

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

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

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

METROPOLITAN TRANSPORTATION AUTHORITY

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

The defendants sought to change the venue of all of these cases to Albany County or New York County and venue has been changed in most of the cases. In *Mangano,* the Supreme Court, Nassau County denied defendants' motion for change of venue. An appeal of that order is proceeding and all parties have moved for summary judgment in Supreme Court. In *Vanderhoef, Huntington, Floyd, Brookhaven, Southampton/Southold* and *Hampton,* the defendants moved for judgment in their favor. The plaintiffs in *Hampton* then voluntarily stipulated to discontinue their case, as did the plaintiff in *Floyd* after legislative amendment of the applicable statute that exempted school districts from the "mobility tax" imposed by this statute on employers in the Metropolitan Commuter Transportation District. The Supreme Court, Albany County issued decisions granting summary judgment to defendants in *Brookhaven, Huntington, Southampton/Southold* and *Vanderhoef*. The plaintiffs in *Brookhaven* and *Huntington* appealed from those decisions in their cases but failed to perfect their appeals within nine months after the date of their notices of appeal, which, pursuant to the Rules of the Third Department, means their appeals are deemed abandoned.

SCHOOL AID

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

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

On January 14, 2011, the Court issued a joint order and decision dismissing both actions as moot because of the payments made after the commencement of the actions. On February 25, 2011, plaintiffs appealed to the Appellate Division, Third Department. The appeal was never perfected and, under the Appellate Division's rules, is deemed abandoned.

In *Hussein v. State of New York,* plaintiffs seek a judgment declaring that the State's system of financing public education violates section 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education (SBE). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On September 15, 2011, the Court of Appeals placed the appeal on track for full briefing and oral argument. The appeal was argued April 26, 2012. On June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

On August 18, 2011, Supreme Court, Albany County granted the State's motion to stay all proceedings in the case until further order of the court or a decision from the Court of Appeals. The plaintiffs have filed a motion to have the stay vacated or modified to permit the continuation of depositions and the filing of a motion for partial summary judgment. In a Decision/Order dated December 6, 2011, Supreme Court, Albany County, granted plaintiffs' motion for renewal and modified the stay to the extent of permitting discovery to continue, but refused to allow plaintiffs to file a motion for partial summary judgment or any other dispositive motion. Depositions are being conducted. The discovery deadline is December 31, 2012.

REPRESENTATIVE PAYEES

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

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

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. By decision and order dated September 27, 2010, the Court of Claims (Ruderman, J.), granted

the State's motion for summary judgment and dismissed the individual claims. The Court held that the State statutes relied on by claimants do not apply to Social Security benefits and that executive directors of OMH facilities are acting properly in accordance with the Social Security Act and applicable Federal regulations. Claimants served a notice of appeal on November 23, 2010. By decision and order dated January 17, 2012, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. On May 8, 2012, the Court of Appeals denied claimants motion for leave. As a result, the case has been concluded in the State's favor and the claim has been dismissed.

SALES TAX

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

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

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

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

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

Division, Fourth Department, affirmed. Plaintiff's motion for leave to appeal to the Court of Appeals was denied on February 21, 2012.

In July 2011, plaintiffs commenced *Akwesasne Convenience Store Association et al. v. State of New York, (Sup. Ct., Erie Co.)*, against the State of New York and other defendants, seeking a declaration that the statutory voucher system impermissibly burdens Indian commerce and is preempted by Federal law and further seeking to enjoin the implementation, administration or enforcement of the system. The court denied plaintiffs' request for a temporary restraining order and, by decision dated August 18, 2011, also denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. By decision dated August 2, 2012, the Supreme Court, Erie County, granted defendants' motion for summary judgment dismissing the complaint and denied plaintiffs' cross motion for summary judgement.

EMINENT DOMAIN

In *Gyrodyne Company of America, Inc. v. State of New York (Court of Claims)*, claimant sought compensation under the Eminent Domain Procedures Law in connection with the appropriation by the State of 245 acres of land in connection with the expansion of SUNY Stony Brook. By decision dated June 21, 2010, the Court of Claims awarded claimant $125 million as compensation for the appropriation. On September 13, 2010, the State appealed from the decision. In a decision dated November 22, 2011, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. The State's motion for reargument or, in the alternative, leave to appeal to the Court of Appeals, was denied by the Second Department on February 17, 2012. On June 5, 2012, the Court of Appeals denied the State's motion for leave to appeal. The Division of the Budget advises that the State paid the judgment on July 5, 2012, as noted earlier in this report (see "Multi-Year Financial Plan Revisions" herein).

INSURANCE DEPARTMENT ASSESSMENTS

In New *York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.),* several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. The State filed its answer on May 4, 2010. On June 9, 2010, the State filed a motion for summary judgment. By decision dated March 10, 2011, plaintiffs' motion for permission to conduct discovery prior to responding to the State's motion for summary judgment was granted. Plaintiffs have since filed an amended complaint adding challenges to assessments issued after the commencement of this action and the State has withdrawn its motion for summary judgment without prejudice. The State has filed its answer to the amended complaint and is engaged in the discovery process. The discovery deadline is October 1, 2012.

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

In 1998, the attorneys general of 46 states, including New York, and several territories (collectively the "Settling States") and the then four largest United States tobacco manufacturers (the "Original Participating Manufacturers" or "OPMs"), entered into a Master Settlement Agreement (the "MSA") to resolve cigarette smoking-related litigation between the Settling States and the OPMs. Approximately 30 additional tobacco companies have entered into the settlement (the "Subsequent Participating Manufacturers" or "SPMs"; together they are the "Participating Manufacturers" or "PMs"). The MSA

released the PMs from past and present smoking-related claims by the Settling States, and provided for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the Settling States, and the imposition of certain tobacco advertising and marketing restrictions among other things.

ARBITRATION

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

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

The arbitration panel has thus far ruled, among other things, that the Settling States involved have the burden of proof in establishing diligent enforcement of the escrow statutes and that the 2003 settlement of prior NPM Adjustment claims does not preclude the PMs from basing their claim for a 2003 NPM Adjustment on 2002 NPM sales. A hearing on issues common to all states took place in Chicago April 16-24, 2012. State-specific hearings commenced in May, with the hearings involving Missouri and Illinois. New York's diligent enforcement hearings took place June 25-29, 2012. State-specific hearings are scheduled for two weeks each month until June 2013.

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FINANCIAL PLAN TABLES

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

General Fund - Total Budget
Financial Plan, Annual Change from FY 2012 to FY 2013
Financial Plan Projections FY 2013 through FY 2016
Update to FY 2013
Update to FY 2014
Update to FY 2015
Update to FY 2016

General Fund - Revenue Detail (Excluding Transfers)
Financial Plan Projections FY 2013 through FY 2016

State Operating Funds Budget
FY 2013
FY 2014
FY 2015
FY 2016

All Governmental Funds - Total Budget
FY 2013
FY 2014
FY 2015
FY 2016

Cashflow - FY 2013 Monthly Projections
General Fund

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	26,916	0	26,916
User Taxes and Fees	9,271	(75)	9,196
Business Taxes	6,038	(3)	6,035
Other Taxes	1,144	2	1,146
Miscellaneous Receipts	3,229	125	3,354
Federal Receipts	60	0	60
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	8,272	(22)	8,250
Sales Tax in Excess of LGAC Debt Service	2,456	(26)	2,430
Real Estate Taxes in Excess of CW/CA Debt Service	444	25	469
All Other	1,070	(31)	1,039
Total Receipts	58,900	(5)	58,895
Disbursements:			
Local Assistance Grants	39,645	23	39,668
Departmental Operations:			
Personal Service	5,892	278	6,170
Non-Personal Service	1,844	(9)	1,835
General State Charges	4,403	96	4,499
Transfers to Other Funds:			
Debt Service	1,580	(16)	1,564
Capital Projects	1,055	0	1,055
State Share Medicaid	2,978	(3)	2,975
SUNY Operations	340	0	340
Other Purposes	1,131	(29)	1,102
Total Disbursements	58,868	340	59,208
Reserves:			
Community Projects Fund	(45)	0	(45)
Rainy Day Reserve Fund	0	0	0
Undesignated Fund Balance	(62)	0	(62)
Prior-Year Labor Agreements (2007-2011)	139	(345)	(206)
Increase (Decrease) in Reserves	32	(345)	(313)
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	0	0

Source: NYS DOB

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	28,920	0	28,920
User Taxes and Fees	9,626	(56)	9,570
Business Taxes	6,208	0	6,208
Other Taxes	1,137	2	1,139
Miscellaneous Receipts	2,829	50	2,879
Federal Receipts	2	0	2
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	8,842	(44)	8,798
Sales Tax in Excess of LGAC Debt Service	2,579	(19)	2,560
Real Estate Taxes in Excess of CW/CA Debt Service	500	25	525
All Other	862	4	866
Total Receipts	61,505	(38)	61,467
Disbursements:			
Local Assistance Grants	41,872	(1)	41,871
Departmental Operations:			
Personal Service	5,370	117	5,487
Non-Personal Service	1,637	(7)	1,630
General State Charges	4,834	55	4,889
Transfers to Other Funds:			
Debt Service	1,653	(36)	1,617
Capital Projects	1,293	(6)	1,287
State Share Medicaid	2,772	(5)	2,767
SUNY Operations	982	1	983
Other Purposes	1,980	21	2,001
Total Disbursements	62,393	139	62,532
Reserves:			
Community Projects Fund	(58)	(1)	(57)
Prior-Year Labor Agreements (2007-2011)	116	(144)	(28)
Increase (Decrease) in Reserves	62	(145)	(83)
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(950)	(32)	(982)

Source: NYS DOB

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	29,612	1	29,613
User Taxes and Fees	10,042	(56)	9,986
Business Taxes	5,713	(27)	5,686
Other Taxes	1,222	2	1,224
Miscellaneous Receipts	2,297	0	2,297
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	8,981	(33)	8,948
Sales Tax in Excess of LGAC Debt Service	2,706	(17)	2,689
Real Estate Taxes in Excess of CW/CA Debt Service	576	25	601
All Other	770	4	774
Total Receipts	61,919	(101)	61,818
Disbursements:			
Local Assistance Grants	43,227	(2)	43,225
Departmental Operations:			
Personal Service	5,496	136	5,632
Non-Personal Service	1,722	49	1,771
General State Charges	5,179	56	5,235
Transfers to Other Funds:			
Debt Service	1,585	(71)	1,514
Capital Projects	1,408	(5)	1,403
State Share Medicaid	2,626	(5)	2,621
SUNY Operations	1,001	1	1,002
Other Purposes	2,972	23	2,995
Total Disbursements	65,216	182	65,398
Reserves:			
Prior-Year Labor Agreements (2007-2011)	118	(108)	10
Increase (Decrease) in Reserves	118	(108)	10
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(3,415)	(175)	(3,590)

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

CASHFLOW
GENERAL FUND
FY 2013
(dollars in millions)

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

Source: NYS DOB

Annual Information Statement

State of New York

May 11, 2012

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

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INTRODUCTION

This Annual Information Statement (the "AIS") is dated May 11, 2012 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the "State") and replaces the AIS dated May 24, 2011 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any current updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State's current financial projections, including summaries and extracts from the State's Enacted Budget Financial Plan (the "Financial Plan" or "Enacted Budget") for fiscal year 2013[1] ("FY 2013") issued by the Division of the Budget ("DOB") in April 2012. The Enacted Budget Financial Plan sets forth the State's official Financial Plan projections for FYs 2013 through 2016. It includes, among other things, the major components of the gap-closing plan approved for FY 2013, projected annual spending growth, future potential budget gaps, and detailed information on projected total receipts and disbursements in the State's governmental funds.

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

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

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

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

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

INTRODUCTION

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

The factors affecting the State's financial position are complex. This AIS contains forecasts, projections, and estimates that are based on expectations and assumptions which existed at the time they were prepared. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates", and analogous expressions are intended to identify forward-looking statements in the AIS. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, impediments to the implementation of gap-closing actions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS. Note that all FY 2012 financial results contained within this AIS are unaudited and preliminary.

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

In addition to regularly scheduled quarterly updates to the AIS, the State may issue AIS supplements or other disclosure notices to this AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuances. The State has filed this AIS with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. An electronic copy of this AIS can be accessed through the EMMA at www.emma.msrb.org. An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.

OSC issued the Basic Financial Statements for FY 2011 in July 2011. The Basic Financial Statements for FY 2012 are expected to be available in late July 2012. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2011 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

USAGE NOTICE

The AIS has been supplied by the State pursuant to its contractual obligations under various continuing disclosure agreements ("CDA") entered into by the State in connection with financings of the State, as well as certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payments of their respective bonds, notes or other obligations.

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

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

BUDGETARY AND ACCOUNTING BACKGROUND

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

THE STATE BUDGET PROCESS

The requirements of the State budget process are set forth in Article VII of the State Constitution, the State Finance Law, and the Legislative Law. The process begins with the Governor's submission of the Executive Budget to the Legislature each January, in preparation for the start of the fiscal year on April 1. (The submission date is February 1 in years following a gubernatorial election.) The Executive Budget must contain a complete plan of estimated available receipts and projected disbursements for the ensuing fiscal year ("State Financial Plan"). The General Fund must be balanced on a cash basis, as described below, and must be accompanied by bills that: (i) set forth all proposed appropriations and reappropriations, (ii) provide for any new or modified revenue measures, and (iii) make any other changes to existing law necessary to implement the budget recommended by the Governor.

In acting on the bills submitted by the Governor, the Legislature has certain powers to alter the recommended appropriations and proposed changes to existing law. The Legislature may strike out or reduce an item of appropriation recommended by the Governor. The Legislature may add items of appropriation, provided such additions are stated separately. These additional items are then subject to line-item veto by the Governor. If the Governor vetoes an appropriation or a bill (or a portion thereof) related to the budget, these items can be reconsidered in accordance with the rules of each house of the Legislature. If approved by two-thirds of the members of each house, such items will become law notwithstanding the Governor's veto.

Once the appropriation bills and other bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates and projections in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economic outlook, updated data on program activities, and other factors, as well as new actions taken by the Governor or the Legislature. As required by the State Finance Law, DOB updates the State Financial Plan within 30 days of the close of each quarter of the fiscal year, generally issuing reports by July 30, October 30, and as part of the Executive Budget.

Once the budget is adopted for the fiscal year, the Legislature may enact one multi-purpose appropriation bill and additional single-purpose appropriation bills or revenue measures (including tax reductions) during any regular session or, if called into session for that purpose, any special session. In the event additional appropriation bills or revenue measures are disapproved by the Governor, the Legislature may override the Governor's veto upon the vote of two-thirds of the members of each house of the Legislature. The Governor may present deficiency appropriations to the Legislature in any fiscal year to supplement existing appropriations or to provide new appropriations for purposes not covered by the regular and supplemental appropriations.

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

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

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

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

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

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

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

FINANCIAL PLAN INFORMATION

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

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

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

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

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

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

Prior to the enactment of the FY 2013 budget, the State faced a projected General Fund budget gap of $3.5 billion for FY 2013, and the budget gap in future years was projected at $3.6 billion in FY 2014, $5.0 billion in FY 2015, and $4.2 billion in FY 2016. Budget gaps represent the difference between (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and (b) the expected level of resources to pay for them.[2] The gap estimates are based on a number of assumptions and projections developed by DOB in consultation with other State agencies.

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

FINANCIAL PLAN OVERVIEW

PROJECTED SPENDING MEASURES AT-A-GLANCE *

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

PROJECTED RECEIPTS AT-A-GLANCE*

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

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

PROJECTED ECONOMIC INDICATORS AT-A-GLANCE

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

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

OTHER KEY FINANCIAL MEASURES AT-A-GLANCE

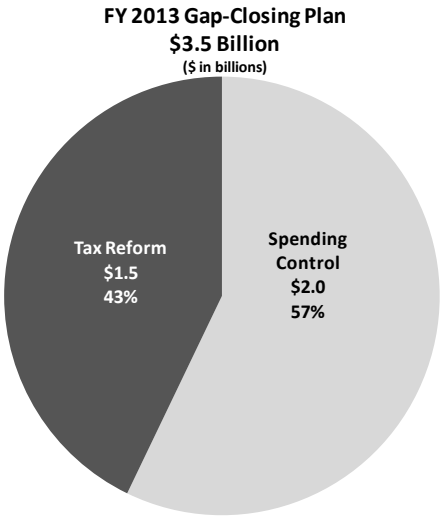
OTHER FINANCIAL PLAN MEASURES (millions of dollars)	FY 2012 Results	FY 2013 Enacted
Total General Fund Reserves	$1,787	$1,819
Rainy Day Reserves	$1,306	$1,306
All Other Reserves	$481	$513
State Workforce (Subject to Direct Executive Control)[1]	119,579	121,841
Debt		
State Related Debt Outstanding	$56,375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

1 Workforce results are through February 2012.

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

ENACTED BUDGET FOR FISCAL YEAR 2013

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



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

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

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

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

SPENDING CONTROL

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

- Savings from State agency operations are expected to total $1.3 billion. Savings are expected to be achieved through additional redesign and cost-control efforts begun in FY 2012. These include further reductions in State agency operations through attrition and strict controls on hiring; enterprise-wide consolidation of procurement, information technology, real estate, and workforce management functions; and a range of operational measures to improve efficiency. The total cost of State Operating Funds agency operations, which consist of personal service, fringe benefit, and non-personal service costs, is estimated at $24.1 billion in FY 2013, virtually unchanged from FY 2012 results.

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

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

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

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

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

TAX REFORM

The tax reform legislation approved in December 2011 is expected to generate an estimated $1.5 billion in net resources to help close the FY 2013 budget gap. The tax code changes are expected to provide approximately $1.9 billion in additional receipts in FY 2013. Of this amount, approximately $250 million will be used to mitigate the impact on the MTA from New York State tax law changes to the MTA mobility tax, and $135 million will be used for tax credits and employment initiatives.

OTHER CHANGES

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

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

PROJECTED CLOSING BALANCES

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

GENERAL FUND ESTIMATED CLOSING BALANCES
(millions of dollars)

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

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

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

The closing balances in each year include amounts reserved to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for prior contract periods. The amounts are calculated based on the general salary increase pattern settlement for the FY 2008 through FY 2011 period agreed to by the State's largest unions. Reserves will be reduced when labor agreements for prior periods are reached.

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

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

ANNUAL SPENDING GROWTH

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

STATE SPENDING MEASURES
(millions of dollars)

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

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

Agency spending on personal and non-personal service is expected to remain nearly flat on an annual basis. This reflects ongoing efforts to redesign State agency operations initiated in FY 2012. Spending on fringe benefits is projected to decline by $171 million (-2.6 percent). The decline reflects lower pension costs due mainly to a $117 million prepayment of certain pension obligations in FY 2012 and a revision (or "reconciliation") of the State's FY 2011 pensionable salary base that will lower the State's pension bill in FY 2013, and lower employer contributions for employee and retiree health insurance costs due to the annualization of employee and retiree premium increases that were effective in mid-FY 2012. The State is continuing to amortize a portion of its annual pension costs above certain levels, consistent with legislation enacted in FY 2011.

Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in special revenue funds have been adjusted downward based on typical spending patterns and the observed variance over time between estimated and actual results.

FISCAL YEAR 2013 ENACTED BUDGET GAP-CLOSING PLAN

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

GENERAL FUND GAP-CLOSING PLAN FOR FY 2013 (millions of dollars)	FY 2013	FY 2014	FY 2015	FY 2016
CURRENT SERVICES GAP PROJECTIONS	**(3,500)**	**(3,624)**	**(5,044)**	**(4,246)**
Spending Control	**1,954**	**1,207**	**1,183**	**1,000**
Agency Operations	**1,282**	**1,058**	**779**	**791**
Agencies	679	350	(50)	52
Independent Officials	252	310	424	330
Enterprise/Consolidation	109	175	180	180
Health Insurance Rate Renewal	130	130	130	130
Fringe Benefits	112	93	95	99
Local Assistance	**777**	**471**	**728**	**609**
COLAs/Trends	150	170	170	120
Mental Hygiene	170	92	59	(8)
Social Services/Housing	162	77	190	180
Public Health	119	60	29	19
All Other	176	72	280	298
Debt Management	**190**	**40**	**40**	**40**
Initiatives/Investments	**(295)**	**(362)**	**(364)**	**(440)**
Local Medicaid Growth/Administrative Takeover	16	(23)	(83)	(181)
Agency Redesign - Enterprise Services	(43)	(65)	(26)	(16)
SSI Administration Takeover From Federal Government	(11)	(13)	(21)	(16)
Protection of Vulnerable Populations	(5)	(30)	(30)	(30)
Rural Rental Assistance	(6)	(6)	(6)	(6)
Joint Legislative Additions	(246)	(225)	(198)	(191)
Tax Reform	**1,546**	**1,697**	**1,028**	**(178)**
Tax Code Reform	1,931	2,034	1,335	79
MTA Payroll Tax Small Business Relief	(250)	(250)	(250)	(250)
Reduce Corporate Tax on Manufacturers	(25)	(25)	(25)	0
New York Youth Works Tax Credit	(10)	(10)	(5)	0
Economic Development Initiatives	(32)	(32)	(13)	(3)
Inner-City Summer Youth Employment	(25)	0	0	0
Disaster Relief Package	(20)	(15)	(10)	0
Educational Opportunities	(11)	(4)	(4)	(4)
All Other	(12)	(1)	0	0
Other Changes	**0**	**(230)**	**(582)**	**(706)**
TANF Child Care Replacement	(71)	(215)	(215)	(215)
Mental Hygiene System Funding	0	(100)	(200)	(300)
Tax Receipts Forecast	(106)	(40)	(140)	(140)
All Other	177	125	(27)	(51)
ENACTED BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**(950)**	**(3,415)**	**(4,130)**

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

SPENDING CONTROL

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

STATE AGENCY OPERATIONS

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

- **Agencies:** Continued workforce management through a hiring freeze, annualization of savings from recent closures of facilities and elimination of excess capacity, and efforts to downsize State government are expected to result in lowered personal service and fringe benefit costs. The size of the State's workforce that is subject to Executive control declined from 125,787 FTEs in FY 2011 to 119,579 FTEs in FY 2012. This reduction of over 6,200 FTEs has led to declines in certain fringe benefit costs. In addition, a revision to the State's pensionable salary base in FY 2011 has lowered the State's estimated pension bill in FY 2013 by $77 million.

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

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

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

- **Fringe Benefits:** Savings are achieved by pre-paying certain pension obligations in FY 2012 to avoid annual interest costs ($35 million); increasing Federal Medicare Part D reimbursements through the conversion of the retiree drug coverage program from the current Retiree Drug Subsidy to an Employer Group Waiver Plan ($26 million); requiring public

authority employees and retirees with NYSHIP coverage to contribute toward the cost of Medicare Part B premium reimbursement ($11 million); and downward reductions to health insurance and workers' compensation spending estimates ($40 million).

LOCAL ASSISTANCE

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. State Operating Funds spending for local assistance is estimated at $58.8 billion in FY 2013, an increase of $1.5 billion (2.6 percent) from the prior year. Reductions from the FY 2013 current-services forecast for local assistance include both targeted actions and additional savings from the continuation of prior-year cost containment actions, which together contribute $777 million to the General Fund gap-closing plan.

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

- **Human Services Cost-of-Living Increases/Trends:** The Enacted Budget Financial Plan eliminates the planned FY 2013 3.6 percent human services "cost-of-living" increase and maintains existing rates for other programs, including OMH residential treatment facilities, community residences, family-based treatment, and various residential and day programs for individuals with developmental disabilities.

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

- **Social Services/Housing:** Savings are expected through streamlining and restructuring the financing of child support administration; eliminating funding for a shelter supplement initiative; and phasing in the planned 10 percent increase in public assistance grants planned over two periods (5 percent in July 2012 and 5 percent in October 2012).

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

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

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

INITIATIVES/INVESTMENTS

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

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

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

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

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

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

OTHER CHANGES

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

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

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

OTHER MATTERS AFFECTING THE ENACTED BUDGET FINANCIAL PLAN

GENERAL

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

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

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

BUDGET RISKS AND UNCERTAINTIES

There can be no assurance that the State's General Fund will end the current fiscal year in balance on a budgetary (cash) basis of accounting, or that the budget gaps will not increase materially from current projections. If such events were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

State law grants the Executive certain powers to achieve the Medicaid savings assumed in the Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated in the Enacted Budget Financial Plan. In addition, savings are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, and the participation of health care industry stakeholders. In FY 2012, State-share Medicaid disbursements were consistent with DOB expectations.

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

STATUS OF CURRENT LABOR NEGOTIATIONS

The State has a five-year labor contract (FYs 2012 through 2016) with the State's largest union, CSEA, and a four-year labor contract (FYs 2012 through 2015) with the State's second-largest State employee union, PEF. Under both PEF and CSEA labor contracts, there are no general salary increases for three years. Employee compensation during FY 2013 will be temporarily reduced through a Deficit Reduction program, as was the case during FY 2012. CSEA-represented employees will receive a $1,000 lump sum payment ($775 paid in FY 2014 and $225 paid in FY 2015). Employees will receive a 2 percent salary increase in FY 2015 under both agreements, and CSEA-represented employees will receive a 2 percent increase in FY 2016. Employees represented by CSEA will be repaid the value of FY 2013 reductions in equal consecutive installments starting in FY 2017, and employees represented by PEF will be repaid the value of FY 2012 and FY 2013 reductions in equal consecutive installments starting in FY 2016. The agreements also include substantial increases paid by employees for insurance costs.

Under the agreements, employees in these unions were provided contingent layoff protection for FYs 2012 and 2013 and continuing protection for the full term of the agreements. Workforce reductions due to management decisions to close or restructure facilities authorized by legislation, SAGE Commission recommendations, or material or unanticipated changes in the State's fiscal circumstances are not covered by this protection. Similar agreements have been reached with NYSPBA (representing the APSU bargaining unit, formerly ALES) for FY 2006 through FY 2015; NYSCOPBA (non-arbitration eligible members) for FY 2010 through FY 2016; and Council 82 for FY 2010 through FY 2016.

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

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Enacted Budget Financial Plan continues to include a reserve to cover the costs of a pattern settlement with all unions that have not agreed to contracts through FY 2012. The pattern is based on the general salary increases agreed to by the State's largest unions for the same period. There can be no assurance that actual settlements, some of which are subject to binding arbitration, will not exceed the amounts reserved.

In August 2011, a statutorily authorized judicial compensation commission authorized a multi-year plan to provide salary increases for judges beginning in FY 2013, which will automatically take effect barring action by the Legislature and the Governor to obviate the increases. The Enacted Budget reflects assumed salary increases, at the level set forth in the commission's multi-year plan, in the Judiciary's current budget projections.

CURRENT CASH-FLOW PROJECTIONS

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

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

Based on current information, DOB expects that the State will have sufficient liquidity to make payments as they become due throughout FY 2013, but that the General Fund may, from time to time, need to borrow resources temporarily from other funds in STIP. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants. Consistent with prior years, DOB estimates that General Fund balances will reach relatively low levels in May, June, August, and December 2012.

The following table provides an estimate of month-end balances for FY 2013.

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

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

PENSION AMORTIZATION

Under legislation enacted in FY 2011, the State and local governments may amortize (defer paying) a portion of their annual pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by public employers in a given fiscal year, but results in higher costs overall when repaid with interest. The legislation enacted a formula to set amortization thresholds for each year. The amortization thresholds may increase or decrease by up to one percentage point annually. Pension contribution costs in excess of the amortization thresholds, which, in FY 2013 are 11.5 percent of payroll for the Employees Retirement System (ERS) and 19.5 percent for the Police and Fire Retirement System (PFRS), may be amortized.

The Enacted Budget Financial Plan assumes that the State will continue to amortize a portion of its pension costs, pursuant to the FY 2011 legislation. The State's minimum ERS pension contribution rate, as a percentage of payroll, was 9.5 percent in FY 2011, 10.5 percent in FY 2012 and is 11.5 percent in FY 2013, and is expected to be 12.5 percent in FY 2014, 13.5 percent in FY 2015 and 14.5 percent in FY 2016. The PFRS rate was 17.5 percent in FY 2011, 18.5 percent in FY 2012 and is 19.5 percent in FY 2013 and is expected to be 20.5 percent in FY 2014, 21.5 percent in FY 2015 and 22.5 percent in FY 2016. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization thresholds. In addition, the State is required to begin repayment of the amounts amortized beginning in the fiscal year immediately following the amortizations. Repayment of the amortized amounts is required to be made over a period of not more than ten years at an interest rate to be determined by the State Comptroller annually for amounts amortized in that year and with the rate fixed for the entire term of that amortization.

In February and March 2012, the State made pension payments that totaled $1.321 billion for FY 2012, and amortized $491 million. This payment included a $118 million pre-payment of certain outstanding liabilities. In addition, the State's Office of Court Administration (OCA) made its pension payment of $190 million, and amortized $72 million. The $563 million in total deferred payments will be repaid with interest over the next ten years, beginning in the current fiscal year, FY 2013. For amounts amortized in FY 2011, the State Comptroller set an interest rate of 5 percent, and has set an interest rate of 3.75 percent for amounts amortized for FY 2012. The Enacted Budget Financial Plan assumes that both the State and OCA will elect to amortize pension costs in future years, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 3.75 percent over ten years from the date of each deferred payment.

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

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM[1] PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS (millions of dollars)							
Fiscal Year	Normal Costs[2]	New Amortized Amounts	Amortization Payment	Additional Contributions	Total	Reserves for Rate Increases	Plus Interest at 3.75%
2011 Actual	1,552.8	(249.6)	0.0	0.0	1,303.2	0.0	0.0
2012 Actual	2,041.7	(562.9)	32.3	0.0	1,511.1	0.0	0.0
2013 Projected	2,088.5	(781.9)	100.9	0.0	1,407.5	0.0	0.0
2014 Projected	2,388.6	(770.6)	196.1	0.0	1,814.1	0.0	0.0
2015 Projected	2,683.7	(915.5)	289.9	0.0	2,058.1	0.0	0.0
2016 Projected	2,421.1	(553.9)	401.4	0.0	2,268.6	0.0	0.0
2017 Projected	2,317.1	(435.3)	468.8	0.0	2,350.6	0.0	0.0
2018 Projected	2,399.3	(343.4)	521.8	0.0	2,577.7	0.0	0.0
2019 Projected	2,434.4	(195.7)	563.6	0.0	2,082.3	0.0	0.0
2020 Projected	2,510.3	(93.2)	587.4	0.0	3,004.5	0.0	0.0
2021 Projected	2,649.7	(34.9)	598.8	0.0	3,213.6	0.0	0.0
2022 Projected	2,197.4	0.0	570.7	362.7	3,130.8	0.0	0.0
2023 Projected	1,989.2	0.0	313.2	510.4	2,812.8	0.0	0.0
2024 Projected	1,766.6	0.0	84.9	666.6	2,518.1	340.3	353.0
2025 Projected	1,528.9	0.0	0.0	831.8	2,360.7	1,172.1	1,229.2
2026 Projected	1,125.9	0.0	0.0	1,155.8	2,281.7	2,327.9	2,474.5

Source: NYS DOB.
1. Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this AIS include these costs.
2. Includes payments from amortization prior to FY 2011. Such prior amortization payments will end in FY 2016.

FEDERAL ACTIONS

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

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

The State is analyzing the potential impact of the BCA on the Enacted Budget Financial Plan and State economy, and the likelihood that it will be implemented in its current form. DOB estimates that, if the sequestration process were to operate as set forth in the BCA and without any further modification by Congress, New York State and local governments could lose approximately $5 billion in Federal funding over nine years, beginning in FY 2013. This does not account for potential declines in other revenues that

may occur as a result of lost Federal funding. DOB may make adjustments to the Financial Plan as more definitive information becomes available.

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

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State is entitled to proceeds from a health care conversion, and such proceeds must be used for health-care-related expenses. The Enacted Budget Financial Plan counts on proceeds of $250 million in FY 2013 and $300 million annually in FYs 2014, 2015, and 2016, which would be deposited into the HCRA account. If a conversion does not occur on the timetable or at the levels assumed in the Enacted Budget, the State would be required to take other actions to increase available resources or to reduce planned spending in HCRA.

LITIGATION

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Litigation that meets the State's materiality threshold is described in "Litigation and Arbitration" herein. In addition, the State may be affected by adverse decisions that may not meet the materiality threshold to warrant individual description but that could, in the aggregate, adversely affect the State's Financial Plan.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

As reported in the State's Basic Financial Statements for FY 2011, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008, with results projected to April 1, 2010 for the fiscal year ended March 31, 2011. The valuation calculated the present value of the actuarial accrued total liability for OPEB as of March 31, 2011 at $55.9 billion ($46.3 billion for the State and $9.6 billion for SUNY),

determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

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

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs as of April 1, 2010. The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for FY 2012. The updated calculation shows the present value of the actuarial accrued total liability for benefits at $72.2 billion ($59.9 billion for the State and $12.3 billion for SUNY).

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

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

BOND MARKET

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

DEBT REFORM ACT LIMIT

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

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

NEW DEBT OUTSTANDING - CAPPED AT 4 PERCENT OF PERSONAL INCOME
(millions of dollars)

Year	Personal Income	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	983,868	4.00%	3.64%	3,552	0.36%
FY 2013	1,017,103	4.00%	3.85%	1,492	0.15%
FY 2014	1,061,148	4.00%	3.94%	602	0.06%
FY 2015	1,122,828	4.00%	3.92%	866	0.08%
FY 2016	1,183,444	4.00%	3.88%	1,408	0.12%
FY 2017	1,243,645	4.00%	3.79%	2,585	0.21%

NEW DEBT SERVICE COSTS - CAPPED AT 5 PERCENT OF ALL FUNDS RECEIPTS
(millions of dollars)

Year	All Funds Receipts	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	132,745	4.65%	2.65%	2,652	2.00%
FY 2013	133,270	4.98%	2.85%	2,845	2.13%
FY 2014	138,792	5.00%	2.95%	2,848	2.05%
FY 2015	143,060	5.00%	3.03%	2,813	1.97%
FY 2016	147,856	5.00%	3.11%	2,793	1.89%
FY 2017	154,109	5.00%	3.15%	2,844	1.85%

SECURED HOSPITAL PROGRAM

Under the Secured Hospital program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State MCFFA and by DASNY through the Secured Hospital program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of March 31, 2012, there was approximately $503 million of outstanding bonds for the program.

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

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2013 THROUGH 2016

INTRODUCTION

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

The State's cash-basis budgeting system, complex fund structure, and practice of earmarking certain tax receipts for specific purposes complicates the discussion of the State's receipts and disbursement projections. Therefore, to minimize the distortions caused by these factors and, equally important, to highlight relevant aspects of the projections, DOB has adopted the following approaches in summarizing the projections:

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The latter perspective reflects overall estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends and forecast assumptions, by factoring out the distorting effects of earmarking certain tax receipts.

- **Disbursements:** Over 40 percent of projected State-financed spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, School Aid, higher education, transportation and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this AIS. Accordingly, in terms of the outyear projections, the first outyear of the FY 2013 budget, FY 2014, is the most relevant from a planning perspective.

SUMMARY

DOB estimates that the Enacted Budget provides for a balanced General Fund Financial Plan in FY 2013 and leaves projected gaps that total approximately $950 million in FY 2014, $3.4 billion in FY 2015, and $4.1 billion in FY 2016. The net operating shortfalls in State Operating Funds is projected at $495 million in FY 2014, $2.8 billion in FY 2015, and $3.6 billion in FY 2016.

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

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

GENERAL FUND PROJECTIONS

GENERAL FUND PROJECTIONS
(millions of dollars)

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

STATE OPERATING FUNDS PROJECTIONS

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

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

PRELIMINARY FY 2012 RESULTS AND FY 2013 FORECAST OVERVIEW

RECEIPTS

Financial Plan receipts comprise a variety of taxes, fees, and charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB on a multi-year basis with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts. Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., personal income tax receipts in excess of amount transferred for debt service on revenue bonds). For a detailed description of revenue sources, see "Exhibit D - Principal State Taxes and Fees" herein.

OVERVIEW OF THE RECEIPTS FORECAST

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

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

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

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

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

- The surge in oil prices presents a downside risk to the receipts forecast. The uncertainty surrounding fuel prices over the near-term horizon could result in slower receipts growth than anticipated.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

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

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

- Continued growth in a broad range of economic activities;
- Improving profitability and compensation gains, particularly among financial services companies;
- Recovery in the overall real estate market, particularly the residential market; and
- Increases in consumer spending as a result of wage and employment gains.

PERSONAL INCOME TAX

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

[1] Excludes Transfers.

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

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

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

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

PERSONAL INCOME TAX
(millions of dollars)

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

[1] Excludes Transfers.

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

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

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

USER TAXES AND FEES

USER TAXES AND FEES
(millions of dollars)

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

*Excludes Transfers.

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

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

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

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

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

*Excludes Transfers.

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

BUSINESS TAXES

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

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

credits that was part of the FY 2011 Enacted Budget. Adjusted for this deferral, All Funds growth is 3.6 percent.

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

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

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

BUSINESS TAXES
(millions of dollars)

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

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

OTHER TAXES

OTHER TAXES (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund[1]	**1,096**	**1,144**	**48**	**4.4%**	**1,137**	**(7)**	**-0.6%**
Estate Tax	1,078	1,127	49	4.5%	1,120	(7)	-0.6%
Gift Tax	0	0	0	NA	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Pari-Mutuel Taxes	17	16	(1)	-5.9%	16	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**1,706**	**1,804**	**98**	**5.7%**	**1,847**	**43**	**2.4%**
Estate Tax	1,078	1,127	49	4.5%	1,120	(7)	-0.6%
Gift Tax	0	0	0	NA	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Real Estate Transfer Tax	610	660	50	8.2%	710	50	7.6%
Pari-Mutuel Taxes	17	16	(1)	-5.9%	16	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

[1] Excludes Transfers.

All Funds other tax receipts for FY 2013 are estimated to be $1.8 billion, an increase of $98 million (5.7 percent) from FY 2012. This mainly reflects a rise of $49 million (4.5 percent) in estate tax receipts and $50 million (8.2 percent) in the real estate transfer tax, which are the result of expected large estate payments in FY 2013 and strong commercial activity and improving vacancy rates in NYC, respectively.

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

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

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

[1] Excludes Transfers.

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

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

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

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

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

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

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, School Aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans for Federal reimbursement to be received in the State fiscal year in which spending occurs, but timing sometimes varies. All Funds Federal grants are projected to total $42.6 billion in FY 2013, a decline of nearly $2.0 billion from the current year, reflecting the expiration of certain Federal ARRA moneys.

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

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

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

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

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

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

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

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

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

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

DISBURSEMENTS

General Fund disbursements in FY 2013 are estimated to total $58.9 billion, an increase of $2.4 billion (4.2 percent) over preliminary FY 2012 results. State Operating Funds disbursements for FY 2013 are estimated to total $88.9 billion, an increase of $1.7 billion (2 percent) over preliminary FY 2012 results.

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

Over the multi-year Financial Plan, State Operating Funds spending is expected to increase by an average annual rate of 3.5 percent. The projections reflect spending at the capped growth rates for Medicaid and School Aid, and contemplate the effect of national health care reform on State health care costs. The projections do not reflect any potential impact of automatic spending reductions that would be triggered if changes are implemented by the Federal government as part of its deficit reduction plan.

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

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at $58.8 billion in FY 2013 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

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

[1] FY 2012 results are subject to revision.

EDUCATION

SCHOOL AID

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

School Year (July 1 -June 30)

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

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

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

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

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

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

State Fiscal Year

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

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

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

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

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

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2013 are: the basic school property tax exemption for homeowners with income under $500,000 (57 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (25 percent), and a flat refundable credit and rate reduction for New York City resident personal-income taxpayers (18 percent).

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

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

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

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

The multi-year Financial Plan includes a new policy whereby the Department of Taxation and Finance will instruct local assessors to withhold the STAR exemption benefit from taxpayers who have a State-imposed and State-administered tax liability of $4,500 or more, and own a home that is STAR-eligible. New York City residents who are similarly in arrears would lose their City PIT rate-reduction benefit, as well as the State School Tax Reduction Credit.

OTHER EDUCATION AID

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

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

Spending for special education is expected to increase as program costs and enrollment rise. In FY 2012, school districts financed the costs associated with schools for the blind and deaf in the first instance and will be reimbursed by the State in FY 2013, which drives a significant annual increase in FY 2013 spending.

OTHER EDUCATION
(millions of dollars)

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

HIGHER EDUCATION

Local assistance for higher education spending includes funding for CUNY, SUNY and HESC. The State provides reimbursements to New York City for costs associated with CUNY's senior college operations, and works in conjunction with the City of New York to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses. HESC administers the TAP program that provides awards to income-eligible students and provides centralized processing for other student financial aid programs. The financial aid programs that HESC administers are funded by the State and the Federal government.

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

HIGHER EDUCATION
(millions of dollars)

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

[1] State support for SUNY 4-year institutions is funded through State operations rather than local assistance.
[2] Beginning in academic year 2011-12, the SUNY hospital subsidy will be funded as a transfer from General Fund State operations rather than local assistance.

Growth in spending for higher education over the multi-year Financial Plan period largely reflects aid to New York City for reimbursement of CUNY senior college operating expenses associated with the rising contribution rates for fringe benefits, and increased support for the TAP program..

HEALTH CARE

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

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately $54.0 billion in FY 2013, including the local contribution.[4]

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

[4] The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for local social services districts. The FY 2013 Enacted Budget amends these statutory indexing provisions by implementing a three-year phased-takeover of the local share of growth above the previous year's enacted levels beginning in April 2013 for County Fiscal Year 2013 (the county fiscal year is on a calendar year basis), with the State assuming all growth in County Fiscal Year 2015. This initiative is expected to save local governments nearly $1.2 billion through the next five State fiscal years.

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

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

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

Factors affecting Medicaid spending over the Financial Plan period include Medicaid enrollment, costs of provider health care services (particularly in managed care), levels of service utilization and the expiration of enhanced Federal aid.[5] The number of Medicaid recipients, including FHP, is expected to total approximately 5.1 million at the end of FY 2013, an increase of 2.4 percent from the FY 2012 caseload. The expiration of the enhanced FMAP contributes to an increase in State-share spending of nearly $1 billion from FY 2012 to FY 2013, and includes costs associated with the Federal funding reconciliation between the State and counties. Pursuant to Federal Health Care Reform, the Federal

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

government is expected to finance a greater share of Medicaid costs for individuals and couples without children, which is expected to lower growth in State-share Medicaid costs beginning in FY 2015.

The FY 2013 Enacted Budget includes authorization to establish a phased-takeover of local government administration of the Medicaid program, and to cap spending on local Medicaid administration at FY 2012 appropriation levels. The FY 2013 Enacted Budget also provides Medicaid spending relief for all counties and New York City by reducing the growth in local Medicaid payments. These changes are expected to further provide fiscal and administrative relief to local governments, consistent with other legislation the State has enacted in recent years to reduce the tax burden on its citizens.

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

DEPARTMENT OF HEALTH MEDICAID
(millions of dollars)

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

[1] Does not include Medicaid spending in other State agencies, DOH State operations spending, or the local government share of total Medicaid program spending.
[2] Excludes benefits realized in other State agencies. Costs in FY 2013 reflect the reconciliation of the local share benefit for FY 2012 that will occur in FY 2013.

PUBLIC HEALTH/AGING PROGRAMS

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

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

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

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

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

The decline in FY 2013 spending is due in large part to decreased Federal aid. The F-SHRP program was provided to the State on a time-limited basis (expiring March 31, 2014) through a Federal waiver under certain terms and conditions aimed at improving the delivery and access of community health care services. EPIC spending is projected to temporarily decline in FY 2013, since the more expansive coverage authorized in the FY 2013 Enacted Budget does not take effect until January 1, 2013. After FY 2014, EPIC coverage is expected to stabilize, while spending is projected to increase due to the rising costs of prescription medication.

HCRA

HCRA was established in 1996 to help finance a portion of State health care activities in various areas of the budget: Medicaid, Public Health, and the Department of Financial Services. Extensions and modifications to HCRA continue to finance new health care programs, including CHP and FHP.

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

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

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

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

	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Opening Balance	**159**	**3**	**0**	**0**	**0**
Total Receipts	**5,317**	**5,921**	**6,184**	**6,303**	**6,281**
Surcharges	2,711	3,016	3,171	3,263	3,239
Covered Lives Assessment	1,018	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,162	1,146	1,123	1,101	1,079
Conversion Proceeds	0	250	300	300	300
Hospital Assessments	367	394	417	444	469
NYC Cigarette Tax Transfer/Other	59	70	128	150	149
Total Disbursements	**5,473**	**5,924**	**6,184**	**6,303**	**6,281**
Medicaid Assistance Account	3,398	3,679	3,785	4,025	3,993
Medicaid Costs	*2,176*	*2,290*	*2,464*	*2,704*	*2,672*
Family Health Plus	*602*	*690*	*657*	*657*	*657*
Workforce Recruitment & Retention	*184*	*211*	*197*	*197*	*197*
All Other	*436*	*488*	*467*	*467*	*467*
HCRA Program Account	461	476	499	501	501
Hospital Indigent Care	777	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	102	162	246	270	282
Child Health Plus	350	342	377	403	417
Public Health Programs	137	129	129	129	129
All Other	248	344	356	183	167
Annual Operating Surplus/(Deficit)	**(156)**	**(3)**	**0**	**0**	**0**
Closing Balance	**3**	**0**	**0**	**0**	**0**

MENTAL HYGIENE

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

MENTAL HYGIENE
(millions of dollars)

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

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 4.6 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the mental hygiene service systems, including: increases primarily associated with the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline. Additional outyear spending is assumed in Financial Plan estimates for costs associated with efforts to move individuals in nursing

homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

SOCIAL SERVICES

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

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

[1] Reflects additional spending in FY 2013 that is the result of FY 2012 payment delays.

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

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

CHILDREN AND FAMILY SERVICES (millions of dollars)									
	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**1,604**	**1,543**	**-3.8%**	**1,891**	**22.6%**	**1,990**	**5.2%**	**2,094**	**5.2%**
Child Welfare Service	446	330	-26.0%	463	40.3%	508	9.7%	556	9.4%
Foster Care Block Grant	436	436	0.0%	464	6.4%	492	6.0%	521	5.9%
Adoption	181	175	-3.3%	182	4.0%	190	4.4%	199	4.7%
Day Care	143	220	53.8%	355	61.4%	354	-0.3%	354	0.0%
Youth Programs	109	125	14.7%	150	20.0%	155	3.3%	156	0.6%
Medicaid	113	93	-17.7%	117	25.8%	122	4.3%	127	4.1%
Committees on Special Education	64	39	-39.1%	42	7.7%	46	9.5%	51	10.9%
Adult Protective/Domestic Violence	33	34	3.0%	39	14.7%	44	12.8%	51	15.9%
All Other	79	91	15.2%	79	-13.2%	79	0.0%	79	0.0%

OCFS spending reflects expected growth in claims-based programs and an increase in child care General Fund spending to offset a reduction in available TANF dollars.

TRANSPORTATION

In FY 2013, the DOT will provide $4.4 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. The MTA, due to the size and scope of its transit system, receives the majority of the statewide mass transit operating aid, within which the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Spending from this fund is projected to grow between 5 percent and 10 percent each year from FY 2014 to FY 2016.

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

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

LOCAL GOVERNMENT ASSISTANCE

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

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

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

ALL OTHER LOCAL ASSISTANCE SPENDING

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

AGENCY OPERATIONS

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

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

		Forecast			
	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Negotiated Base Salary Increases [1]					
CSEA	0	0	0	2%	2%
PEF	0	0	0	2%	TBD
State Workforce [2]	119,579	121,841	122,142	122,142	122,142
ERS Pension Contribution Rate[3]					
Before Amortization	16.5%	19.4%	21.6%	23.1%	20.6%
After Amortization	10.5%	11.5%	12.5%	13.5%	14.5%
PFRS Pension Contribution Rate[3]					
Before Amortization	22.3%	26.9%	29.2%	31.3%	28.5%
After Amortization	18.5%	19.5%	20.5%	21.5%	22.5%
Employee/Retiree Health Insurance Growth Rates	6.0%	-2.7%	7.2%	8.3%	8.3%
PS/Fringe as % of Receipts (All Funds Basis)	14.7%	14.6%	14.6%	14.7%	14.9%

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

[2] Subject to direct Executive control. This table reflects State workforce counts through February 2012.

[3] As Percent of Salary.

Growth in agency operating spending over the multi-year Financial Plan is concentrated in agencies that operate large facilities, such as the State University, the mental hygiene agencies, and the Department of Corrections and Community Supervision. The main causes of growth include inflationary increases in operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities, offset by expected savings from enterprise procurement efforts.

STATE OPERATING FUNDS - AGENCY OPERATIONS (millions of dollars)									
	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Subject to Direct Executive Control	**9,594**	**9,652**	**0.6%**	**9,725**	**0.8%**	**9,982**	**2.6%**	**10,392**	**4.1%**
Mental Hygiene	2,941	2,961	0.7%	3,078	4.0%	3,186	3.5%	3,337	4.7%
Corrections and Community Supervision	2,472	2,391	-3.3%	2,445	2.3%	2,499	2.2%	2,630	5.2%
State Police	611	643	5.2%	649	0.9%	655	0.9%	668	2.0%
Public Health	540	555	2.8%	607	9.4%	629	3.6%	634	0.8%
Tax and Finance	383	393	2.6%	395	0.5%	406	2.8%	413	1.7%
Children and Family Services	293	316	7.8%	315	-0.3%	301	-4.4%	298	-1.0%
Environmental Conservation	245	235	-4.1%	235	0.0%	236	0.4%	239	1.3%
Financial Services	210	202	-3.8%	207	2.5%	209	1.0%	212	1.4%
Temporary and Disability Assistance	150	203	35.3%	205	1.0%	216	5.4%	214	-0.9%
Parks, Recreation and Historic Preservation	183	164	-10.4%	166	1.2%	169	1.8%	171	1.2%
Workers' Compensation Board	158	151	-4.4%	150	-0.7%	153	2.0%	156	2.0%
Lottery	140	161	15.0%	155	-3.7%	159	2.6%	159	0.0%
General Services	120	154	28.3%	138	-10.4%	133	-3.6%	136	2.3%
All Other	1,148	1,123	-2.2%	980	-12.7%	1,031	5.2%	1,125	9.1%
University System	**5,538**	**5,624**	**1.6%**	**5,735**	**2.0%**	**5,881**	**2.5%**	**6,022**	**2.4%**
State University	5,430	5,521	1.7%	5,630	2.0%	5,773	2.5%	5,912	2.4%
City University	108	103	-4.6%	105	1.9%	108	2.9%	110	1.9%
Independent Agencies	**295**	**304**	**3.1%**	**305**	**0.3%**	**313**	**2.6%**	**321**	**2.6%**
Law	160	165	3.1%	163	-1.2%	167	2.5%	171	2.4%
Audit & Control	135	139	3.0%	142	2.2%	146	2.8%	150	2.7%
Total, excluding Legislature and Judiciary	**15,427**	**15,580**	**1.0%**	**15,765**	**1.2%**	**16,176**	**2.6%**	**16,735**	**3.5%**
Judiciary	1,827	1,856	1.6%	1,914	3.1%	2,000	4.5%	2,095	4.8%
Legislature	197	219	11.2%	221	0.9%	224	1.4%	227	1.3%
Statewide Total	**17,451**	**17,655**	**1.2%**	**17,900**	**1.4%**	**18,400**	**2.8%**	**19,057**	**3.6%**
Personal Service	12,047	12,165	1.0%	12,366	1.7%	12,683	2.6%	13,188	4.0%
Non-Personal Service	5,404	5,490	1.6%	5,534	0.8%	5,717	3.3%	5,869	2.7%

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

GENERAL STATE CHARGES

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

GENERAL STATE CHARGES
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**6,593**	**6,422**	**-2.6%**	**7,001**	**9.0%**	**7,500**	**7.1%**	**7,974**	**6.3%**
Fringe Benefits	**6,217**	**6,069**	**-2.4%**	**6,646**	**9.5%**	**7,130**	**7.3%**	**7,605**	**6.7%**
Health Insurance	3,275	3,202	-2.2%	3,411	6.5%	3,670	7.6%	3,951	7.7%
Employee Health Insurance	2,052	1,987	-3.2%	2,132	7.3%	2,294	7.6%	2,469	7.6%
Retiree Health Insurance	1,223	1,215	-0.7%	1,279	5.3%	1,376	7.6%	1,482	7.7%
Pensions	1,697	1,600	-5.7%	2,012	25.8%	2,257	12.2%	2,467	9.3%
Social Security	914	931	1.9%	944	1.4%	969	2.6%	1,000	3.2%
All Other Fringe	331	336	1.5%	279	-17.0%	234	-16.1%	187	-20.1%
Fixed Costs	**376**	**353**	**-6.1%**	**355**	**0.6%**	**370**	**4.2%**	**369**	**-0.3%**

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

GSCs are projected to increase at an average annual rate of 4.9 percent over the Financial Plan period. The annual decrease in FY 2013 is driven by the impact of collective bargaining agreements, workforce attrition and the prepayment of certain pension costs in FY 2012. Increases in future years are driven by projected growth in health insurance and pension costs, offset by revenue collected from fringe benefit assessments, particularly from the mental hygiene agencies. For more information on long-term pension costs, see the section on "Other Matters Affecting the Enacted Budget Financial Plan - Pension Amortization" herein.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Total Transfers to Other Funds	**5,856**	**7,084**	**8,680**	**9,592**	**9,853**
Medicaid State Share	2,722	2,978	2,772	2,626	2,526
Debt Service	1,516	1,580	1,653	1,585	1,559
Capital Projects	798	1,055	1,293	1,408	1,301
Dedicated Highway and Bridge Trust Fund	449	499	600	624	624
All Other Capital	349	556	693	784	677
All Other Transfers	820	1,471	2,962	3,973	4,467
Mental Hygiene	0	8	803	1,732	2,320
SUNY - Disproportionate Share/Medicaid	225	228	228	228	228
Judiciary Funds	123	115	116	117	118
School Aid - Lottery/VLT Aid Guarantee	55	45	0	0	0
SUNY - University Operations	0	340	982	1,001	1,021
SUNY - Hospital Operations	60	81	88	88	88
Banking Services	70	57	65	65	65
Statewide Financial System	36	48	55	55	55
Indigent Legal Services	40	40	40	40	40
Department of Transportation (MTA Tax)	22	279	332	334	334
Mass Transportation Operating Assistance	47	19	19	19	19
Alcoholic Beverage Control	16	17	19	20	20
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
OFT Centralized Tech Services	0	22	52	20	10
All Other	104	150	141	232	127

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

A significant portion of the capital and operating expenses of DOT and DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the

fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds.

Transfers to other funds are expected to total $7.1 billion in FY 2013, an annual increase of $1.3 billion, or 22 percent. This increase is mainly due to higher costs related to the Financial Plan re-categorization of SUNY operating support, supplementation to MTA for the recent payroll tax reduction, Medicaid State share, and capital projects.

DEBT SERVICE

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Annual Change	Percent Change
General Fund	**1,516**	**1,580**	**64**	**4.2%**
Other State Support	4,348	4,484	136	3.1%
State Operating Funds	**5,864**	**6,064**	**200**	**3.4%**

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

Enacted Budget Financial Plan projections for debt service spending reflect the pre-payment of $135 million of SUNY debt service in March 2012. Otherwise, FY 2013 debt service estimates have been revised downward by approximately $84 million, primarily to reflect bond sale results to date and anticipated savings from refundings and other debt management actions. For more information on debt service, see the section on "Debt and Other Financing Activities" later in this AIS.

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

	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change
Opening Fund Balance	1,376	1,787	411	29.9%
Receipts:				
Taxes:				
Personal Income Tax	25,843	26,916	1,073	4.2%
User Taxes and Fees	9,055	9,271	216	2.4%
Business Taxes	5,760	6,038	278	4.8%
Other Taxes	1,096	1,144	48	4.4%
Miscellaneous Receipts	3,162	3,229	67	2.1%
Federal Receipts	60	60	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,097	8,272	175	2.2%
Sales Tax in Excess of LGAC Debt Service	2,396	2,456	60	2.5%
Real Estate Taxes in Excess of CW/CA Debt Service	387	444	57	14.7%
All Other Transfers	1,044	1,070	26	2.5%
Total Receipts	56,900	58,900	2,000	3.5%
Disbursements:				
Local Assistance Grants	38,419	39,645	1,226	3.2%
Departmental Operations:				
Personal Service	5,781	5,892	111	1.9%
Non-Personal Service	1,713	1,844	131	7.6%
General State Charges	4,720	4,403	(317)	-6.7%
Transfers to Other Funds:				
Debt Service	1,516	1,580	64	4.2%
Capital Projects	798	1,055	257	32.2%
State Share Medicaid	2,722	2,978	256	9.4%
SUNY Operations	0	340	340	--
Other Purposes	820	1,131	311	37.9%
Total Disbursements	56,489	58,868	2,379	4.2%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	411	32	(379)	-92.2%
Closing Fund Balance	1,787	1,819	32	1.8%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	102	57	(45)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	283	422	139	
Undesignated Fund Balance	75	13	(62)	

Source: NYS DOB

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

	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts:				
Taxes:				
Personal Income Tax	26,916	28,920	29,612	30,614
User Taxes and Fees	9,271	9,626	10,042	10,406
Business Taxes	6,038	6,208	5,713	6,291
Other Taxes	1,144	1,137	1,222	1,222
Miscellaneous Receipts	3,229	2,829	2,297	2,389
Federal Receipts	60	2	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,272	8,842	8,981	9,195
Sales Tax in Excess of LGAC Debt Service	2,456	2,579	2,706	2,832
Real Estate Taxes in Excess of CW/CA Debt Service	444	500	576	651
All Other Transfers	1,070	862	770	760
Total Receipts	58,900	61,505	61,919	64,360
Disbursements:				
Local Assistance Grants	39,645	41,872	43,227	45,490
Departmental Operations:				
Personal Service	5,892	5,370	5,496	5,753
Non-personal Service	1,844	1,637	1,722	1,806
General State Charges	4,403	4,834	5,179	5,470
Transfers to Other Funds:				
Debt Service	1,580	1,653	1,585	1,559
Capital Projects	1,055	1,293	1,408	1,301
State Share Medicaid	2,978	2,772	2,626	2,526
SUNY Operations	340	982	1,001	1,021
Other Purposes	1,131	1,980	2,972	3,446
Total Disbursements	58,868	62,393	65,216	68,372
Reserves:				
Community Projects Fund	(45)	(56)	0	0
Undesignated Fund Balance	(62)	0	0	0
Prior-Year Labor Agreements (2007-2011)	139	118	118	118
Increase (Decrease) in Reserves	32	62	118	118
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(950)	(3,415)	(4,130)

Source: NYS DOB

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

	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Taxes:				
Withholdings	32,748	34,817	36,032	37,947
Estimated Payments	11,602	12,663	13,702	13,560
Final Payments	2,203	2,266	2,151	2,251
Other Payments	1,149	1,184	1,235	1,286
Gross Collections	47,702	50,930	53,120	55,044
State/City Offset	(298)	(198)	(148)	(148)
Refunds	(7,148)	(7,559)	(8,633)	(9,085)
Reported Tax Collections	40,256	43,173	44,339	45,811
STAR (Dedicated Deposits)	(3,276)	(3,460)	(3,642)	(3,744)
RBTF (Dedicated Transfers)	(10,064)	(10,793)	(11,085)	(11,453)
Personal Income Tax	26,916	28,920	29,612	30,614
Sales and Use Tax	11,414	11,895	12,452	12,948
Cigarette and Tobacco Taxes	469	462	455	447
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	241	242	247	247
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	12,124	12,599	13,154	13,642
LGAC Sales Tax (Dedicated Transfers)	(2,853)	(2,973)	(3,112)	(3,236)
User Taxes and Fees	9,271	9,626	10,042	10,406
Corporation Franchise Tax	2,905	3,009	2,320	2,726
Corporation and Utilities Tax	652	696	718	741
Insurance Taxes	1,322	1,373	1,414	1,487
Bank Tax	1,159	1,130	1,261	1,337
Petroleum Business Tax	0	0	0	0
Business Taxes	6,038	6,208	5,713	6,291
Estate Tax	1,127	1,120	1,205	1,205
Real Estate Transfer Tax	660	710	780	855
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	16	16	16	16
Other Taxes	1	1	1	1
Gross Other Taxes	1,804	1,847	2,002	2,077
Real Estate Transfer Tax (Dedicated)	(660)	(710)	(780)	(855)
Other Taxes	1,144	1,137	1,222	1,222
Payroll Tax	0	0	0	0
Total Taxes	43,369	45,891	46,589	48,533
Licenses, Fees, Etc.	678	689	621	612
Abandoned Property	785	670	655	655
Motor Vehicle Fees	99	26	26	26
ABC License Fee	51	50	50	50
Reimbursements	262	262	262	262
Investment Income	10	30	30	30
Other Transactions	1,344	1,102	653	754
Miscellaneous Receipts	3,229	2,829	2,297	2,389
Federal Grants	60	2	0	0
Total	46,658	48,722	48,886	50,922

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,787	1,632	428	3,847
Receipts:				
Taxes	43,369	8,142	13,458	64,969
Miscellaneous Receipts	3,229	15,707	996	19,932
Federal Receipts	60	1	79	140
Total Receipts	46,658	23,850	14,533	85,041
Disbursements:				
Local Assistance Grants	39,645	19,128	0	58,773
Departmental Operations:				
Personal Service	5,892	6,273	0	12,165
Non-Personal Service	1,844	3,599	47	5,490
General State Charges	4,403	2,019	0	6,422
Debt Service	0	0	6,064	6,064
Capital Projects	0	5	0	5
Total Disbursements	51,784	31,024	6,111	88,919
Other Financing Sources (Uses):				
Transfers from Other Funds	12,242	7,736	6,322	26,300
Transfers to Other Funds	(7,084)	(480)	(14,609)	(22,173)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,158	7,256	(8,287)	4,127
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	32	82	135	249
Closing Fund Balance	1,819	1,714	563	4,096

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,891	8,469	14,357	68,717
Miscellaneous Receipts	2,829	16,352	1,043	20,224
Federal Receipts	2	1	79	82
Total Receipts	48,722	24,822	15,479	89,023
Disbursements:				
Local Assistance Grants	41,872	20,007	0	61,879
Departmental Operations:				
Personal Service	5,370	6,996	0	12,366
Non-Personal Service	1,637	3,850	47	5,534
General State Charges	4,834	2,167	0	7,001
Debt Service	0	0	6,401	6,401
Capital Projects	0	5	0	5
Total Disbursements	53,713	33,025	6,448	93,186
Other Financing Sources (Uses):				
Transfers from Other Funds	12,783	8,731	6,188	27,702
Transfers to Other Funds	(8,680)	(247)	(15,107)	(24,034)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,103	8,484	(8,919)	3,668
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(888)	281	112	(495)
Designated General Fund Reserves:				
Community Projects Fund	(56)			
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	62			
Net General Fund Deficit	(950)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,589	8,819	14,858	70,266
Miscellaneous Receipts	2,297	16,653	1,094	20,044
Federal Receipts	0	1	79	80
Total Receipts	48,886	25,473	16,031	90,390
Disbursements:				
Local Assistance Grants	43,227	20,688	0	63,915
Departmental Operations:				
Personal Service	5,496	7,187	0	12,683
Non-Personal Service	1,722	3,948	47	5,717
General State Charges	5,179	2,321	0	7,500
Debt Service	0	0	6,522	6,522
Capital Projects	0	5	0	5
Total Disbursements	55,624	34,149	6,569	96,342
Other Financing Sources (Uses):				
Transfers from Other Funds	13,033	9,103	5,691	27,827
Transfers to Other Funds	(9,592)	(45)	(15,017)	(24,654)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,441	9,058	(9,326)	3,173
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,297)	382	136	(2,779)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	118			
Net General Fund Deficit	(3,415)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,533	9,078	15,425	73,036
Miscellaneous Receipts	2,389	16,823	1,092	20,304
Federal Receipts	0	1	79	80
Total Receipts	50,922	25,902	16,596	93,420
Disbursements:				
Local Assistance Grants	45,490	20,774	0	66,264
Departmental Operations:				
Personal Service	5,753	7,435	0	13,188
Non-Personal Service	1,806	4,016	47	5,869
General State Charges	5,470	2,504	0	7,974
Debt Service	0	0	6,655	6,655
Capital Projects	0	5	0	5
Total Disbursements	58,519	34,734	6,702	99,955
Other Financing Sources (Uses):				
Transfers from Other Funds	13,438	9,500	5,444	28,382
Transfers to Other Funds	(9,853)	(216)	(15,332)	(25,401)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,585	9,284	(9,888)	2,981
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,012)	452	6	(3,554)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	118			
Net General Fund Deficit	(4,130)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,787	1,594	(449)	428	3,360
Receipts:					
Taxes	43,369	8,142	1,401	13,458	66,370
Miscellaneous Receipts	3,229	15,893	4,151	996	24,269
Federal Receipts	60	40,303	2,191	79	42,633
Total Receipts	46,658	64,338	7,743	14,533	133,272
Disbursements:					
Local Assistance Grants	39,645	53,781	2,104	0	95,530
Departmental Operations:					
Personal Service	5,892	6,918	0	0	12,810
Non-Personal Service	1,844	4,528	0	47	6,419
General State Charges	4,403	2,295	0	0	6,698
Debt Service	0	0	0	6,064	6,064
Capital Projects	0	5	5,867	0	5,872
Total Disbursements	51,784	67,527	7,971	6,111	133,393
Other Financing Sources (Uses):					
Transfers from Other Funds	12,242	7,737	1,328	6,322	27,629
Transfers to Other Funds	(7,084)	(4,464)	(1,479)	(14,609)	(27,636)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	5,158	3,273	249	(8,287)	393
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	32	84	21	135	272
Closing Fund Balance	1,819	1,678	(428)	563	3,632

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	45,891	8,469	1,421	14,357	70,138
Miscellaneous Receipts	2,829	16,538	4,060	1,043	24,470
Federal Receipts	2	41,893	2,212	79	44,186
Total Receipts	48,722	66,900	7,693	15,479	138,794
Disbursements:					
Local Assistance Grants	41,872	56,407	2,107	0	100,386
Departmental Operations:					
Personal Service	5,370	7,611	0	0	12,981
Non-Personal Service	1,637	4,872	0	47	6,556
General State Charges	4,834	2,449	0	0	7,283
Debt Service	0	0	0	6,401	6,401
Capital Projects	0	5	5,808	0	5,813
Total Disbursements	53,713	71,344	7,915	6,448	139,420
Other Financing Sources (Uses):					
Transfers from Other Funds	12,783	8,732	1,545	6,188	29,248
Transfers to Other Funds	(8,680)	(4,006)	(1,533)	(15,107)	(29,326)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	4,103	4,726	350	(8,919)	260
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(888)	282	128	112	(366)
Designated General Fund Reserves:					
Community Projects Fund	(56)				
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	62				
Net General Fund Deficit	(950)				

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,589	8,819	1,431	14,858	71,697
Miscellaneous Receipts	2,297	16,839	3,879	1,094	24,109
Federal Receipts	0	45,203	1,971	79	47,253
Total Receipts	48,886	70,861	7,281	16,031	143,059
Disbursements:					
Local Assistance Grants	43,227	60,994	1,883	0	106,104
Departmental Operations:					
Personal Service	5,496	7,814	0	0	13,310
Non-Personal Service	1,722	4,929	0	47	6,698
General State Charges	5,179	2,616	0	0	7,795
Debt Service	0	0	0	6,522	6,522
Capital Projects	0	5	5,661	0	5,666
Total Disbursements	55,624	76,358	7,544	6,569	146,095
Other Financing Sources (Uses):					
Transfers from Other Funds	13,033	9,104	1,471	5,691	29,299
Transfers to Other Funds	(9,592)	(3,225)	(1,519)	(15,017)	(29,353)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	3,441	5,879	258	(9,326)	252
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,297)	382	(5)	136	(2,784)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	118				
Net General Fund Deficit	(3,415)				

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,533	9,078	1,448	15,425	74,484
Miscellaneous Receipts	2,389	17,009	3,855	1,092	24,345
Federal Receipts	0	47,291	1,656	79	49,026
Total Receipts	50,922	73,378	6,959	16,596	147,855
Disbursements:					
Local Assistance Grants	45,490	63,553	1,552	0	110,595
Departmental Operations:					
Personal Service	5,753	8,074	0	0	13,827
Non-Personal Service	1,806	4,892	0	47	6,745
General State Charges	5,470	2,812	0	0	8,282
Debt Service	0	0	0	6,655	6,655
Capital Projects	0	5	5,395	0	5,400
Total Disbursements	58,519	79,336	6,947	6,702	151,504
Other Financing Sources (Uses):					
Transfers from Other Funds	13,438	9,501	1,365	5,444	29,748
Transfers to Other Funds	(9,853)	(3,092)	(1,531)	(15,332)	(29,808)
Bond and Note Proceeds	0	0	121	0	121
Net Other Financing Sources (Uses)	3,585	6,409	(45)	(9,888)	61
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,012)	451	(33)	6	(3,588)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	118				
Net General Fund Deficit	(4,130)				

Source: NYS DOB

CASHFLOW
GENERAL FUND
FY 2013
(dollars in millions)

	2012 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2013 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,787	4,332	1,293	2,121	2,206	1,242	4,271	3,440	2,555	2,051	5,961	6,108	1,787
RECEIPTS:													
Personal Income Tax	3,514	1,287	2,680	1,782	1,913	2,873	1,811	1,473	371	5,253	2,173	1,786	26,916
User Taxes and Fees	711	694	904	727	706	913	710	701	926	754	639	886	9,271
Business Taxes	111	46	1,056	64	91	1,154	109	268	1,193	106	137	1,703	6,038
Other Taxes	95	95	96	95	96	96	95	95	95	95	95	96	1,144
Total Taxes	4,431	2,122	4,736	2,668	2,806	5,036	2,725	2,537	2,585	6,208	3,044	4,471	43,369
Licenses, Fees, etc.	46	64	56	50	60	72	48	59	72	50	43	58	678
Abandoned Property	1	1	40	32	18	77	23	300	12	5	24	252	785
ABC License Fee	4	5	4	4	5	4	5	4	4	4	4	4	51
Motor vehicle fees	0	0	0	0	0	0	0	17	17	17	17	31	99
Reimbursements	4	7	55	2	18	36	10	26	33	8	29	34	262
Investment Income	2	1	1	1	1	1	1	1	0	0	1	0	10
Other Transactions	21	129	131	31	21	334	65	31	114	20	46	401	1,344
Total Miscellaneous Receipts	78	207	287	120	123	524	152	438	252	104	164	780	3,229
Federal Grants	0	13	0	0	0	15	0	0	15	0	0	17	60
PIT in Excess of Revenue Bond Debt Service	1,171	287	1,028	512	223	1,136	412	174	1,020	933	404	972	8,272
Sales Tax in Excess of LGAC Debt Service	214	42	449	220	153	279	217	214	286	230	3	149	2,456
Real Estate Taxes in Excess of CW/CA Debt Service	65	46	32	44	44	42	41	22	31	31	32	14	444
All Other	26	1	54	1	2	31	43	2	38	3	68	801	1,070
Total Transfers from Other Funds	1,476	376	1,563	777	422	1,488	713	412	1,375	1,197	507	1,936	12,242
TOTAL RECEIPTS	5,985	2,718	6,586	3,565	3,351	7,063	3,590	3,387	4,227	7,509	3,715	7,204	58,900
DISBURSEMENTS:													
School Aid	157	2,500	1,887	115	510	1,300	510	950	1,500	410	590	6,557	16,986
Higher Education	22	8	566	115	298	51	461	22	216	33	305	489	2,586
All Other Education	14	316	69	144	391	89	60	284	176	73	186	154	1,956
Medicaid - DOH	842	1,168	652	1,043	1,297	576	1,185	1,158	588	907	788	400	10,604
Public Health	22	39	91	95	50	71	65	23	49	51	21	87	664
Mental Hygiene	0	1	377	1	1	394	166	1	382	115	124	385	1,947
Children and Families	75	75	199	75	75	223	75	75	221	112	78	259	1,542
Temporary & Disability Assistance	356	100	118	100	100	118	100	100	118	100	30	144	1,484
Transportation	0	24	0	0	24	0	0	24	15	0	10	1	98
Unrestricted Aid	2	14	299	2	2	97	11	2	207	2	2	137	777
All Other	35	38	170	49	37	86	(30)	44	41	172	167	192	1,001
Total Local Assistance Grants	1,525	4,283	4,428	1,739	2,785	3,005	2,603	2,683	3,513	1,975	2,301	8,805	39,645
Personal Service	603	622	569	453	573	442	403	452	415	518	422	420	5,892
Non-Personal Service	169	168	144	159	131	138	134	131	146	134	177	213	1,844
Total State Operations	772	790	713	612	704	580	537	583	561	652	599	633	7,736
General State Charges	324	360	181	193	415	286	304	353	207	302	230	1,248	4,403
Debt Service	507	0	(17)	445	(4)	(110)	547	0	(2)	379	(18)	(147)	1,580
Capital Projects	(22)	19	87	39	86	(65)	64	84	172	98	38	455	1,055
State Share Medicaid	174	269	247	234	252	281	191	283	246	164	379	258	2,978
SUNY Operations	0	0	0	180	0	0	0	160	0	0	0	0	340
Other Purposes	160	36	119	38	77	57	175	126	34	29	39	241	1,131
Total Transfers to Other Funds	819	324	436	936	411	163	977	653	450	670	438	807	7,084
TOTAL DISBURSEMENTS	3,440	5,757	5,758	3,480	4,315	4,034	4,421	4,272	4,731	3,599	3,568	11,493	58,868
Excess/(Deficiency) of Receipts over Disbursements	2,545	(3,039)	828	85	(964)	3,029	(831)	(885)	(504)	3,910	147	(4,289)	32
CLOSING BALANCE	4,332	1,293	2,121	2,206	1,242	4,271	3,440	2,555	2,051	5,961	6,108	1,819	1,819

Source: NYS DOB

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE STATE TRANSPORTATION REVENUE BOND RESOLUTION

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APPENDIX B-I

SUMMARY OF CERTAIN PROVISIONS OF NEW YORK STATE THRUWAY AUTHORITY STATE PERSONAL INCOME TAX REVENUE BONDS (TRANSPORTATION) GENERAL BOND RESOLUTION

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

Definitions

Acts shall mean the Issuer Act and the Enabling Act.

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

Authorized Officer shall mean (i) in the case of the Issuer, the Chairman, the Vice Chairman, the Treasurer, the Secretary, any Assistant Treasurer and or Assistant Secretary, and when used with reference to any act or document, any other person authorized by resolution of the Issuer to perform such act or sign such document, (ii) in the case of the State, the Director of the Budget and when used with reference to any act or document, any other person authorized by law or by the Director of the Budget to perform such act or sign such document, (iii) in the case of the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Trust Officer, any Trust Officer or any Assistant Trust Officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge and familiarity with the particular subject matter, and (iv) any other officer or employee so designated on its behalf by resolution of the Issuer or the Trustee, respectively.

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

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

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

Financing Agreement shall mean the Transportation Revenue Bonds Financing Agreement between the Issuer and the State, acting through the Director of the Budget.

Issuer shall mean the New York State Thruway Authority, a body corporate and politic constituting a public benefit corporation of the State created by the Issuer Act, and its successors and permitted assigns.

Issuer Act shall mean the 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 amended

from time to time, together with any other provision of State law relating to the authorization or financing of Costs of a Project.

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

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

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

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

(Section 101)

Standard Resolution Provisions

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

(Section 102)

Authority for the Resolution

The Resolution is adopted pursuant to the provisions of the Acts.

(Section 103)

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds, over any other thereof except as expressly provided in or permitted by the Resolution.

(Section 104)

Authorization of Bonds

The Resolution creates an issue of Bonds of the Issuer constituting State transportation bonds pursuant to the Acts and to be designated as "State Personal Income Tax Revenue Bonds (Transportation)" and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds. The Bonds shall be special obligations of the Issuer secured by the pledge effected pursuant to the Resolution and are payable solely out of the Pledged Property, which is derived principally from amounts

appropriated by the State Legislature as authorized pursuant to Section 92-z without recourse against any other assets, revenues or funds of or other payments due to the Issuer and by all Funds and accounts (other than the Rebate Fund) established by the Resolution, all in the manner more particularly provided in the Resolution. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

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

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

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

(Section 201)

Redemption at Demand of the State

The State may, upon furnishing sufficient funds, require the Issuer to redeem, prior to maturity, as a whole, any Series of Bonds on any interest payment date not less than fifteen (15) years after the initial date of the Bonds of such Series at one hundred four per centum (104%) of their face value (or in the case of Capital Appreciation Bonds, the Appreciated Value) and interest accrued and unpaid to the redemption date or at such lower Redemption Price as may be provided by the Issuer in the Supplemental Resolution in the case of the redemption thereof as a whole on the redemption date and the Issuer shall deposit such amounts received from the State and redeem such Series pursuant to the Resolution.

(Section 401)

The Pledge Effected by the Resolution

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

(Section 501)

Establishment of Funds

The Resolution establishes the following Funds, which shall be held and administered by the Trustee, except for the Bond Proceeds Fund which at the discretion of the Issuer may be held and

administered by the Issuer. Each of such Funds and accounts shall have as a prefix "New York State Thruway Authority State Personal Income Tax Revenue Bonds (Transportation)":

1. Revenue Fund,

2. Debt Service Fund,

3. Rebate Fund,

4. Bond Proceeds Fund,

5. Administrative Fund,

6. Subordinated Payment Fund.

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

(Section 502)

Revenue Fund

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

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

(Section 503)

Debt Service Fund

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

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

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;

iv) The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and

v) Amounts due with respect to Parity Reimbursement Obligations.

The amounts paid to any Paying Agent pursuant to the Resolution remain irrevocably pledged until, and shall be, applied to such payments.

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

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

(Section 504)

Rebate Fund

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

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Issuer shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and direct the transfer from any other Fund or account held under the Resolution and deposit to the Rebate Fund all or a portion of the Rebate Amount with respect to such Series of Bonds and pay out of the Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 505)

Bond Proceeds Fund

The Issuer or the Trustee at the direction of the Issuer shall deposit or cause to be deposited into the Bond Proceeds Fund the proceeds of sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Debt Service Fund, to enable the Issuer to comply with the conditions precedent to the issuance of any Bonds.

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

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

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

(Section 506)

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

Moneys delivered to the Trustee, which by the provisions of the Resolution are to be applied for redemption of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund for such purpose to the extent not otherwise provided pursuant to a Supplemental Resolution.

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

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the provisions of the Resolution, of the maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Concurrently with such delivery of such Bonds the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered, (iii) the aggregate principal amount of the Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Bonds.

The Trustee shall, in the manner provided in the Resolution, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

Notwithstanding the provisions of the Resolution, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of a Series theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) is sufficient to make provision pursuant to the Standard Resolution Provisions for the payment of such Outstanding Bonds at the maturity or Redemption Date thereof, the Issuer may request the Trustee to take such action consistent with the Standard Resolution Provisions as is required thereby to deem such Bonds to have been paid within the meaning of the Standard Resolution Provisions. The Trustee, upon receipt of such request and irrevocable instructions of the Issuer to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 507)

Administrative Fund

Amounts in the Administrative Fund shall be paid out from time to time by the Trustee at the request of the Issuer for reasonable and necessary Issuer Expenses, free and clear of the lien and pledge created by the Resolution.

Amounts in the Administrative Fund accumulated as a reserve for Issuer Expenses the payment of which is not immediately required may in the discretion of the Issuer be invested in Investment Obligations. The Issuer may by written instruction to the Trustee sell any such investments at any time and the proceeds of such sale and of all payments at maturity or upon redemption of such investments shall be held in the Administrative Fund. Whenever the Administrative Fund exceeds the amount reasonable and necessary for Issuer Expenses including reserves and working capital, the Issuer shall direct the Trustee to apply the excess to the purposes and in the Funds established under the Resolution in the same manner as payments from the Revenue Fund.

Investment income on amounts in the Administrative Fund shall be deposited into the Revenue Fund.

(Section 508)

Subordinated Payment Fund

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; *provided, however, that* (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; *provided, however, that* the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all moneys paid to the Issuer under the Acts or otherwise for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Issuer.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in the Resolution pursuant to any resolution adopted by, or otherwise at the written direction of, the Issuer.

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

(Section 509)

Transfer of Investments

Whenever moneys in any Fund or account established under the Resolution or under any Supplemental Resolution are to be paid in accordance with the Resolution to another such Fund or account, such payment may be made, in whole or in part, by transferring to such other Fund or account investments held as part of the Fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, provided that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

(Section 510)

Power to Issue Bonds and Effect Pledge

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and pledge the Pledged Property in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Holders of Bonds and other obligations under the Resolution against all claims and demands of all Persons whomsoever.

(Section 601)

APPENDIX B-II

SUMMARY OF CERTAIN PROVISIONS OF THE STATE PERSONAL INCOME TAX REVENUE BONDS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Standard Resolution Provisions or the Resolution to which the Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Standard Resolution Provisions and the Resolution. Copies of the Standard Resolution Provisions and the Resolution may be obtained upon request from the Empire State Development Corporation.

Definitions

Capitalized terms used but not otherwise defined in this Summary shall have the meanings set forth in the Resolution to which the Standard Resolution Provisions are appended. The following terms shall, for all purposes therein and (except as the context may otherwise require) in the Resolution to which these Standard Resolution Provisions are appended, have the following meanings:

Accreted Value shall mean, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Additional Bonds shall mean Bonds authenticated and delivered on original issuance pursuant to the Standard Resolution Provisions.

Amortized Value when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value of such Investment Obligations computed by using an industry standard constant yield method selected by an Authorized Officer of the Issuer.

Appreciated Value shall mean with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds, (ii) as of any date prior to the Interest Commencement Date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Arbitrage and Use of Proceeds Certificate shall mean, with respect to any Series of Bonds, the interest on which is intended by the Issuer to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer of the Issuer in connection with the initial issuance and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Issuer relating to the federal tax status of such Series of Bonds, as such certificate or certificates may be amended and supplemented from time to time.

Authorized Issuer shall mean any public authority or public benefit corporation enumerated by subdivision 1 of Section 68-a.

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

Authorized Purpose shall mean a purpose as provided by the Enabling Act for the Issuer.

Bank shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Bond or **Bonds** shall mean any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution; provided, however, that such terms shall not include any Bond Anticipation Notes, or bonds, notes or other obligations, including Qualified Swaps, payable from the Subordinated Payment Fund.

Bond Anticipation Notes shall mean notes issued pursuant to the Standard Resolution Provisions.

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

Bondholder, **Holder** or **Holder of Bonds**, or any similar term, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day shall mean a day of the year which is not a Saturday, Sunday, or a day on which the Trustee or banking institutions chartered by the State or the United States of America are required or authorized by law to close in The City of New York, or any day on which the New York Stock Exchange is closed.

Calculated Debt Service shall mean for any period, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligations, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

With respect to Put Bonds and any Bonds of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Debt Service.

If the Issuer has, at any time, irrevocably called for redemption of one or more Series of Bonds, including pursuant to a covenant to apply any portion of the Pledged Property to redeem Bonds or Parity Reimbursement Obligations (which particular Bonds or Parity Reimbursement Obligations need not be specifically identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

With respect to Parity Reimbursement Obligations, an interest rate calculated at a higher interest rate on the related Bonds shall only be taken into account if, at the time of calculation, such higher rates are then payable thereon.

Capital Appreciation Bonds shall mean Bonds of a Series denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Bonds. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the principal amount of Obligations held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

Certificate of Determination shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Parity Reimbursement Obligations, Credit Facilities, Subordinated Indebtedness, or other matters in accordance with the delegation of power to do so under the Resolution or a Supplemental Resolution.

Code shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds or the use of Bond proceeds.

Comptroller shall mean the Comptroller of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any other official of the State authorized to act on behalf of the Comptroller in connection therewith.

Cost or Costs of a Project shall mean costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses for labor and materials and payments to consultants, contractors, builders and materialmen, for the acquisition, design, construction, reconstruction, rehabilitation, preservation, development, improvement or modernization of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be

required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising the construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the State or the Issuer for advances made by either party for any of the above items or for other costs incurred and for work done by the State or Issuer in connection with the Project, and (viii) grants or loans by or on behalf of the State for any of the foregoing.

Cost or Costs of Issuance shall mean the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense shall include Issuer Expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Securities Depository, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Qualified Swaps and other similar financial arrangements, costs and expenses of refunding of Bonds or Prior Obligations and other costs, charges and fees, including those of the Issuer, in connection with the foregoing.

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

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds or Parity Reimbursement Obligations.

Debt Service for any period shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of Parity Reimbursement Obligation accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligation that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Bonds and Parity Reimbursement Obligation; *provided, however, that,* unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until *the later* of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Bond or Parity Reimbursement Obligation.

Defeased Municipal Obligations shall mean pre-refunded municipal obligations rated in the highest Rating Category by each Rating Agency and meeting the following requirements:

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

The municipal obligations are fully secured by cash or Government Obligations which may be applied only to payment of the principal of and interest and premium, if any, on such municipal obligations.

Deferred Income Bond shall mean any Bond (1) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (i) compounded on each Valuation Date for such Deferred Income Bond and (ii) payable only at the maturity or prior redemption of such Bonds and (2) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

Director of the Budget shall mean the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

Enabling Act shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as may be hereafter amended from time to time.

Estimated Average Interest Rate shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Issuer in consultation with the Director of the Budget.

Event of Default shall mean any Event of Default set forth in the Standard Resolution Provisions.

Fiduciary shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fiduciary Capital Funds when used with respect to any Fiduciary shall mean the total of (i) paid in capital, (ii) surplus, (iii) undivided profits and (iv) the par value of outstanding capital notes issued and subordinated to the claims of creditors of such Fiduciary other than the holders of such capital notes.

Financing Agreement shall mean the applicable financing agreement authorized by subdivision 1 of Section 68-c, as amended and supplemented in accordance with the terms thereof and the Standard Resolution Provisions and referred to in the Standard Resolution Provisions.

Financing Agreement Payment shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a "Financing Agreement Payment," to pay to the Issuer or the Trustee from amounts available therefor in the Revenue Bond Tax Fund.

Fund shall mean any one of the funds created and established pursuant to the Resolution.

Government Obligations shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a

combined capital stock, surplus and undivided profits of at least $50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

Interest Commencement Date shall mean, with respect to any particular Deferred Income Bond, the date determined by Supplemental Resolution after which interest accruing on such Bond shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

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

Investment Obligations shall mean any of the following that are lawful investments at the time of the investment:

(a) Government Obligations,

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

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

(e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by each Rating Agency,

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

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

(h) any repurchase agreement for Government Obligations by the Issuer or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protection Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if "primary reporting dealers" cease to be determined by the Federal Reserve Bank, such other comparable standard as the Issuer shall implement pursuant to a Supplemental Resolution; provided, however, that the Government Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

(i) commercial paper rated in the highest Rating Category by each Rating Agency,

(j) investment agreements, secured or unsecured, with any institutions whose debt securities are rated in one of the two highest Rating Categories (or rated in the highest Rating Category for short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency,

(k) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above, and

(l) any other obligations from time to time permitted pursuant to the Issuer Act or other applicable law; provided, however, that if the funds invested in any such obligation are pledged for the payment of Bonds under the Resolution and the Bonds are then rated by a Rating Agency, such obligation shall be rated in one of the two highest Rating Categories of each such Rating Agency.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

Issuer Board shall mean the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

Issuer Expenses shall mean all proper items of cost or expenditure incurred or anticipated to be incurred by the Issuer in connection with the financing of any Project pursuant to the Standard Resolution Provisions, or direct and indirect administrative costs, fees and expenses and allocable portions of direct and indirect costs of the Issuer incurred in connection with financing such Project, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified in the Standard Resolution Provisions as may be necessary or incident to the financing of such Project, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Issuer relating to the financing of Projects set forth in the Enabling Act; provided, however, that Issuer Expenses shall not include any termination or other

payments to be made in connection with Qualified Swaps or other similar arrangements or, except to the extent expressly provided above, Credit Facilities.

Outstanding, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond canceled or delivered for cancellation at or prior to such date;

2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;

3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and

4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

Parity Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Paying Agent or **Paying Agents** shall mean any paying agent for the Bonds of any Series appointed pursuant to the Standard Resolution Provisions, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Trustee, if a different entity, or the Issuer shall act as such Paying Agent.

Person shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

Pledged Property shall mean all of the Issuer's right, title and interest in and to (i) the Financing Agreements (other than (A) the Issuer's right to receive the payment of Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Standard Resolution Provisions, and (D) the right of the Issuer to enforce the provisions of any Financing Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Financing Agreement Payments) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Revenues and Funds (other than the Rebate Fund and other

Funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness; *provided, however, that* such Funds, accounts and subaccounts are specifically excepted from Pledged Property by the Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness), including Investment Obligations held in such Funds under the Resolution, together with all proceeds and revenues of the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and the Standard Resolution Provisions; provided, however, that in no event shall any Project or any interest therein be deemed to be "Pledged Property".

Principal Installment shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Standard Resolution Provisions as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

Prior Obligations shall mean bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Standard Resolution Provisions to finance Costs of a Project.

Project shall mean the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose.

Put Bonds shall mean Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Issuer for payment or purchase prior to the stated maturity or redemption date thereof.

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

Qualified Swap Payment shall mean any payment required to be made by the Issuer under a Qualified Swap, such payment to be made only from the Subordinated Indebtedness Fund.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or

whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

Rating Agency shall mean each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

Rating Category shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Bonds.

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

Record Date shall mean with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date.

Redemption Date shall mean the date upon which Bonds are to be called for redemption pursuant to the Standard Resolution Provisions.

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

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

Regulations shall mean the Income Tax Regulations promulgated by the Department of the Treasury from time to time.

Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Requisition shall mean any instructions as deemed necessary and delivered by the Director of the Budget to the Issuer, providing for the payment of Bond proceeds to the State or any other entity.

Revenues shall mean (i) all amounts appropriated and paid to the Issuer or the Trustee from the Revenue Bond Tax Fund pursuant to Section 92-z and the Financing Agreement, constituting Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution.

Revenue Bond Tax Fund shall mean the fund established by section 92-z of the State Finance Law.

Section 92-z shall mean section 92-z of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-a shall mean section 68-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-b shall mean section 68-b of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-c shall mean section 68-c of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Securities Depository shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Bonds (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

Series shall mean all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds pursuant to the Standard Resolution Provisions regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Sinking Fund Installment shall mean, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Issuer on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Issuer by reason only of the maturity of such Bond.

Standard Resolution Provisions shall mean the provisions contained in Annex A to the Resolution.

State shall mean the State of New York.

State Fiscal Year shall mean the fiscal year of the State as set forth in the State Finance Law.

State Legislature shall mean the Legislature of the State of New York.

State Revenue Bonds shall mean any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereinafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

Subordinated Indebtedness shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting "Subordinated Indebtedness" in a certificate of an Authorized Officer of the Issuer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Standard Resolution Provisions, and any lien on and pledge of any portion of the Pledged Property securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Pledged Property created in the Resolution for the payment of the Bonds and Parity Reimbursement Obligations.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

Tax Law shall mean the tax law constituting Chapter 60 of the consolidated laws of the State.

Taxable Bonds shall mean any Bonds which are not Tax-Exempt Bonds.

Tax-Exempt Bonds shall mean any Bonds the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Bonds in the Supplemental Resolution authorizing such obligations.

Trustee shall mean a trustee appointed by the Issuer or as otherwise provided in the Standard Resolution Provisions, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Standard Resolution Provisions.

Valuation Date shall mean (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

Variable Interest Rate Bonds shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

The Standard Resolution Provisions to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued or incurred under the Standard Resolution Provisions by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and Parity Reimbursement Obligations; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and Parity Reimbursement Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or Parity Reimbursement Obligations over any other thereof except as expressly provided in or permitted by the Resolution.

(Section A-104)

General Provisions for Issuance of Bonds

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution and a Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Resolution and which shall be subject to the express limitations of the Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Standard Resolution Provisions and delivered to the Trustee. Such Series of Bonds or subseries shall be authenticated or otherwise delivered by the Trustee from time to time in such amounts as directed by the Issuer and by it

delivered to or upon the order of the Issuer upon receipt of the consideration therefor and upon delivery to the Trustee of:

(A) a copy of the Resolution and the Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;

2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds as provided in the Standard Resolution Provisions;

3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;

4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;

5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is other than the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date for such Bonds;

6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;

7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;

9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;

10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;

11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;

12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;

14. The redemption provisions, if any, applicable to the Bonds of such Series;

15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;

16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Resolution. Except as otherwise provided pursuant to a Supplemental Resolution, all of the Bonds of each Series shall be in fully registered form without coupons;

17. Directions for the application of the proceeds of the Bonds of such Series;

18. To the extent applicable, direction to deliver such Series of Bonds in book-entry form to the extent materially different from the provisions of the Standard Resolution Provisions;

19. To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder; and

20. Any other provision deemed advisable by an Authorized Officer of the Issuer, not in conflict with the provisions of the Standard Resolution Provisions or of the applicable Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Supplemental Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to such delegation, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution;

(B) A Counsel's Opinion in customary form to the effect that (i) the Issuer has the right and power under the Acts to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required, (ii) the Resolution creates the valid pledge to the payment of the Bonds of the Pledged Property which it purports to create pursuant to the Resolution, subject to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid and binding, special obligations of the Issuer payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Acts and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution;

(C) A certificate of an Authorized Officer of the Issuer stating that upon the delivery of the Bonds of such Series, the Issuer will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds; provided, however, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Standard Resolution Provisions, such certificate shall not be a condition to the authentication and delivery of such Refunding Bonds if and to the extent that a certificate of an Authorized Officer of the Issuer is delivered stating that upon the delivery of such Refunding Bonds the Issuer will no longer be in default in the performance of the terms, provisions or covenants of the Resolution or of any of the Bonds as specified in such certificate;

(D) A certificate of an Authorized Officer of the State stating that (i) to the best of such Authorized Officer's knowledge, no event of default under any Financing Agreements has occurred and is

continuing nor will an event of default under any Financing Agreements occur as a result of the issuance of such Bonds, and (ii) the approval of the Director of the Budget for such financing;

(E) A copy of the Certificate of Determination, if any, executed in connection with such Series of Bonds;

(F) To the extent authorized by the Issuer pursuant to a Supplemental Resolution, one or more Credit Facilities with respect to any Series of Bonds and any agreements deemed necessary in connection therewith;

(G) A written order of an Authorized Officer of the Issuer as to the delivery of such Series of Bonds, describing such Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(H) A certificate of an Authorized Officer of the Issuer setting forth the amount of money, if any, to be deposited into the Debt Service Fund, equal to (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the sum of the interest on the Bonds of such Series from the date of the Bonds of such Series to the date of delivery thereof;

(I) Any amounts (in the form of cash or Investment Obligations) required to be deposited with the Trustee at the time of issuance and delivery of the Bonds of such Series;

(J) Copies of the Financing Agreement applicable to such Series of Bonds; and

(K) Such further documents and moneys as are required by the provisions of the Standard Resolution Provisions or any Supplemental Resolution adopted pursuant to the Standard Resolution Provisions.

The Issuer may authorize by Supplemental Resolution the issuance of Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds, Put Bonds or any other form of Bond not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution.

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

(Section A-201)

Special Provisions for Additional Bonds

After the issuance of the initial Series of Bonds, one or more Series of Additional Bonds may be authorized and delivered upon original issuance for any Authorized Purpose, including payment of Project Costs and the refunding of Prior Obligations or Bonds or Parity Reimbursement Obligations or other indebtedness, upon receipt by the Trustee, in addition to any applicable requirements of the Standard Resolution Provisions, of the following:

A certificate by the Director of the Budget setting forth the most recent collections for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate, of the taxes, fees, fines, penalties, or other monies which, as of the date of issuance of any such Series of Bonds, are levied, collected or imposed by or on behalf of the State and are required to be deposited into the Revenue Bond Tax Fund; provided, however, that if any taxes, fees, fines, penalties or other monies that

are required to be deposited into such account were not so required to be deposited for all of such 12 calendar months, such certificate may nevertheless include the full amount of all such taxes, fees, fines, penalties, or other monies actually collected for such 12 calendar months;

A certificate by an Authorized Officer of the Issuer setting forth the Calculated Debt Service on all Outstanding Bonds, including such Series of Additional Bonds to be issued and any additional amounts payable with respect to Parity Reimbursement Obligations for each State Fiscal Year for which such Bonds or Parity Reimbursement Obligations are Outstanding and (II) a certificate of the Director of the Budget, including the amount of Calculated Debt Service set forth in the certificate previously described (based upon information furnished by each applicable Authorized Issuer pursuant to the related financing agreement), setting forth the calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) shall be made with respect to all Authorized Issuers that have issued bonds or parity reimbursement obligations pursuant to the Enabling Act, which bonds or parity reimbursement obligations are secured by payments to be made from the Revenue Bond Tax Fund for each State Fiscal Year for which such bonds or parity reimbursement obligations are outstanding; and

A certificate by the Director of the Budget stating that the amounts set forth pursuant to the first paragraph above will be at least 2.0 times the maximum calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) for all Authorized Issuers set forth in subsection (II) of the second paragraph above for any State Fiscal Year set forth pursuant to above.

(Section A-202)

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds or Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations, or any outstanding Prior Obligations, in each case including all or any portion of a maturity. The Issuer may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) and to make such deposits required by the provisions of the Standard Resolution Provisions and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements set forth under the caption, "General Provisions for Issuance of Bonds," Refunding Bonds of any Series issued to refund Outstanding Bonds or Parity Reimbursement Obligations shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

(1) If the Bonds to be refunded are to be redeemed, irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a Redemption Date specified in such instructions;

(2) If Bonds to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions to the Holders of the Bonds being refunded;

(3) If Bonds to be refunded are to be deemed paid, either or both of

(i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued

interest on such Bonds to the maturity or Redemption Date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and

(ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Standard Resolution Provisions, which Government Obligations and moneys shall be held in trust and used only as provided in the Standard Resolution Provisions; and

(4) Either (i) a certificate of an Authorized Officer of the Issuer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Bonds or Parity Reimbursement Obligations to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds as calculated immediately prior to the issuance of the Refunding Bonds (including the Bonds or Parity Reimbursement Obligations to be refunded or purchased but excluding the Refunding Bonds) and (b) stating that the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (B) above; or (ii) the certificates required by the Standard Resolution Provisions with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Obligations then proposed to be issued will be Outstanding but the Bonds or Parity Reimbursement Obligations to be refunded will no longer be Outstanding.

(B) In addition to the applicable requirements set forth under the caption, "General Provisions for Issuance of Bonds," Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds set forth under the caption, "Refunding Bonds," and shall otherwise comply with any applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

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

(Section A-203)

Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations

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

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or

order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, under the captions "Supplemental Resolutions" and "Amendments", and following a default under the caption "Defaults and Remedies; Defeasance", except where the Credit Facilities provide only liquidity support and not credit support.

In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

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

In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Pledged Property; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Standard Resolution Provisions, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Standard Resolution Provisions, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any

Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

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

In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Issuer also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Issuer determines that such Qualified Swaps or other similar arrangements will assist the Issuer in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or related Certificate of Determination, the Issuer's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-204)

Bond Anticipation Notes

Whenever the Issuer shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer, subject to certain provisions for additional bonds under the Standard Resolution Provisions, may by adoption of a Supplemental Resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only from (i) the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes, other than renewals thereof, shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or

account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination.

(Section A-205)

Additional Obligations

The Issuer reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Issuer, so long as such bonds, notes or other obligations are not, or such indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien on the Pledged Property created by the Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

(Section A-206)

Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed

In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the Resolution. Such notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

Whenever by the terms of the Resolution, Bonds are required to be redeemed otherwise than at the election of the Issuer, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of the Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Standard Resolution Provisions) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds of such Series drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of such Bonds and select part of any such Bonds for redemption. In lieu of selecting Bonds to be redeemed in partial redemption by lot, the particular Bonds of a Series to be redeemed may be selected by the Trustee as directed by the

Issuer on a pro rata or other basis specified in the Certificate of Determination, or otherwise in such manner as the Trustee in its discretion shall deem appropriate and fair.

(Section A-402, A-303 and A-404)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in subsection 1 of Section A-501 of the Standard Resolution Provisions. There is thereby pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the provisions authorizing Subordinated Indebtedness in the Resolution) for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Pledged Property. Such pledge is for the equal and proportionate benefit and security of all and singular the present and future Holders of Bonds and obligees of Parity Reimbursement Obligations issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided in the Standard Resolution Provisions, of any one Bond or Parity Reimbursement Obligation over any other Bond or Parity Reimbursement Obligation, by reason of priority in the issue, sale or negotiation thereof or otherwise. The pledge and lien created by the Resolution for the Bonds and Parity Reimbursement Obligation shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligation secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in subsection 1 of Section A-501 of the Standard Resolution Provisions is and shall be valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge are and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge is and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof; and (ii) neither the Resolution nor any other instrument need be recorded or filed to protect the pledge set forth in the aforementioned section.

The revenues, facilities, properties and any and all other assets of the Issuer, or of any subsidiary thereof, other than the Pledged Property, shall not be used for, or as a result of any court proceeding or otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and interest on the Bonds, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Issuer, other than the Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Revenue Bond Tax Fund pursuant to Section 92-z, nor to maintain such taxes or the sources of any other funds at any minimum level, and moneys in the Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-z with respect to moneys on deposit in the Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in the aforementioned section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Pledged Property.

(Section A-501)

Establishment of Funds

Funds and accounts shall be established as authorized by the Resolution.

(Section A-502)

Payment of Bonds

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

(Section A-601)

Extension of Payment of Bonds

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of any assets of the Issuer or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Issuer to issue Refunding Bonds as permitted by the Resolution and by the Issuer Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

(Section A-602)

Offices for Servicing Bonds

The Issuer shall at all times maintain an office or agency in the State, where Bonds may be presented for payment, registration, transfer or exchange and where notices, presentations and demands upon the Issuer in respect of the Bonds or of the Resolution may be served. The Issuer appoints the Trustee as its agent to maintain such office or agency in the State for the registration, transfer or exchange of Bonds, for the authentication of Bonds, and for the payment of Bonds.

(Section A-603)

Further Assurance

At any time and all times the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned by the Resolution, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign. The Issuer further covenants that it shall use its best efforts, to the extent authorized by law, to cause the Director of the Budget to make and deliver the certificates referred to in the Standard Resolution Provisions at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

(Section A-604)

Power to Issue Bonds and Pledge Revenues and Other Funds

The Issuer is duly authorized under the Acts, and all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Standard Resolution Provisions, the Pledged Property is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Issuer in accordance with their terms and the terms of the Resolution. The Issuer further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

(Section A-605)

Creation of Liens

Except in accordance with the provisions of the Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or any part of the Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Pledged Property except as provided in the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Issuer from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in the Standard Resolution Provisions or (ii) evidences of indebtedness secured by the Subordinated Payment Fund.

(Section A-606)

Certificate of the Director of the Budget

In order to assure the maintenance of the Funds and accounts held under the Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-z and the Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Revenue Bond Tax Fund; and

(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

1. all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;

2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Parity Reimbursement Obligations due in such State Fiscal Year;

3. all Issuer Expenses for such State Fiscal Year;

4. all principal of and interest or other amounts payable from the Subordinated Payment Fund and due in such State Fiscal Year;

5. any amounts required to rebate to the Department of the Treasury of the United States of America and not otherwise held in the Funds and accounts under the Resolution;

6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Revenue Bond Tax Fund in accordance with Section 92-z, to enable the Issuer to meet its obligations under the Resolution as they become due; provided, however, that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) the monthly amounts, as provided for in paragraph (a) above, required to be deposited to the Revenue Bond Tax Fund in such month is not less than one hundred twenty-five percent (125%) of the monthly cash requirements, as provided for in paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and provided, further, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-z <u>less</u> (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Resolution and other amounts available under the Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-z.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-z. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any

payment of principal, Sinking Fund Installments, if any, and Redemption Price of or interest on Bonds or with respect to Parity Reimbursement Obligations.

In any event, whether or not there has been any intervening requirement to revise such certificate under the Standard Resolution Provisions, promptly but in no event later than 30 days after the date of the issuance of any Series of Bonds under the Resolution or the issuance of any Parity Reimbursement Obligation, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of the Standard Resolution Provisions.

The agreement of the State under Section 68-c shall be deemed executory only to the extent of appropriations available for payments under Section 68-c and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

(Section A-607)

Agreement With the Director of the Budget

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Parity Reimbursement Obligations or other obligations under the Resolution (including Credit Facilities, Qualified Swaps, other similar arrangements, and Parity Reimbursement Obligations) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 68-c providing for the specific manner, timing and amount of payments to be made under Section 68-c and the Resolution. The Issuer shall approve the form and substance of such Financing Agreement with respect to any Series of Bonds prior to or concurrently with the adoption of the applicable Supplemental Resolution and shall use its best efforts, to the extent permitted by law, to take all steps necessary or appropriate to enforce such Financing Agreement and to assure compliance by the State therewith. The Issuer shall not enter into any such Financing Agreement that is not in conformity with the Acts and the Resolution.

(Section A-608)

Agreement With the State

In accordance with the provisions of the Enabling Act and to the extent applicable, the Issuer Act, the Issuer includes in the Resolution, to the fullest extent enforceable under applicable federal and State law, the pledge to and agreement with the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred under the Resolution made by the State and set forth in the Acts that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued or incurred under the Resolution, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

Notwithstanding any other provision of the Resolution, nothing contained in the Acts or the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to taxes imposed pursuant to Article 22 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued under the Resolution expressly agree that it shall be an integral part of the contract arising under the Resolution that no default thereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such tax.

(Section A-609)

Amendment of Financing Agreements

The Issuer shall not amend, change, modify, alter or terminate any Financing Agreement so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of the provider of a Credit Facility, if any, affected thereby, or, in the event that there is no Credit Facility in place with respect to the Series of Bonds affected thereby, without the prior written consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the providers of the Credit Facility, if any, or the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Standard Resolution Provisions. Any Financing Agreement may be amended, supplemented, changed, modified or altered without the consent of the provider of the Credit Facility, if any, or the Holders of Outstanding Bonds to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, or the providing, furnishing and equipping of a Project or which may be added to such Project, or to provide for additional Financing Agreement Payments; and any Financing Agreement may be amended, supplemented, changed, modified or altered without such consent to cure any ambiguity, or to correct or supplement any provisions contained in any Financing Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Financing Agreement and which the Issuer determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be. In no event shall changes relating solely to Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or providers of Credit Facilities. Upon execution by the Issuer of any amendment, a copy thereof certified by the Issuer shall be filed with the Trustee and each provider of the Credit Facility affected thereby.

For the purposes of the Standard Resolution Provisions, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Financing Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the provider of a Credit Facility, as the case may be. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be, would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the provider of a Credit Facility, the Trustee and all Holders of Bonds; and, provided further, however, any such amendments deemed necessary by the Issuer to effect any assumption, extinguishment and substitution authorized by the Standard Resolution Provisions shall not be deemed to materially adversely affect the Bonds.

For all purposes of the Standard Resolution Provisions, the Issuer shall be entitled to rely upon a Counsel's Opinion (a copy of which shall be provided by the Issuer to any provider of a Credit Facility thereby affected), with respect to whether any amendment, change, modification or alteration materially

adversely affects the right, security and interest of any Holders of Bonds and any provider of a Credit Facility of a Series then Outstanding.

(Section A-610)

Enforcement of Duties and Obligations of the State

The Issuer shall use its best efforts, to the extent permitted by law, to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Financing Agreement in the manner and at the times provided in such Financing Agreement provided, however, that the Issuer may delay, defer or waive enforcement of one or more provisions of said Financing Agreement (other than provisions requiring the payment of moneys to any Fund or account established under the Resolution), if the Issuer determines such delay, deferment or waiver will not materially adversely affect the right, security and interest of the Holders of the Bonds of the applicable Series or the issuer of any Credit Facility.

(Section A-611)

Reservation of State Rights of Assumption, Extinguishment and Substitution

It is expressly understood and agreed by the Issuer and the Holders or other obligees of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution to be an integral part of the contract arising under the Resolution that, in accordance with subdivision 6 of Section 68-c, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Revenues pledged under the Resolution, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Resolution, (ii) to extinguish the existing lien on Pledged Property created under the Resolution, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with the Standard Resolution Provisions. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of the Standard Resolution Provisions.)

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act

relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the Revenue Bond Tax Fund to be sources of payment or security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution; provided, however, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-z and paragraph (a) of subdivision 5 of Section 92-z may be amended to delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-z are transferred to the general fund; and

3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in the Standard Resolution Provisions, and shall include events of default to the effect of those contained in Section A-1101(e), (f), and (g) of the Standard Resolution Provisions and shall grant the remedies contained under Section A-1102(1) and (2) of the Standard Resolution Provisions, provided that the Comptroller or the Attorney General of the State may serve in the capacity of the Trustee for such purposes and the State or other issuer of State Revenue Bonds may be substituted for the Issuer in Section A-1101(1) of the Standard Resolution Provisions, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions; and

4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Resolution; and

5. any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Standard Resolution Provisions; and

6. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of the Standard Resolution Provisions and the Enabling Act and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to the Standard Resolution Provisions (or brief summary thereof or reference thereto) shall be mailed by the Issuer to such Bondholders and providers of Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as provided in the Standard Resolution Provisions).

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided in the Resolution by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and

3. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of the Standard Resolution Provisions and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to the Standard Resolution Provisions (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as provided in the Standard Resolution Provisions). No such assumption, extinguishment and substitution pursuant to this subdivision shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this subdivision, and (ii) the aforementioned Counsel's Opinion. Each such consent of a Bondholder shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that such Authorized Officer has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer in the Standard Resolution Provisions provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Standard Resolution Provisions, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such

notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as in the Standard Resolution Provisions provided) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as in the Standard Resolution Provisions provided). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by the Standard Resolution Provisions to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

(Section A-612)

Accounts and Reports

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

(Section A-613)

Tax Covenants

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

(Section A-614)

General

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

(Section A-615)

Notice as to Event of Default

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an "Event of Default," as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; provided, however, that the Issuer shall provide each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

(Section A-616)

Other Bonds Authorized by the Enabling Act

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

(Section A-617)

Investment of Funds

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Resolution. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Resolution shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent

required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of the Standard Resolution Provisions.

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

(Section A-701)

Trustee; Appointment and Acceptance of Duties

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

(Section A-801)

Paying Agents; Appointment and Acceptance of Duties

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

(Section A-802)

Responsibilities of Fiduciaries

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance

any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Resolution of the Issuer with respect to collection, accounting, review of and notice for any consents required thereunder.

(Section A-803)

Evidence on Which Fiduciaries May Act

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to any Fiduciary shall be sufficiently executed if executed in the name of the Issuer by an Authorized Officer.

(Section A-804)

Compensation

The Issuer shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution. The Issuer further agrees to the extent permitted by law to indemnify and save each such Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Issuer's obligation to make any payment pursuant to the Standard Resolution Provisions shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

(Section A-805)

Certain Permitted Acts

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such

committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

(Section A-806)

Resignation of Trustee

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

(Section A-807)

Removal of Trustee

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

(Section A-808)

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of the Standard Resolution Provisions within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Standard Resolution Provisions in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least $100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-809)

Transfer of Rights and Property to Successor Trustee

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

(Section A-810)

Merger or Consolidation

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; provided such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national banking association and shall, if it previously had not had such an office, have an office for the transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-811)

Resignation or Removal of Paying Agent and Appointment of Successor

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

(Section A-812)

Adoption and Filing

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligation as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligation may be incurred.

(Section A-901)

Supplemental Resolutions Effective Upon Adoption

Notwithstanding any other provisions of the Standard Resolution Provisions, the Issuer may adopt, for any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;

To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To surrender any right, power or privilege reserved to or conferred upon the Issuer by the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Resolution;

To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;

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 add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;

To modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

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;

To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Standard Resolution Provisions as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

Notwithstanding the Standard Resolution Provisions, to the extent authorized by law and to the extent the Issuer shall have received a Counsel's Opinion that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of Bonds that are not in registered form;

To modify the pledge effected by Section 501 of the Resolution and such other provisions of the Standard Resolution Provisions solely to give effect to an assumption, extinguishment and substitution consistent with the Standard Resolution Provisions;

Notwithstanding the terms and provisions of the Standard Resolution Provisions, to the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Bonds issued on a tax-exempt basis, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

To modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

To make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Holders of Outstanding Bonds or Parity Reimbursement Obligations.

In making any determination under the preceding paragraph, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

(Section A-902)

Supplemental Resolutions Effective with Consent of Trustee

Notwithstanding any other provision of the Standard Resolution Provisions, the Issuer may adopt a Supplemental Resolution amending any provision of the Standard Resolution Provisions, effective upon filing with the Issuer of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

(Section A-903)

Supplemental Resolutions Effective with Consent of Bondholders

Except as permitted in the Standard Resolution Provisions, at any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the provisions of the Standard Resolution Provisions, which Supplemental Resolution, upon adoption and upon compliance with the Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Standard Resolution Provisions.

(Section A-904)

General Provisions

Nothing contained in the Standard Resolution Provisions shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of the Standard Resolution Provisions or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution it is provided shall be so delivered.

Any Supplemental Resolution referred to and permitted or authorized by the Standard Resolution Provisions may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of Budget, and (ii) the subject of a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. The Trustee shall be entitled to rely upon such opinion, which shall be conclusive evidence that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

The Trustee is authorized by the Resolution to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Standard Resolution Provisions and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking

such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section A-905)

Mailing and Publication

Any provision in the Standard Resolution Provisions relating to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid to each Bondholder of any affected Bonds then Outstanding at such Bondholder's address, if any, appearing upon the registry books of the Issuer and to the Trustee; or, in each case, to such parties by facsimile or other means to the extent permitted by applicable law and arrangements.

Any provision in the Standard Resolution Provisions for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

(Section A-1001)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Standard Resolution Provisions, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Standard Resolution Provisions. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of the Standard Resolution Provisions, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Issuer may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Issuer shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof.

Notwithstanding anything in the Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold.

(Section A-1002)

Consent of Bondholders

The Issuer may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Standard Resolution Provisions, to take effect when and as provided in the Standard Resolution Provisions. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in the Standard Resolution Provisions). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Issuer (i) the written consent of Holders of the percentages of Outstanding Bonds specified in the Standard Resolution Provisions, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that he or she has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer of the Issuer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer in the Standard Resolution Provisions provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Issuer on a stated date, a copy of which is on file with the Issuer) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Standard Resolution Provisions, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as is provided in the Standard Resolution Provisions) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Issuer provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming binding as is provided in the Standard Resolution Provisions). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have

been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by the Standard Resolution Provisions to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Trustee, or the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

For the purpose of the Standard Resolution Provisions, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Standard Resolution Provisions in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Issuer or with the remarketing of the Bonds.

(Section A-1003)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Issuer of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Standard Resolution Provisions except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Issuer of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

(Section A-1004)

Exclusion of Bonds

Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Standard Resolution Provisions, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Standard Resolution Provisions, the Issuer shall file with its records relating to the Bonds a certificate of an Authorized Officer of the Issuer describing all Bonds so to be excluded.

(Section A-1005)

Notation on Bonds

Bonds delivered after the effective date of any action taken as provided in the Standard Resolution Provisions may, and, if the Issuer so determines, shall, bear a notation by endorsement or

otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

(Section A-1006)

Events of Default

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

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) Business Days; or

(b) in connection with financings for any Authorized Purpose authorized by Section 68-b, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-z and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 68-c in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, which default shall continue for a period of ten (10) Business Days; or

(d) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, in connection with financings for any Authorized Purpose authorized by Section 68-b, and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(e) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 68-c or Section 92-z, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(g) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; provided that, if such default cannot be corrected within such thirty (30)-day period,

it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and is diligently pursued until the default is corrected.

Except as provided above or, to the extent permitted by the Standard Resolution Provisions, in a Supplemental Resolution, no default under the Acts or any resolution, agreement, or other instrument shall constitute or give rise to an Event of Default under the Resolution.

It is expressly understood that nothing in the Standard Resolution Provisions or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 68-c to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Revenue Bond Tax Fund without giving rise to an Event of Default under the Resolution.

(Section A-1101)

Remedies

Upon the occurrence and continuance of any Event of Default specified in the Standard Resolution Provisions, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

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

(b) bring suit upon such Bonds;

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

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

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Standard Resolution Provisions, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 68-b as in effect on the date of adoption of the Standard Resolution Provisions are abrogated. It is further expressly understood that the Resolution does not permit the Trustee or the Holders of the Bonds to declare the Bonds to be immediately due and payable.

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Resolution, or any other remedy under the Resolution or under the Bonds, unless such Holder previously shall have given to the Trustee written

notice of an Event of Default as provided in the Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers therein above granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Resolution, or to enforce any right under the Resolution or under the Bonds, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Standard Resolution Provisions. Nothing in the Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Resolution.

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Standard Resolution Provisions to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time as often as may be deemed expedient.

(Section A-1102)

Priority of Payments After Default

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

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the

Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and

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

If and when all overdue installments of interest on all Bonds and Parity Reimbursement Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Parity Reimbursement Obligations which shall then be payable, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds or Parity Reimbursement Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Pledged Property then remaining unexpended in the hands of the Trustee (except Pledged Property deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment to the Issuer by the Trustee or resumption of the application of Pledged Property as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

(Section A-1103)

Defeasance

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and any Paying Agents, if any, shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption or required for payments to Fiduciaries pursuant to the Standard Resolution Provisions.

Bonds, or portions of Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held by the Trustee (through deposit by the Issuer of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid within the meaning of the Resolution. Any Bonds, or portions of Bonds, of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Standard Resolution Provisions if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide to Holders in accordance with the Standard Resolution Provisions notice of redemption on said date or dates of such Bonds, (b) there shall have been irrevocably deposited by the Issuer with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with

the moneys, if any, deposited by the Issuer with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall (i) publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (c) above has been made and that said Bonds are deemed to have been paid in accordance with the Standard Resolution Provisions and stating such maturity date or Redemption Date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, on said Bonds. The Trustee shall, at the discretion of the Issuer, select the Bonds of a Series and the maturity or portion of a maturity thereof shall be paid in accordance with the Standard Resolution Provisions in the manner further provided in the Standard Resolution Provisions thereof. Neither Government Obligations or moneys deposited pursuant to the Standard Resolution Provisions nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Government Obligations so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required in the Resolution to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Issuer, and any such moneys so paid shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys, Government Obligations on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier Redemption Dates or for two (2) years after the date of deposit of such moneys if deposited with the Trustee, after the said date when such Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Trustee to the Issuer, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the

Issuer for the payment of such Bonds. Before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

(Section A-1104)

Certain Provisions Relating to Economic Defeasance

Any Bonds of any Series for which prior to the maturity or Redemption Date thereof, the Issuer shall have given to the Trustee or other fiduciary selected by the Issuer in form satisfactory to it irrevocable instructions to maintain on deposit in a Fund or account held by the Trustee or other fiduciary selected by the Issuer established for such purpose for the benefit of the Holders of such Bonds, Investment Obligations, other than Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or other fiduciary selected by the Issuer at the same time, as verified in the report of a firm of certified public accountants, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, shall not be counted as Outstanding under the Standard Resolution Provisions solely for the purpose of the calculation of Calculated Debt Service required under the Standard Resolution Provisions.

(Section A-1105)

Evidence of Signatures of Bondholders and Ownership of Bonds

Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Issuer, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the

Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

(Section A-1201)

Moneys Held for Particular Bonds

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes thereof such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

(Section A-1301)

General Regulations as to Moneys and Funds

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1302)

Preservation and Inspection of Documents

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; provided, however, that with respect to inspection by a Holder of a Bond of any Series a written request of such Bondholder must have been made and received by the Trustee at least five (5) Business Days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

(Section A-1303)

Parties of Interest

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

(Section A-1304)

No Recourse Under Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

(Section A-1305)

Publication of Notices

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

(Section A-1306)

Successors and Assigns

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

(Section A-1307)

Severability of Invalid Provisions

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

(Section A-1308)

Other Resolutions

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the Standard Resolution Provisions.

(Section A-1309)

Survival of Particular Covenants

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

(Section A-1310)

Actions by the Issuer

Any time the Issuer is permitted or directed to act pursuant to the Resolution or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution Provisions. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer.

(Section A-1311)

Governing Laws

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

(Section A-1312)

Payments due on Other Than a Business Day

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

(Section A-1313)

Effective Date

The Resolution shall take effect immediately.

(Section A-1314)

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APPENDIX C

FINANCING AGREEMENT

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APPENDIX C

FINANCING AGREEMENT

STATE PERSONAL INCOME TAX REVENUE BONDS (TRANSPORTATION) FINANCING AGREEMENT (the "Financing Agreement"), dated as of August 7, 2002, by and between the New York State Thruway Authority, a body corporate and politic constituting a public benefit corporation agency of the State of New York, (the "Issuer"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State (the "Director of the Budget").

WHEREAS, the Issuer has, pursuant to the New York State Thruway Authority Act, (being 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 "Issuer Act") and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the "Enabling Act", which together with the Issuer Act is referred to herein as the "Acts"), adopted its State Personal Income Tax Revenue Bonds (Transportation) General Bond Resolution on June 27, 2002 (including Annex A thereto, as amended and supplemented), and various Supplemental Resolutions (collectively, the "Resolution") for the purpose of issuing from time to time one or more series of bonds (the "Bonds"), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act ("Authorized Purposes") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (Transportation), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

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

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (Transportation) Bond Anticipation Notes ("BANs") in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and

other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, provided, however, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

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

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

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 In order to maintain the exclusion from gross income of interest on Bonds issued as Tax-exempt Bonds under the Code, if the Issuer shall be required to pay over or rebate to the United States any investment earnings, the State agrees to pay to the Issuer, such amount as is necessary in time and in amounts necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) Business Days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the statutory audit powers granted the State, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement.

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

V. SPECIAL COVENANTS

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

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any Supplemental Agreement in any manner; provided that no such amendment, modification or recission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to

cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or recission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or recission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity;

provided, however, that such remedy or remedies may in no event include a termination of this Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

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

VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

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

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

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

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

If to the Issuer: New York State Thruway Authority
200 Southern Boulevard
Albany, New York 12209
Attention: Treasurer

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

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

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

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

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

Approval as to form:
Attorney General

By: /s/ Peter Favretto

Date: 8/5/02

Approved:

/s/ Ruth Walters
for the State Comptroller

Date: 8/6/02

State of New York

/s/ Louis A. Raffaele
for the Director of the Budget

New York State Thruway Authority

/s/ Lawrence C. DeCosmo
Treasurer

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2012A Bonds in definitive form, Sidley Austin LLP, Bond Counsel to the Authority, proposes to render its approving opinion in substantially the following form:

[Date of Closing]

New York State Thruway Authority
200 Southern Boulevard
Albany, New York 12209

We have acted as bond counsel to the New York State Thruway Authority (the "Authority"), a body corporate and politic of the State of New York (the "State") constituting a public benefit corporation organized and existing under the laws of the State, including the New York State Thruway Authority Act, being Title 9 of Article 2 of the Public Authorities Law of the State, as amended to the date hereof (the "Authority Act"), in connection with the Authority's issuance of its $523,065,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (Transportation), 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 authorized to be issued in accordance with the Authority Act and Part I of Chapter 383 of the Laws of New York of 2001, as amended (the "Enabling Act"), and pursuant and subject to the provisions, terms and conditions of (i) the State Personal Income Tax Revenue Bonds (Transportation) General Bond Resolution of the Authority adopted on June 27, 2002 (the "Transportation General Resolution"), (ii) the Authority's Eleventh Supplemental State Personal Income Tax Revenue Bonds (Transportation) Resolution Authorizing the Issuance of State Personal Income Tax Revenue Bonds (Transportation), Series 2012A, adopted by the Authority on August 2, 2012 (the "Eleventh Supplemental Resolution" and, together with the Transportation General Resolution, the "Resolutions") and (iii) a Certificate of Determination executed and delivered pursuant to the Eleventh Supplemental Resolution concurrently with the issuance of the Series 2012A Bonds (the "Certificate of Determination").

The Series 2012A Bonds, together with any additional series of bonds which have heretofore been issued or may hereafter be issued under the Transportation General Resolution (collectively, the "Bonds"), are authorized to be issued from time to time for the purposes authorized by the Enabling Act and the Transportation General Resolution, as then in effect, and without limitation as to amount, except as provided in the Transportation Resolutions or as may be limited by law. The Series 2012A Bonds are being issued for the purposes set forth in the Resolutions. The Authority is authorized to issue Bonds, in addition to the Series 2012A Bonds, only upon the terms and conditions set forth in the Transportation General Resolution, as then in effect, and such Bonds, when issued, will with the Series 2012A Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolutions.

The Series 2012A Bonds are issuable only in the form of fully registered Bonds in denominations of $5,000 or integral multiples thereof. Interest on the Series 2012A Bonds is to be payable on March 15 and September 15 of each year, commencing March 15, 2013. The Series 2012A Bonds are dated and bear interest from their date of delivery and mature on March 15 in each of the years in the respective principal amounts and bear interest at the rates set forth in the Certificate of Determination. The Series 2012A Bonds are numbered consecutively from one upward in order of issuance.

The Authority and the State, acting through the Director of the Division of the Budget (the "Director of the Budget") have entered into a Financing Agreement, dated as of August 7, 2002, as supplemented (as supplemented, the "Financing Agreement"), by which the State is obligated to make payments, subject to appropriation, sufficient to pay the principal and Redemption Price of and interest on Outstanding Bonds, including the Series 2012A Bonds. All amounts payable under the Financing Agreement have been pledged by the Authority for payment of the principal or Redemption Price of and interest on the Bonds, including the Series 2012A Bonds.

In rendering the opinions set forth herein, we have reviewed the Resolutions, the Financing Agreement, the Tax Certificate of the Authority, dated as of the date hereof, relating to the Series 2012A Bonds (the "Series 2012A Tax Certificate"), an opinion of counsel to the Authority, certificates of the Authority, the Trustee and others, and such other agreements, documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have not undertaken an independent audit or investigation of the matters and opinions described or contained in the foregoing agreements, certificates, opinions and documents.

Based upon our examination of current laws, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion as of the date hereof that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2012A Bonds thereunder.

2. The Eleventh Supplemental Resolution has been duly adopted by the Authority in accordance with the provisions of the Transportation General Resolution and is authorized and permitted by the Transportation General Resolution. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2012A Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Authority Act and the Enabling Act, and in accordance with the Resolutions. The Series 2012A Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their respective terms and the terms of the Resolutions and are entitled to the benefits of the Resolutions, the Authority Act and the Enabling Act.

4. The Authority has the right and lawful authority and power to enter into the Financing Agreement and the Financing Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms; and pursuant to the terms of the Financing Agreement, the obligation of the State, subject to the executory provisions contained in the Financing Agreement, to fund or to pay the amounts provided to be funded or paid thereunder are absolute and unconditional.

5. The Series 2012A Bonds are payable solely from the sources described in the Resolutions and do not constitute a debt or liability of the State.

6. Neither the Authority nor the Holders of the Series 2012A Bonds has any lien on moneys on deposit in the Revenue Bond Tax Fund established pursuant to Section 92-z of the State Finance Law.

7. Under current law, 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 by virtue of the Authority Act.

8. The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2012A Bonds

for interest thereon to be and remain not includable in gross income for federal income tax purposes. Noncompliance with any of such requirements could cause the interest on the Series 2012A Bonds to be included in gross income retroactive to the date of issue of the Series 2012A Bonds. In rendering the following opinions, we have relied on certain representations, undertakings, certifications of fact and statements of reasonable expectations made by the Authority, the Director of the Budget, the New York State Department of Transportation ("DOT"), and such other entities benefitting from the Series 2012A Bonds without undertaking to verify the same by independent investigation, and we have assumed compliance by the Authority and such other entities with certain ongoing covenants to carry out such undertakings and comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2012A Bonds from gross income under Section 103 of the Code.

Except as provided in the following two sentences, interest on the Series 2012A Bonds is not includable in gross income for federal income tax purposes pursuant to Section 103 of the Code under current law. Interest on the Series 2012A Bonds will be includable in gross income for purposes of federal income taxation retroactive to their date of issuance if the Authority, the State or another entity benefiting from the Series 2012A Bonds, as described above, fails to comply subsequent to the issuance of the Series 2012A Bonds with the covenants, agreements, representations and certifications described above relating to compliance with certain federal income tax matters, including requirements of the Code and covenants regarding the use, expenditure and investment of the Series 2012A Bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury. We render no opinion as to the effect on the exclusion from gross income of the interest on the Series 2012A Bonds for federal income tax purposes of any action taken or not taken upon the advice or approval of other counsel.

9. Interest on the Series 2012A Bonds is not treated as an item of tax preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Series 2012A Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

The opinions expressed herein are based on an analysis of current laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2012A Bonds, the Resolutions and the Financing Agreement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

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NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS MASTER CONTINUING DISCLOSURE AGREEMENT

THIS MASTER CONTINUING DISCLOSURE AGREEMENT dated as of May 1, 2002, as amended and restated as of July 1, 2009 and as further amended and restated as of December 1, 2010 (as so amended and restated, the "Agreement"), is made by and among each Authorized Issuer, the State, and the respective Trustees, each as defined below in Section 1.

In order to permit the Underwriters of each series of Bonds issued from and after the date hereof to comply with the provisions of Rule 15c2-12, each of the parties hereto (as applicable), in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree, for the sole and exclusive benefit of the Holders and, for the purposes of Section 5, the beneficial owners of Bonds, as follows:

SECTION 1. Definitions; Rules of Construction(i) Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Authorizing Document.

"*Annual Information*" shall mean the information specified in Section 3.

"*Authorizing Document*" shall mean the applicable Authorized Issuer's State Personal Income Tax Revenue Bond General Resolution, including Annex A thereto, as supplemented and amended from time to time.

"*Authorized Issuer*" shall mean, individually, the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority, and the New York State Urban Development Corporation, each a public corporation or a public benefit corporation of the State of New York that is designated as an Authorized Issuer under the Enabling Act, and any successors thereto or any other public benefit corporation of the State of New York which may be authorized from time to time by the Enabling Act to issue Bonds.

"*Bonds*" shall mean all of the State Personal Income Tax Revenue Bonds issued from time to time by Authorized Issuers and outstanding pursuant to the applicable Authorizing Document.

"*Comptroller*" shall mean the Comptroller of the State of New York.

"*Director*" shall mean the Director of the Budget of the State of New York.

"*DOB*" shall mean the Division of the Budget of the State of New York.

"*EMMA*" shall mean the Electronic Municipal Market Access system described in Securities Exchange Act Release No. 34-59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

"*Enabling Act*" shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as supplemented and amended from time to time.

"*GAAP*" shall mean generally accepted accounting principles as prescribed from time to time for governmental units in the United States by the Governmental Accounting Standards Board.

"*GAAS*" shall mean generally accepted auditing standards as in effect from time to time in the United States.

"*Holder*" or "*Bondholder*" shall mean a registered owner of any Bond or Bonds.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"*Rule 15c2-12*" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement, including any official interpretations thereof promulgated on or prior to the effective date of this Agreement.

"*State*" shall mean the State of New York, acting by and through the Director or the Comptroller.

"*Trustee*" shall mean the applicable trustee appointed by the applicable Authorized Issuer pursuant to an Authorizing Document, and their respective successors and assigns.

"*Underwriters*" shall mean the underwriter or underwriters that have contracted to purchase one or more series of Bonds from an Authorized Issuer at initial issuance.

(ii) Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Any reference herein to a particular Section or subsection without further reference to a particular document or provision of law or regulation is a reference to a Section or subsection of this Agreement.

(c) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

SECTION 2. Obligations to Provide Continuing Disclosure.

(i) Obligations of the State and the Trustees.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, the Annual Information relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, audited financial statements of the State for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be electronically filed with the MSRB if and when they become available.

(c) The Director and each Trustee shall notify the applicable Authorized Issuer upon the occurrence of any of the events listed in Section 2(ii)(a) promptly upon becoming aware of the occurrence of any such event. With respect to the foregoing, no Trustee shall be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department becomes aware of the occurrence of any such event.

(ii) Obligations of each Authorized Issuer. Each Authorized Issuer hereby undertakes, for the benefit of Holders of the Bonds issued by it, to provide the following:

(a) to the MSRB in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, notice of any of such events with respect to the Bonds issued by it:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(7) modifications to rights of security holders, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the securities, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the obligated person;

(13) the consummation of a merger, consolidation or acquisition involving an obligated person, or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) to the MSRB, in a timely manner, notice of a failure by the State to comply with Section 2(i)(a) or (b).

(iii)(a) Termination or Modification of Disclosure Obligation. The obligations of the State hereunder may be terminated if the State is no longer an "obligated person" as defined in Rule 15c2-12; provided, however, that if the State has hereby obligated itself to provide information relating to any entity that thereafter continues to constitute such an "obligated person", obligations of the State to provide such information shall not be so terminated. Upon any such termination, the State shall so advise each Authorized Issuer and each such Authorized Issuer shall electronically file notice thereof with the MSRB.

(b) Other Information. Nothing herein shall be deemed to prevent the Authorized Issuers or the State from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Authorized Issuers or the State should disseminate any such additional information, neither the Authorized Issuers nor the State shall have any obligation hereunder to update such information or to include it in any future materials disseminated hereunder.

(c) Credit Enhancement. Each agreement governing the provision of a Credit Facility, if any, shall require the provider thereof to provide the applicable Authorized Issuer with prompt written notice of any change in the name, address, and telephone number of a place where then current information regarding such provider may be obtained. In addition, such agreement shall require each provider of a Credit Facility promptly to notify the applicable Authorized Issuer of a change in any rating relating to such provider that would affect the rating of the Bonds by any rating agency then rating the Bonds. The applicable Authorized Issuer shall promptly provide the Comptroller, the Director and the applicable Trustee with copies of all notices received by it under this Section 2(c). The provisions of this Section 2(c) shall also apply to each provider of a substitute Credit Facility.

(d) Disclaimer. Each of the Director, the Comptroller, the Authorized Issuers and the Trustees shall be obligated to perform only those duties expressly provided for such entity in this Agreement, and none of the foregoing shall be under any obligation to the Holders or other parties hereto to perform, or monitor the performance of, any duties of such other parties. Without limiting the general application of the foregoing, the Authorized Issuers shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information or the financial statements provided pursuant to Section 2(i), and its obligations hereunder shall be limited solely to the undertaking set forth in Section 2(ii) and to the requirements of Sections 2(iii)(c) and Section 8.

(iv) MSRB Prescribed Identifying Information. All documents provided to the MSRB pursuant to this Agreement shall be accompanied by identifying information as prescribed from time to time by the MSRB.

SECTION 3. Annual Information.

(i) Specified Information. The Annual Information shall consist of the following:

(a) *financial information and operating data of the type included in the Official Statement for each series of Bonds, under the headings "PART 3 – "SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS", and "PART 4 – SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND"* which shall include information relating to the following:

(1) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rate, the tax base and the components of the State personal income tax (unless the personal income tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided);

(2) a historical summary of the New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund for a period of at least the five most recent completed fiscal years then available, together with an explanation of the factors affecting collection levels; and

(b) *financial information and operating data of the type included in the Annual Information Statement of the State set forth as an Appendix to, or incorporated by cross reference in, the Official Statement for the Bonds, under the headings or sub-headings "Prior Fiscal Years", "Debt and Other Financing Activities", "State Government Employment", "State Retirement Systems", and "Authorities and Localities",* including, more specifically, information consisting of:

(l) *for prior fiscal years*, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is then-currently available;

(2) *for debt and other financing activities*, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt;

(3) *for authorities and localities,* information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and

(4) material information regarding State government employment and retirement systems; together with

(c) *such narrative explanation* as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data and in judging the financial condition of the State.

(ii) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been electronically filed with the MSRB or filed with the Securities and Exchange Commission; provided, however, that if the document is an official statement, it shall have been electronically filed with the MSRB and need not have been filed elsewhere. The audited or unaudited financial statements of the State may be provided in the same manner.

(iii) Informational Categories. The requirements contained in this Agreement under Section 3(i) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

(iv) Providers of Credit Support. If known to the applicable Authorized Issuer, such Authorized Issuer shall inform the State, and the required Annual Information shall include the name, address and telephone number of a place where current information regarding each issuer of a Credit Facility may be obtained.

(v) Omnibus Annual Information Undertaking. The parties to this Agreement recognize, understand and agree that the information described in this Section 3 shall be set forth in the same manner in the respective Official Statements of each of the Authorized Issuers. Accordingly, a single electronic filing of the Annual Information with EMMA, shall be deemed to satisfy the Annual Information filing obligation created by this Agreement.

SECTION 4. Financial Statements.

The State's annual financial statements for each fiscal year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year).

SECTION 5. Remedies.

If any party hereto should fail to comply with any provision of this Agreement, then each of the other parties and, as a direct or third-party beneficiary, as the case may be, any Holder of Bonds may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Agreement; provided, however, that the sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of such party

hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided further, that the rights of any Holder to challenge the adequacy of the information provided in accordance with Section 2 hereunder are conditioned upon the provisions of the Authorizing Document with respect to the enforcement of remedies of Holders upon the occurrence of an Event of Default described in Section A-1001(g) of the Authorizing Document as though such provisions applied hereunder. Each of the Director, the Comptroller, the applicable Authorized Issuer and the applicable Trustee reserves the right, but shall not be obligated, to enforce the obligations of the others. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Authorizing Document or any other agreement executed and delivered in connection with the issuance of the Bonds. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to Section 6, beneficial owners shall be deemed to be Holders of Bonds for purposes of this Section 5.

SECTION 6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds and, for the purposes of Section 5, beneficial owners of Bonds. For the purposes of such Section 5, beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. No person other than those described in Section 5 shall have any right to enforce the provisions hereof or any other rights hereunder.

SECTION 7. Amendments.

(i) Without the consent of any Holders (except to the extent required under clause (c)(II) of this sentence) or provider of any Credit Facility, the Authorized Issuers, the State, and the Trustees at any time and from time to time may enter into amendments or changes to this Agreement for any purpose, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of one or more of the Authorized Issuers or the State or any type of business or affairs conducted by either; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and (c) either (I) the amendment does not materially impair the interests of the Holders, as determined either by each of the Trustees or by a nationally recognized bond counsel approved by the State or (II) the Holders consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Authorizing Document with the consent of Holders pursuant to Section A-1003 of the Authorizing Documents. In determining whether there is such a material impairment, the Trustees may rely upon an opinion of a nationally recognized bond counsel approved by the State. The interests of Holders shall be deemed not to have been materially impaired by an amendment (1) to add a dissemination agent for the information to be provided hereunder and to make any necessary or desirable provisions with respect thereto, (2) to evidence the succession of another entity to the State, an Authorized Issuer or a Trustee and the assumption by any such successor to the obligations of such party hereunder, or (3) to add to the obligations of the State or any Authorized Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the State or any Authorized Issuer.

(ii) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be electronically filed with the MSRB.

SECTION 8. Termination.

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on all Bonds (in each case in this Section 8, "Bonds" shall refer to each series of Bonds, respectively) shall have been paid in full or all Bonds shall have otherwise been paid or defeased in accordance with the applicable Authorizing Documents (a "Legal Defeasance"); provided, however, that if Rule 15c2-12 (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance of a series of Bonds, the applicable Authorized Issuer shall electronically file with the MSRB notice of such defeasance, and such notice shall state whether the applicable series of Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 8, the applicable Authorized Issuer shall electronically file with the MSRB notice of such termination.

SECTION 9. The Trustees.

(i) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of any Trustee and no Trustee shall be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) Each Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the applicable Authorizing Document for matters arising thereunder.

SECTION 10. Governing Law.

This Agreement shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

SECTION 11. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all shall together constitute one and the same instrument.

SECTION 12. Effective Date.

This Agreement shall be effective as of December 1, 2010 unless the effective date of the applicable amendments to Rule 15c2-12 is delayed by the Securities and Exchange Commission, in which case (i) this Agreement shall be effective as of such later date, and (ii) the Master Continuing Disclosure Agreement dated as of May 1, 2002, as amended and restated as of July 1, 2009, shall remain in effect to such delayed effective date.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this amended and restated Master Continuing Disclosure Agreement as of the date first above written.

AUTHORIZED ISSUERS:

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: _____
Name: Portia Lee
Title: Managing Director

NEW YORK STATE THRUWAY AUTHORITY

By: _____
Name: Michael R. Fleischer
Title: Executive Director

NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION

By: _____
Name: James T. Gebhardt
Title: Chief Financial Officer

NEW YORK STATE URBAN DEVELOPMENT CORPORATION
d/b/a Empire State Development Corporation

By: _____
Name:
Title:

NEW YORK STATE HOUSING FINANCE AGENCY

By: _____
Name:
Title:

THE STATE OF NEW YORK
Obligated Person

By Thomas P. DiNapoli, Comptroller

By: _____
Name: Mark P. Patterson
Title: Executive Deputy Comptroller

By Robert L. Megna, Director of the Budget

By: _____
Name: Ronald L. Greenberg
Title: First Deputy Director

TRUSTEES:

DEUTSCHE BANK TRUST COMPANY AMERICAS
as Trustee for the benefit of certain Dormitory Authority of the State of New York Bondholders

By: _____ By: _____
Authorized Signatory Authorized Signatory

THE BANK OF NEW YORK MELLON
as Trustee for the benefit of New York State Environmental Facilities Corporation Bondholders

By: _____
Authorized Signatory

DEUTSCHE BANK TRUST COMPANY AMERICAS
as Trustee for the benefit of New York State Housing Finance Agency Bondholders

By: _____ By: _____
Authorized Signatory Authorized Signatory

THE BANK OF NEW YORK MELLON
as Trustee for the benefit of New York State Thruway Authority Bondholders

By: _____
Authorized Signatory

THE BANK OF NEW YORK MELLON
as Trustee for the benefit of New York State Urban Development Corporation Bondholders

By: _____
Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION
as Trustee for the benefit of certain Dormitory Authority of the State of New York Bondholders

By: _____
Authorized Signatory

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THE REFUNDED BONDS

On March 15, 2013, the Authority expects to redeem the State Personal Income Tax Revenue Bonds (Transportation) listed below by applying a portion of the proceeds of the Series 2012A Bonds for the payment of the Redemption Price of and interest on such bonds. The refunding is contingent upon the delivery of the Series 2012A Bonds.

Series	Dated Date	Maturity Date	Par Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP Number*
2003A	7/23/2003	3/15/2014	$ 2,680,000	3.625%	3/15/2013	100%	650028CM3
2003A	7/23/2003	3/15/2015	1,100,000	3.750	3/15/2013	100	650028CP6
2003A	7/23/2003	3/15/2016	795,000	3.875	3/15/2013	100	650028CR2
2003A	7/23/2003	3/15/2017	4,475,000	3.900	3/15/2013	100	650028CT8
2003A	7/23/2003	3/15/2018	2,495,000	4.000	3/15/2013	100	650028CV3
2003A	7/23/2003	3/15/2019	1,065,000	4.100	3/15/2013	100	650028CX9
2003A	7/23/2003	3/15/2020	1,910,000	4.200	3/15/2013	100	650028CZ4
2003A	7/23/2003	3/15/2021	2,560,000	4.250	3/15/2013	100	650028DB6
2003A	7/23/2003	3/15/2022	1,485,000	4.300	3/15/2013	100	650028DD2
2003A	7/23/2003	3/15/2023	17,200,000	4.400	3/15/2013	100	650028DF7
2003A	7/23/2003	3/15/2023	8,895,000	5.000	3/15/2013	100	650028DG5
Total			$44,660,000				

* CUSIP numbers were assigned by an independent company not affiliated with the Authority on the respective dates of issuance of the Refunded Bonds and are included solely for the convenience of the holders of the Refunded Bonds. Neither the State nor the Authority is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Refunded Bonds or as indicated above. Upon defeasance of the Refunded Bonds, the CUSIP numbers for the specific maturities of the Refunded Bonds as well as for the unrefunded portion of the partially refunded maturities are expected to be changed. The CUSIP numbers for the unrefunded portion of the partially refunded maturities are also subject to being changed 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 such Bonds.

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