

In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, under existing statutes, regulations, administrative rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. However, such interest is included in "adjusted current earnings" for purposes of calculating the federal alternative minimum tax liability of certain corporations. Bond Counsel is also of the opinion that under existing statutes, including the New York State Thruway Authority Act, interest on the Series 2011A Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof. See "TAX MATTERS" for further information.



\$445,000,000
NEW YORK STATE THRUWAY AUTHORITY
Second General Highway and Bridge Trust Fund Bonds
Series 2011A
consisting of

\$406,505,000 Second General Highway and Bridge Trust Fund Bonds, Series 2011A-1
and

\$38,495,000 Second General Highway and Bridge Trust Fund Refunding Bonds, Series 2011A-2

Dated: Date of Delivery

Due: April 1, as shown on the inside cover hereof

Interest is payable each April 1 and October 1 commencing October 1, 2011. The New York State Thruway Authority Second General Highway and Bridge Trust Fund Bonds, Series 2011A (the "Series 2011A Bonds"), consisting of \$406,505,000 Second General Highway and Bridge Trust Fund Bonds, Series 2011A-1 and \$38,495,000 Second General Highway and Bridge Trust Fund Refunding Bonds, Series 2011A-2, are issuable only as fully registered bonds without coupons, in the principal amount of \$5,000 or any integral multiple thereof. The Series 2011A 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 "DESCRIPTION OF THE SERIES 2011A BONDS — Book-Entry Only System" herein. Principal of and premium, if any, and interest on the Series 2011A Bonds will be payable to Bondholders through The Bank of New York Mellon, New York, New York, as Trustee and Paying Agent.

The Series 2011A Bonds are subject to redemption prior to maturity as described herein.

The Series 2011A Bonds are special obligations of the Authority secured by a pledge of certain payments (the "Cooperative Agreement Payments") to the Authority from funds held in the Dedicated Highway and Bridge Trust Fund, held in the joint custody of the Commissioner of Taxation and Finance and the Comptroller of the State, subject to the prior lien securing the First General Trust Fund Bonds (as defined herein). The primary source of the Cooperative Agreement Payments is a statutory allocation of all or a portion of the excise and business privilege taxes and fees imposed by the State on petroleum businesses, motor fuel, highway use, motor vehicles, auto rentals, and transmission and transportation corporations, and certain special revenues.

Cooperative Agreement Payments derived from funds held in the Dedicated Highway and Bridge Trust Fund are subject to appropriation for such purpose by the State Legislature. The State is not bound or obligated to make such appropriations or continue the imposition or the existing allocation of the taxes and fees currently required to be deposited to the Dedicated Highway and Bridge Trust Fund. The Authority is a public corporation of the State and has no taxing power. The Series 2011A Bonds are not a debt of the State and the State is not liable thereon, nor are the Series 2011A Bonds payable out of any funds of the Authority or any other source but those pledged by the Authority therefor.

The purpose of the issue is to provide funds to (i) refund certain of the Authority's outstanding First General Highway and Bridge Trust Fund Bonds, (ii) reimburse the State for certain expenditures made or to be made by the State Department of Transportation in connection with the State's multi-year highway and bridge capital program and (iii) pay costs of issuance of the Series 2011A Bonds.

MATURITY SCHEDULE — See Inside Cover

The cover page and the inside cover page contain certain information for general reference only. They are not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2011A Bonds are offered for delivery when, as and if issued and delivered to the Underwriters, and are subject to approval of legality by Harris Beach PLLC, 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 Robinson & Cole LLP, Counsel to the Underwriters. First Southwest Company is acting as financial advisor to the Authority. It is expected that the Series 2011A Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about June 23, 2011.

Citi
BofA Merrill Lynch
BB&T Capital Markets
Morgan Keegan

Jefferies & Company
Fidelity Capital Markets
Morgan Stanley

Ramirez & Co., Inc.
Loop Capital Markets LLC
KeyBanc Capital Markets
Southwest Securities, Inc.

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

\$406,505,000

**NEW YORK STATE THRUWAY AUTHORITY
Second General Highway and Bridge Trust Fund Bonds, Series 2011A-1**

Due April 1	Principal Amount	Interest Rate	Yield	CUSIP Number** (Base #650014)
2012	\$10,315,000	1.75%	0.245%	TQ6
2013	13,535,000	4.00	0.55	TR4
2014	14,075,000	4.00	0.93	TS2
2015	14,640,000	4.00	1.25	TT0
2016	2,460,000	3.00	1.58	TU7
2016	12,765,000	5.00	1.58	UX9
2017	495,000	3.00	1.98	TV5
2017	15,440,000	5.00	1.98	UG6
2018	3,045,000	3.00	2.31	TW3
2018	13,680,000	5.00	2.31	UH4
2019	8,360,000	4.00	2.63	TX1
2019	9,140,000	5.00	2.63	UJ0
2020	8,775,000	4.00	2.88	TY9
2020	9,515,000	5.00	2.88	UK7
2021	2,565,000	4.00	3.06	TZ6
2021	16,550,000	5.00	3.06	UL5
2022	6,750,000	4.00	3.26*	UA9
2022	13,295,000	5.00	3.26*	UM3
2023	950,000	4.00	3.44*	UB7
2023	20,030,000	5.00	3.44*	UN1
2024	22,020,000	5.00	3.61*	UP6
2025	625,000	4.25	3.77*	UC5
2025	22,500,000	5.00	3.77*	UQ4
2026	1,105,000	4.00	3.90*	UD3
2026	23,170,000	5.00	3.90*	UR2
2027	1,675,000	4.00	3.99*	UE1
2027	23,800,000	5.00	3.99*	US0
2028	26,735,000	5.00	4.08*	UT8
2029	28,070,000	5.00	4.17*	UU5
2030	29,475,000	5.00	4.24*	UV3
2031	3,000,000	4.25	4.31	UF8
2031	27,950,000	5.00	4.31*	UW1

\$38,495,000

**NEW YORK STATE THRUWAY AUTHORITY
Second General Highway and Bridge Trust Fund Refunding Bonds, Series 2011A-2**

Due April 1	Principal Amount	Interest Rate	Yield	CUSIP Number** (Base #650014)
2012	\$10,350,000	1.75%	0.22%	UY7
2013	16,085,000	4.00	0.55	UZ4
2014	1,375,000	3.00	0.93	VA8
2014	2,665,000	4.00	0.93	VF7
2015	1,115,000	3.00	1.25	VB6
2015	835,000	4.00	1.25	VG5
2016	3,350,000	4.00	1.58	VC4
2017	2,025,000	4.00	1.98	VD2
2018	695,000	4.00	2.31	VE0

* Priced at the stated yield to the April 1, 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 2011A 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 2011A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2011A 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 2011A 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 2011A 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, but it is not guaranteed as to its accuracy or completeness 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 this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. 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 of the State since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the State could cause actual results to differ materially from those stated in the forward-looking statements. See “SOURCES OF PAYMENT AND SECURITY FOR THE SECOND GENERAL TRUST FUND BONDS” and “APPENDIX C – INFORMATION CONCERNING THE STATE OF NEW YORK”.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2011A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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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 informed investment decision. The offering of the Series 2011A Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement have the meanings given to such terms elsewhere in this Official Statement.

Purpose of Issue

The New York State Thruway Authority, a public corporation organized and existing under the Act, is issuing \$445,000,000 aggregate principal amount of Second General Highway and Bridge Trust Fund Bonds, Series 2011A (the “Series 2011A Bonds”), consisting of \$406,505,000 Second General Highway and Bridge Trust Fund Bonds, Series 2011A-1 and \$38,495,000 Second General Highway and Bridge Trust Fund Refunding Bonds, Series 2011A-2, to (i) refund certain of the Authority’s outstanding First General Highway and Bridge Trust Fund Bonds, (ii) provide funds to reimburse the State for certain expenditures made or to be made by the State Department of Transportation (the “Department of Transportation”) in connection with the State’s current multi-year highway and bridge capital program, and (iii) pay costs of issuance of the Series 2011A Bonds. See “PLAN OF FINANCE”.

The Series 2011A Bonds are to be issued under the Second General Highway and Bridge Trust Fund Bond Resolution adopted on February 27, 2003 (the “Second General Bond Resolution”). Bonds issued under the Second General Bond Resolution are herein called “Second General Trust Fund Bonds”. The Authority previously issued bonds (the “First General Trust Fund Bonds”) under the General Highway and Bridge Trust Fund Bond Resolution adopted on May 19, 1994, as amended and supplemented (the “First General Bond Resolution”). The First General Trust Fund Bonds and the Second General Trust Fund Bonds are herein called collectively the “Trust Fund Bonds”, and the First General Bond Resolution and the Second General Bond Resolution are herein called collectively the “Resolutions”. The Authority has covenanted, for so long as Trust Fund Bonds remain outstanding, to issue all bonds supported by Trust Fund Revenues, with the exception of bonds to refund the First General Trust Fund Bonds, under the Second General Bond Resolution. The Second General Trust Fund Bonds are not secured by a debt service reserve fund. In connection with the Authority’s issuance of \$2,786,000,000 Second General Highway and Bridge Trust Fund Bonds, Series 2005B, the Authority amended the Resolutions to eliminate the Debt Service Reserve Fund Requirement of the First General Bond Resolution. The Series 2011A Bonds, outstanding Second General Trust Fund Bonds and any additional Bonds (the “Additional Bonds”) will be on a parity under the Second General Bond Resolution and are subordinate to the lien securing the First General Trust Fund Bonds. The Authority may issue bonds to refund the First General Trust Fund Bonds under either the First General Bond Resolution or the Second General Bond Resolution.

The State’s highway and bridge program is funded by State dedicated revenues, Trust Fund Bonds, Federal funds, and State general obligation bonds. Periodically, State legislation has been adopted to authorize multi-year transportation capital programs. The last multi-year program encompassed State Fiscal Years 2005–06 through 2009–10 and totaled \$17.7 billion. The 2010–11 Enacted Budget established a DOT two-year capital program totaling \$7.0 billion, excluding Federal funds available under the American Recovery and Reinvestment Act of 2009 (“ARRA”). The 2011-12 Enacted Budget continues this program. See “THE DEDICATED HIGHWAY AND BRIDGE TRUST FUND” and “STATE HIGHWAY AND BRIDGE CAPITAL PROJECTS AND FINANCING PLANS — Financing Plans” for a discussion of the transportation plans.

**Sources of Payment
And Security for the
Bonds**

The Second General Trust Fund Bonds are special obligations of the Authority secured by a pledge of Cooperative Agreement Payments to be made by the State to the Authority from funds in the Dedicated Highway and Bridge Trust Fund (the “Trust Fund”), held in the joint custody of the Commissioner of Taxation and Finance and the Comptroller of the State. The source of the Cooperative Agreement Payments is a statutory allocation of all or a portion of the excise and business privilege taxes and fees imposed by the State on petroleum businesses, motor fuel, highway use, motor vehicles, auto rentals, and transmission and transportation corporations, and certain special revenues (the “Trust Fund Revenues”). Cooperative Agreement Payments derived from funds held in the Trust Fund are subject to appropriation for such purpose by the State Legislature. The State is not bound or obligated to make such appropriation or continue the imposition or existing allocation of the taxes and fees currently required to be deposited to the Trust Fund. The Second General Trust Fund Bonds are also secured by a pledge of certain funds held by the Trustee under the Second General Bond Resolution and the investment earnings thereon. After payment of the First General Trust Fund Bonds (including any related parity debt) and Authority Expenses related to the State’s multi-year highway and bridge capital program, the Second General Trust Fund Bonds and Parity Debt are entitled to a first lien, created by the pledge under the Second General Bond Resolution, on the Pledged Property.

The Second General Trust Fund Bonds are not a debt of the State and the State is not liable thereon, nor are the Second General Trust Fund Bonds payable out of any funds of the Authority or any other source but those pledged by the Authority therefor. The Second General Trust Fund Bonds do not constitute a legally enforceable obligation on the part of the State nor create a debt on behalf of the State enforceable against the State. See “SOURCES OF PAYMENT AND SECURITY FOR THE SECOND GENERAL TRUST FUND BONDS” and “SOURCES OF REVENUE FOR THE TRUST FUND”.

**Trust Fund
Revenues**

In State Fiscal Year 2011–12, Trust Fund Revenues are expected to be derived from the eight tax, fee, and subsidy sources as follows:

Motor Vehicle Fees	39%
Petroleum Business Tax	29
Motor Fuel Tax	19
Highway Use Tax	7
Auto Rental Tax	3
Other Sources ^(a)	<u>3</u>
	100%

^(a) Includes Build America Bonds Subsidy, Certain Special Revenues, and Transmission and Transportation Taxes.

In State Fiscal Year 2009–10, automotive fuels accounted for approximately 95% of the gallonage on which the PBT was paid and 97% of the PBT revenues that were deposited in the Trust Fund. In that year, approximately 57% of total Trust Fund Revenues were derived from taxes on automotive fuels. See “SOURCES OF REVENUE FOR THE TRUST FUND”.

Flow of Funds

The Trust Fund consists of two accounts, the Special Obligation Reserve and Payment Account and the Highway and Bridge Capital Account. All Trust Fund Revenues are deposited first to the Special Obligation Reserve and Payment Account, and, subject to appropriation, shall be used by the Comptroller to make Cooperative Agreement Payments to the Authority at the times and in the amounts certified by the Chairperson of the Authority. The amounts certified are required by current law to be sufficient to cover, among other things, the Authority’s cash requirements due under the First General Bond Resolution (primarily debt service on the First General Trust Fund

Bonds), the Authority's debt service on the Second General Trust Fund Bonds and other indebtedness and Authority Expenses related to the State's multi-year highway and bridge capital program. Once the Cooperative Agreement Payments for the current State Fiscal Year have been appropriated, and amounts in the Special Obligation Reserve and Payment Account have been impounded by the Comptroller as required by the Authorizing Legislation and all Cooperative Agreement Payments are current, excess Trust Fund Revenues may be transferred to the Highway and Bridge Capital Account and used to fund the pay-as-you-go portion of the State's multi-year highway and bridge capital program.

Availability of General Fund to Satisfy Set-Aside Trust Fund Receipts

If, after the Cooperative Agreement Payments have been appropriated, the amount impounded by the Comptroller, together with any Installment Payments previously made, is insufficient to meet the Cooperative Agreement Payment required on any date, the Comptroller is required to, without further appropriation, transfer an amount equal to the deficiency first from the Highway and Bridge Capital Account and then, if necessary, from the State's General Fund to the Special Obligation Reserve and Payment Account.

Moneys Held if State Fails to appropriate Required Amounts

If the full amount of the Cooperative Agreement Payments is not appropriated, all Trust Fund Revenues deposited or to be deposited in the Special Obligation Reserve and Payment Account are required by current law to remain in such Account and may not be transferred to the Highway and Bridge Capital Account and will not be available for the State's multi-year highway and bridge capital program or any other purpose. In addition, the Comptroller would be prohibited from paying over or distributing any excess revenues in the Local Government Assistance Tax Fund to the State's General Fund. In State Fiscal Year 2010–11, \$2.4 billion of such excess revenue was paid over to the State's General Fund. See "SOURCES OF PAYMENT AND SECURITY FOR THE SECOND GENERAL TRUST FUND BONDS — Moneys Held in the Trust Fund".

Additional Bonds

The Authorizing Legislation authorizes the issuance of bonds, including the Trust Fund Bonds, in an aggregate principal amount not in excess of \$16.5 billion, excluding certain refunding and renewal obligations and bonds to fund any debt service reserve funds, provide capitalized interest, if any, and fund costs of issuance. The Authority has previously issued \$6,865,200,000 of First General Trust Fund Bonds, of which \$463,930,000 are outstanding and \$8,060,740,000 of Second General Trust Fund Bonds, of which \$6,257,570,000 are outstanding. Of the total amount of Trust Fund Bonds previously issued, \$5,776,892,248 in First General Trust Fund Bonds and \$5,400,790,000 of Second General Trust Fund Bonds count against the \$16.5 billion statutory authorization. Additional Bonds may be issued on a parity with the outstanding Second General Trust Fund Bonds and the Series 2011A Bonds only if the amount of collections of revenues in the Trust Fund for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, less Authority Expenses related to the State's multi-year highway and bridge capital program for the current State Fiscal Year, shall be at least 2.0 times the Aggregate Debt Service on all outstanding Trust Fund Bonds and Additional Bonds to be issued to refinance Bond Anticipation Notes then outstanding, including the Second General Trust Fund Bonds proposed to be issued, and any additional amounts payable with respect to Parity Debt, for each State Fiscal Year. See "SOURCES OF PAYMENT AND SECURITY FOR THE SECOND GENERAL TRUST FUND BONDS — Additional Bonds" for further information regarding Additional Bonds.

Debt Service Coverage

In accordance with the Additional Bonds test described above, Trust Fund Revenues of \$2.060 billion were available to pay debt service, which amount represents 2.2 times the maximum annual Aggregate Debt Service for all outstanding Trust Fund Bonds and the Series 2011A Bonds. See "STATE HIGHWAY AND BRIDGE CAPITAL PROJECTS AND FINANCING PLANS — Financing Plans" and "SOURCES OF REVENUE FOR THE TRUST FUND" for a discussion of projected revenues and program plans.

**Continuing
Disclosure**

To assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Authority, the State and the Trustee intend to enter into an agreement to provide continuing disclosure.

NEW YORK STATE THRUWAY AUTHORITY

Official Statement

Relating to

\$445,000,000

**SECOND GENERAL HIGHWAY AND BRIDGE TRUST FUND BONDS
SERIES 2011A**

consisting of

**\$406,505,000 Second General Highway and Bridge Trust Fund Bonds, Series 2011A-1
and**

\$38,495,000 Second General Highway and Bridge Trust Fund Refunding Bonds, Series 2011A-2

Albany, New York
June 15, 2011

INTRODUCTION

The purpose of this Official Statement, including the cover, inside cover and appendices, is to set forth information with respect to the \$445,000,000 aggregate principal amount of Second General Highway and Bridge Trust Fund Bonds, Series 2011A (the "Series 2011A Bonds"), consisting of \$406,505,000 Second General Highway and Bridge Trust Fund Bonds, Series 2011A-1 and \$38,495,000 Second General Highway and Bridge Trust Fund Refunding Bonds, Series 2011A-2, to be issued by the New York State Thruway Authority (the "Authority"). The Series 2011A Bonds are authorized by the New York State Thruway Authority Act, as amended, Title 9 of Article 2 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of New York (the "Act"), relevant provisions of Chapter 56 of the Laws of New York of 1993, as amended, and Chapters 637 and 638 of the Laws of New York of 1996, Chapter 432 of the Laws of New York of 1997, Chapter 56 of the Laws of New York of 1998, Chapter 61 of the Laws of New York of 2000, Chapter 60 of the Laws of New York of 2005, Section 89-b of the State Finance Law, and other applicable New York statutes (collectively, the "Authorizing Legislation").

Pursuant to the Authorizing Legislation, the State of New York (the "State") has authorized the Authority to issue, over a multi-year period, up to \$16.5 billion of bonds to support the Highway and Bridge Trust Fund program. Such principal amount is exclusive of certain refunding and renewal obligations and allows for the issuance of an aggregate additional principal amount of bonds to fund any debt service reserve funds, provide capitalized interest, if any, and fund costs of issuance. The Authority previously issued bonds (the "First General Trust Fund Bonds") supported by Trust Fund Revenues under its General Highway and Bridge Trust Fund Bond Resolution, adopted by the Authority on May 19, 1994 as amended and supplemented (the "First General Bond Resolution"). The Authority previously issued \$6,865,200,000 of First General Trust Fund Bonds (the "First General Trust Fund Bonds"), of which \$463,930,000 are outstanding. The Authority has also issued \$8,060,740,000 of Bonds under the Second General Bond Resolution (the "Second General Trust Fund Bonds"), of which \$6,257,570,000 are outstanding. Of the total amount previously issued, \$5,776,892,248 of First General Trust Fund Bonds and \$5,400,790,000 of Second General Trust Fund Bonds count against the \$16.5 billion statutory authorization. The Series 2011A Bonds are authorized to be issued under and pursuant to the Authority's Second General Highway and Bridge Trust Fund Bond Resolution, adopted by the Authority on February 27, 2003 (as such Resolution may be amended and supplemented, the "Second General Bond Resolution"), and the Fifteenth Supplemental Bond Resolution Authorizing the Issuance of Second General Highway and Bridge Trust Fund Bonds, Series 2011A, adopted by the Authority on January 19, 2011 (the "Supplemental Resolution"). The outstanding Second General Trust Fund Bonds and the Series 2011A Bonds and any additional Bonds ("Additional Bonds") issued under the Second General Bond Resolution on the terms and conditions set forth therein will be on a parity under the Second General Bond Resolution and the lien securing such Bonds is subordinate to the lien securing the First General Trust Fund Bonds. The outstanding Second General Trust Fund Bonds and the Series 2011A Bonds and any Additional Bonds are herein called collectively "Second General Trust Fund Bonds". See "SOURCES OF PAYMENT AND SECURITY FOR THE SECOND GENERAL TRUST FUND BONDS — Additional Bonds". The First General Trust Fund Bonds and the Second General Trust Fund Bonds are herein called collectively "Trust

Fund Bonds” and the First General Bond Resolution and the Second General Bond Resolution are herein called collectively the “Resolutions”.

The purpose of this issue of Series 2011A Bonds is to (i) refund certain of the Authority’s outstanding First General Highway and Bridge Trust Fund Bonds, (ii) provide funds to reimburse the State for certain expenditures made or to be made by the Department of Transportation in connection with the State’s current multi-year highway and bridge capital program and (iii) pay costs of issuance of the Series 2011A Bonds.

In order to provide the funding necessary to undertake the State’s multi-year highway and bridge capital program, the State established a Dedicated Highway and Bridge Trust Fund (the “Trust Fund”), which, pursuant to the Authorizing Legislation, is held in the joint custody of the Comptroller of the State (the “Comptroller”) and the Commissioner of Taxation and Finance of the State (the “Commissioner of Taxation and Finance”). All or a portion of the revenues that are derived from excise and business privilege taxes and fees imposed by the State on petroleum businesses, motor fuel, highway use, motor vehicles, auto rentals, and transmission and transportation corporations, and certain special revenues (the “Trust Fund Revenues”) are deposited in the Trust Fund. See “SOURCES OF REVENUE FOR THE TRUST FUND”. Two separate accounts are established under the Trust Fund: the Special Obligation Reserve and Payment Account and the Highway and Bridge Capital Account. All Trust Fund Revenues are deposited first to the Special Obligation Reserve and Payment Account, whereupon such funds are required by the Authorizing Legislation to be paid by the Comptroller to the Authority at the times and in the amounts certified by the Chairperson of the Authority, subject to annual appropriation by the State Legislature. Once the full amount certified has been appropriated for a State Fiscal Year, and so long as such amounts have been set aside as required by the Authorizing Legislation and all Cooperative Agreement Payments (as hereinafter defined) to the Authority are current, excess moneys may be transferred to the Highway and Bridge Capital Account and used for the State’s multi-year highway and bridge capital program. See “SOURCES OF PAYMENT AND SECURITY FOR THE SECOND GENERAL TRUST FUND BONDS — Moneys Held in the Trust Fund”.

To provide for the payment of the Trust Fund Bonds, the Department of Transportation and the Authority have entered into a Master Dedicated Highway and Bridge Trust Fund Cooperative Agreement dated as of July 15, 1994, as amended (the “Trust Fund Cooperative Agreement”), which provides for payments (the “Cooperative Agreement Payments”) to be made by the State, subject to legislative appropriation, from amounts on deposit in the Special Obligation Reserve and Payment Account, as described above. Cooperative Agreement Payments are required by law to be sufficient to cover, among other things, the Authority’s debt service on the Trust Fund Bonds and other indebtedness and Authority Expenses related to the State’s multi-year highway and bridge capital program. The Trust Fund Cooperative Agreement also requires each Project to be maintained and operated without cost to the Authority. The Trust Fund Cooperative Agreement contains a clause, required by statute, to the effect that the agreement of the State to make the Cooperative Agreement Payments is executory only to the extent of moneys available to the State and that no liability is incurred by the State beyond the moneys available. The Authorizing Legislation and the Trust Fund Cooperative Agreement provide that the Authority shall reimburse the State or other project sponsors for transportation-related capital expenditures from sums available from proceeds of Second General Trust Fund Bonds pursuant to Requisitions delivered by the Director of the Budget of the State (the “Director of the Budget”) to the Authority.

In connection with the Trust Fund Cooperative Agreement, the Authority and the State, acting by and through the Director of the Budget, have entered into a Payment Agreement dated as of July 15, 1994 (the “Payment Agreement”, and together with the Trust Fund Cooperative Agreement, the “State Agreements”), which provides for the specific manner, timing and amount of Cooperative Agreement Payments in accordance with the Authorizing Legislation. The Payment Agreement requires monthly installment payments to the Authority (the “Installment Payments”), subject to the exceptions specified under “SOURCES OF PAYMENT AND SECURITY FOR THE SECOND GENERAL TRUST FUND BONDS — Installment Payments to the Authority”. It is anticipated that such Installment Payments will be equal to the amounts set aside and impounded monthly by the Comptroller less the Authority’s estimate of investment earnings available therefor from funds and accounts established under the Resolutions as described under “SOURCES OF PAYMENT AND SECURITY FOR THE SECOND GENERAL TRUST FUND BONDS — Flow of Trust Fund Revenues”. Installment Payments made to the Authority shall be credited against the amount of the next Cooperative Agreement Payment. The Payment Agreement also provides that the State’s agreement and obligation to make Cooperative Agreement Payments from amounts on deposit in the Trust Fund shall be absolute and unconditional, subject to the prior appropriation therefor.

The Second General Trust Fund Bonds are special obligations of the Authority payable solely from and secured, subject to the prior pledge of Cooperative Agreement Payments and certain other rights under the State Agreements to the First General Trust Fund Bonds, by a pledge of the Authority's right, title and interest in and to the State Agreements (other than certain reserved rights), including particularly the Cooperative Agreement Payments to the Authority, but not the right to receive Installment Payments, and certain funds established by the Second General Bond Resolution and investment earnings thereon. The Second General Trust Fund Bonds and any Parity Debt issued under the Second General Bond Resolution on the terms and conditions set forth therein will be on a parity under the Second General Bond Resolution. See "SOURCES OF PAYMENT AND SECURITY FOR THE SECOND GENERAL TRUST FUND BONDS" and "APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION". The Second General Bond Resolution, subject to certain conditions, expressly reserves the right established in the Act, upon passage of State Constitutional debt reform, to substitute a new source of security for the Second General Trust Fund Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE SECOND GENERAL TRUST FUND BONDS — Reservation of State's Right to Substitute Credit".

The Authority is also authorized under the Authorizing Legislation to issue bonds to provide funds both for its own purposes and for other State and local highway purposes. The bonds issued for such other purposes are not secured by the Second General Bond Resolution or the revenues and other amounts pledged thereunder and the Second General Trust Fund Bonds have no lien on the revenues or pledged property securing such other borrowings. See "THE AUTHORITY — Other Bond Programs".

Capitalized terms used herein unless otherwise defined have the same meaning as ascribed to them in the Second General Bond Resolution. See "APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION".

PLAN OF FINANCE

The purposes of the issuance of the Series 2011A Bonds are to provide funds to (i) refund certain of the Authority's outstanding First General Highway and Bridge Trust Fund Bonds, (ii) reimburse the State for certain expenditures made or to be made by the Department of Transportation in connection with the State's current multi-year highway and bridge capital program, and (iii) pay costs of issuance of the Series 2011A Bonds.

The net proceeds of the Second General Highway and Bridge Trust Fund Refunding Bonds, Series 2011A-2 Bonds will be used to refund certain of the Authority's outstanding First General Highway and Bridge Trust Fund Bonds described in Appendix E – List of Refunded Bonds (collectively, the "Refunded Bonds"). Such net proceeds will be deposited with The Bank of New York Mellon, the Trustee under the First General Bond Resolution and the Escrow Agent pursuant to an escrow deposit agreement dated the date of delivery of the Series 2011A Bonds (the "Escrow Deposit Agreement") and will be used to acquire open market Government Obligations, the principal of and interest on which, when due, will provide an amount, together with any uninvested moneys, sufficient to pay the principal or redemption price of the Refunded Bonds on their respective redemption dates and the interest to become due on the Refunded Bonds on and prior to their redemption. Upon making such deposit with the Trustee and executing the Escrow Deposit Agreement containing irrevocable instructions to the Trustee pursuant to the First General Bond Resolution, the Refunded Bonds will, under the terms of the First General Bond Resolution, be deemed to have been paid and no longer be Outstanding and the Refunded Bonds will cease to be entitled to any lien, benefit or security under the First General Bond Resolution. A list of the Refunded Bonds is set forth in Appendix E.

THE DEDICATED HIGHWAY AND BRIDGE TRUST FUND

The State Legislature, in 1993, recognizing that a sound State highway and bridge system is essential for the efficient movement of people and goods, is vitally important to commerce and industry, and ensures the protection of public safety, first authorized a State multi-year highway and bridge capital program to construct, reconstruct, repair, recondition, restore, rehabilitate, preserve, enhance and improve State highways, parkways and bridges. Subsequently, the State has enacted transportation plans that have established the programmatic and financial framework for transportation investment over specific multi-year time periods. The 2005–10 program totaled \$17.7 billion and resulted in significant transportation improvements throughout the State.

The 2010-11 Enacted Budget established a two-year \$7 billion Department of Transportation capital program that balances preservation of core transportation infrastructure with fiscal necessity. The 2011-12 Enacted Budget continues this program. Through careful management, and by implementing operational efficiencies, the Department of Transportation utilizes its capital funds to complete critical infrastructure projects that protect the health and safety of the traveling public and promote the economic vitality of the State.

Key financial factors impacting program levels include the lack of a new multi-year Federal transportation act to replace the Federal program that expired on September 30, 2009; the phase-out of the 2005 Transportation Bond Act as projects are completed; and dependence on the General Fund to support the Trust Fund. Despite these factors, the Enacted Budget maintains the State's core Trust Fund investment in the highway and bridge construction program at 2010-11 levels.

The two-year plan provides funding for highways and bridges, associated engineering and construction inspection, preventive maintenance, rail, aviation, canal, and other programs, and includes approximately \$800 million in support of local highway and bridge programs financed by Local Highway and Bridge Service Contract Bonds and State Personal Income Tax Revenue Bonds (Transportation). In addition to funding State transportation plan capital commitments, the 2011-12 Enacted Budget continues to provide pay-as-you-go funding from the Trust Fund for certain transportation-related operating expenses of the Department of Transportation and the Department of Motor Vehicles, while incorporating reductions to improve agency operations and reduce General Fund support to the Trust Fund.

Approximately half of the plan's support comes from the Trust Fund including Trust Fund Revenues used on a pay-as-you-go basis and proceeds from the sale of Bonds secured by Trust Fund Revenues. The balance of the program is supported by Federal aid, State general obligation bonds, and a small amount of funding from the Dedicated Mass Transportation Trust Fund. The 2010-11 Budget included a cash transfer of \$587 million from the General Fund to the Trust Fund. In addition, the 2011-12 Enacted Budget projects cash transfers of approximately \$450 million from the General Fund to the Trust Fund to address an estimated funding shortfall in State Fiscal Year 2011-12. Additional funding shortfalls are projected for future years. It is anticipated that a successor multi-year DOT capital plan, including program levels and sources of funding, will be developed for the period beginning in State Fiscal Year 2012-13.

The two-year capital program excludes the continued use of one-time federal funding under the American Recovery and Reinvestment Act of 2009 ("ARRA"). Construction activity for highway and bridge projects funded by ARRA is expected to continue to decline as projects are completed.

Significant portions of the State's transportation capital programs are supported by Federal aid. The most recently authorized act, known as SAFETEA-LU, expired on September 30, 2009. A successor program has not been established and Federal support for the State's transportation programs continues through temporary funding measures passed by Congress. The Federal Highway Trust Fund is expected to continue to have cash flow difficulties unless corrective action is taken. To the extent that Federal aid varies from current, relatively flat placeholder assumptions, whether under a new act or an additional economic stimulus proposal, the State's program will need to be adjusted accordingly.

The authorized amount of bonds, including the Trust Fund Bonds, that may be issued to support the program and secured by Trust Fund Revenues is \$16.5 billion, excluding certain refunding and renewal obligations, and bonds to fund any debt service reserve funds, capitalized interest, if any, and costs of issuance.

The Trust Fund is a special fund established by the Authorizing Legislation and is held in the joint custody of the Comptroller and the Commissioner of Taxation and Finance. Trust Fund Revenues consist of a statutory allocation of all or a portion of the excise and business privilege taxes and fees imposed by the State with respect to petroleum businesses, motor fuel, highway use, motor vehicles, auto rentals, and transmission and transportation corporations, and certain special revenues. The Trust Fund consists of two accounts: the Special Obligation Reserve and Payment Account and the Highway and Bridge Capital Account.

All Trust Fund Revenues required by the Authorizing Legislation to be deposited in the Trust Fund are deposited first in the Special Obligation Reserve and Payment Account and shall, following appropriation by the Legislature, be used to make the Cooperative Agreement Payments and Installment Payments due to the Authority.

Once the full amount certified by the Chairperson of the Authority as being required for Cooperative Agreement Payments for the current State Fiscal Year has been appropriated by the State, and so long as amounts in the Special Obligation Reserve and Payment Account have been set aside as required by the Authorizing Legislation and Cooperative Agreement Payments have been made when due, excess Trust Fund Revenues may be transferred to the Highway and Bridge Capital Account within the Trust Fund and used to fund the pay-as-you-go portion of the highway and bridge capital program and for any other purposes permitted by the Authorizing Legislation. See “SOURCES OF PAYMENT AND SECURITY FOR THE SECOND GENERAL TRUST FUND BONDS” for more information relating to the Special Obligation Reserve and Payment Account and the Highway and Bridge Capital Account and “STATE HIGHWAY AND BRIDGE CAPITAL PROJECTS AND FINANCING PLANS” for a discussion of the highway and bridge capital program.

SOURCES OF PAYMENT AND SECURITY FOR THE SECOND GENERAL TRUST FUND BONDS

General

The Second General Trust Fund Bonds are special obligations of the Authority payable solely from and secured by a pledge of the Authority’s right, title and interest in and to the State Agreements (other than certain reserved rights), including particularly the Cooperative Agreement Payments to be made by the State, subject to appropriation, to the Authority pursuant to the State Agreements, certain Funds held by the Trustee under the Second General Bond Resolution and investment earnings thereon, and subject to the prior lien securing the First General Trust Fund Bonds, all as more fully described below (the “Pledged Property”). After payment of the First General Trust Fund Bonds (including any related parity debt) and Authority Expenses related to the State’s multi-year highway and bridge capital program, the Second General Trust Fund Bonds and Parity Debt are entitled to a first lien, created by the pledge under the Second General Bond Resolution, on the Pledged Property. See “APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION”. The lien securing the Second General Trust Fund Bonds is subordinate to the lien securing the First General Trust Fund Bonds. The Authority has covenanted to issue all bonds supported by the Trust Fund Revenues, with the exception of bonds to refund the First General Trust Fund Bonds, under the Second General Bond Resolution. Neither the First General Trust Fund Bonds nor the Second General Trust Fund Bonds are secured by a debt service reserve fund.

Certification of Cooperative Agreement Payments Required by the Authority

Subject to appropriation, moneys on deposit in the Trust Fund are required by the Authorizing Legislation and the State Agreements to be paid to the Authority in the amounts and at the times set forth in the certificate of the Chairperson of the Authority required to be delivered to the Comptroller and the Director of the Budget under the Authorizing Legislation.

Not less than 120 days prior to each State Fiscal Year, the Chairperson is required to certify a schedule of anticipated cash requirements of the Authority under the Trust Fund Cooperative Agreement for that State Fiscal Year. That certification is required to include all amounts due under the First General Bond Resolution and all amounts necessary to pay Authority Expenses relating to the State’s multi-year highway and bridge capital program (which does not include any costs of the Authority relating to the Thruway System), the total amount of debt service expected to become due on the Second General Trust Fund Bonds, the amounts expected to be due on Parity Debt, and all amounts required by the Authority to pay any other obligations of the Authority incurred under the Second General Bond Resolution or in connection with any Subordinated Indebtedness or amounts otherwise payable from the General Reserve Fund. The schedule accompanying that certification is also required to provide for payments on such dates as the Authority and the Director of the Budget deem appropriate to ensure that sufficient funds will be available from the Trust Fund to enable the Authority to meet its current obligations as they become due.

In addition, the Second General Bond Resolution requires the Authority, acting through the Chairperson, to prepare and submit the certification such that the Comptroller shall be required to transfer all amounts required for Cooperative Agreement Payments, including principal, Sinking Fund Installments, if any, Redemption Price or interest on any Second General Trust Fund Bond or for payments with respect to Parity Debt on or before the fifteenth day of any month preceding the date on which such payment is due; provided that, to ensure sufficient funds will be available to meet the Authority’s obligations when due, such certification shall require payment to the Authority of Installment Payments, as described under “Installment Payments to the Authority” below.

Under the Second General Bond Resolution, the Authority has covenanted to cause the Chairperson promptly to revise or amend the certification described above, and the schedule required to accompany that certification, from time to time, to assure that the certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Authority for the current State Fiscal Year and the dates of those required payments. Further, the Chairperson is required immediately to revise or amend the certification, and the accompanying schedule, if additional amounts are required to make any payment of principal of or interest on the Second General Trust Fund Bonds or with respect to Parity Debt.

Concurrently with the issuance of the Series 2011A Bonds, the Chairperson's certification will be revised as required for State Fiscal Year 2011–12. The certification will be revised upon the issuance of each subsequent Series of Second General Trust Fund Bonds or the incurrence of other obligations under the Second General Bond Resolution.

Installment Payments to the Authority

In order to ensure that sufficient funds will be available to enable the Authority to meet its current obligations under the Resolutions, pursuant to the Payment Agreements, the Chairperson's certification will require the Comptroller to make monthly Installment Payments in amounts equal to the amounts set aside and impounded monthly by the Comptroller less the Authority's estimate of investment earnings available therefor from funds and accounts established under the Resolutions, which shall be credited against the amount of the next Cooperative Agreement Payment required to be made to the Authority. The Payment Agreements provide that such Installment Payments are required to be made no later than the twenty-fifth day of each month for each month in which moneys in the Special Obligation Reserve and Payment Account are required to be set aside by the Comptroller pursuant to the Authorizing Legislation; provided that in no month shall the amount of any Installment Payment exceed the amount of moneys available to be set aside, or previously set aside, by the Comptroller pursuant to the Authorizing Legislation; and provided further that a shortfall in such amounts set aside and paid in any month to the Authority shall be made up by payments in any succeeding month or months to the extent of moneys available pursuant to such set aside.

The State's failure to make an Installment Payment is not an Event of Default under the Resolutions and does not have any effect on the General Fund of the State. The State's obligation to make Installment Payments is a contractual obligation to the Authority, and the Authority has not pledged its right to compel the payment of Installment Payments to bondholders under the Resolutions. However, the failure of the State to make Cooperative Agreement Payments as required by the Authorizing Legislation, which failure continues for a period of five days, is an Event of Default under the Resolutions. See "APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION".

Set Aside of the Trust Fund Revenues in the Trust Fund

In order to set aside the moneys necessary to meet the amounts required on the Cooperative Agreement Payment dates specified in the Chairperson's certificate, the State Finance Law requires the Comptroller to comply with certain provisions relating to the accumulation and set aside of the Trust Fund Revenues. Those set-aside provisions, which are referred to as impoundment, are summarized as follows:

1. Except as described below in paragraph 2, prior to transferring any moneys from the Special Obligation Reserve and Payment Account to the Highway and Bridge Capital Account, the Comptroller is required to set aside on a monthly basis all Trust Fund Revenues as received until the amount set aside is equal to twenty percent of the interest due on the Trust Fund Bonds or other obligations under the Resolutions on the next succeeding interest payment date multiplied by the number of months from the date of the last such payment and ten percent of the next principal installment due on such Trust Fund Bonds or other obligations multiplied by the number of months from the date of the last such principal installment where principal is due on an annual basis or twenty percent of the next principal installment due on such Trust Fund Bonds or other obligations multiplied by the number of months from the date of the last such principal installment where principal is due on a semi-annual basis.

2. For the purpose of making a Cooperative Agreement Payment that is due on a monthly or more frequent basis, the Comptroller is required to set aside all Trust Fund Revenues as received until the

amount so set aside is, in the reasonable judgment of the Comptroller, sufficient to pay such Cooperative Agreement Payments on or before the due date of such payment.

The impoundment provisions of the Authorizing Legislation are based upon and determined by the frequency, dates and amounts due with respect to the Cooperative Agreement Payments, and not with respect to the Installment Payments.

Moneys Held in the Trust Fund

The Authorizing Legislation prohibits the Comptroller from paying over or distributing any Trust Fund Revenues out of the Special Obligation Reserve and Payment Account except to the Authority, unless two requirements are met. First, all Cooperative Agreement Payments certified as required by the Authority for a State Fiscal Year must have been appropriated to the Authority to the full amount specified in the Chairperson's certificate. Second, each certified and appropriated Cooperative Agreement Payment for which moneys are required to be set aside under the impoundment provisions must have been made to the Authority on the date by which it was required to have been made pursuant to the schedule in the Chairperson's certificate.

If an appropriation has been made to pay all amounts specified in the Chairperson's certificate as required by the Authority for a State Fiscal Year and all Cooperative Agreement Payments to the Authority are current, then the Comptroller is required by the Authorizing Legislation to pay over and distribute to the credit of the Highway and Bridge Capital Account, at least once a month, all Trust Fund Revenues in the Special Obligation Reserve and Payment Account, if any, in excess of the aggregate amounts required to be set aside pursuant to the impoundment provisions.

Under the Authorizing Legislation, no person (including the Authority or the holders of Trust Fund Bonds) shall have any lien on the Trust Fund Revenues held in the Trust Fund, and the provisions of the Authorizing Legislation requiring the State to make Cooperative Agreement Payments from the Trust Fund shall be executory only to the extent of Trust Fund Revenues available to the State in the Trust Fund. If, however, the amount set aside by the Comptroller in the Special Obligation Reserve and Payment Account, together with any Installment Payments already made to the Authority, is insufficient to meet the Cooperative Agreement Payments required pursuant to the Chairperson's certificate on any Cooperative Agreement Payment date, then the Comptroller is required by the Authorizing Legislation to immediately transfer (i) first from the Highway and Bridge Capital Account within the Trust Fund, and then, if necessary, (ii) from the State's General Fund, to the Special Obligation Reserve and Payment Account within the Trust Fund, without an additional appropriation, an amount which, when combined with the amount set aside under the impoundment provisions and any Installment Payments already made, shall be sufficient to make the Cooperative Agreement Payments required pursuant to the Chairperson's certificate. The Comptroller is not required to make any such transfers if amounts in the Special Obligation Reserve and Payment Account are sufficient to meet any Installment Payment required pursuant to the Chairperson's certificate.

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 Trust Fund, to be approved by the State Legislature at least every two years. In addition, the State Finance Law 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 upon the nature of the appropriation. The Authority expects that the State Legislature will make an annual appropriation from amounts on deposit in the Trust Fund sufficient to pay Cooperative Agreement Payments when due. 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.

Trust Fund Revenues are expected to exceed the amounts necessary to pay debt service on the Trust Fund Bonds, as described under "DEBT SERVICE REQUIREMENTS" and "STATE HIGHWAY AND BRIDGE CAPITAL PROJECTS AND FINANCING PLANS — Financing Plans". The Authorizing Legislation contains provisions, which are described above under "Set Aside of the Trust Fund Revenues in the Trust Fund" and "—

Moneys Held in the Trust Fund”, for the accumulation and setting aside of the Trust Fund Revenues to be paid, subject to appropriation, to the Authority. The effect of those provisions is that, if an appropriation for the payment of the Cooperative Agreement Payments is not made, all Trust Fund Revenues deposited or to be deposited in the Special Obligation Reserve and Payment Account shall remain in such Account and may not be transferred to the Highway and Bridge Capital Account and will not be available for the State’s multi-year highway and bridge capital program or any other purposes.

In addition, the Authorizing Legislation provides that the Comptroller is prohibited from paying over or distributing any revenues from the Local Government Assistance Tax Fund (the “1% Sales Tax Fund”) to the credit of the State’s General Fund unless and until all Cooperative Agreement Payments certified by the Chairperson shall have been appropriated to the Authority. The 1% Sales Tax Fund is a fund held jointly by the Commissioner of Taxation and Finance and the Comptroller separate and apart from all other moneys of the State, the deposits in which are derived from one cent of certain sales and compensating use taxes imposed by the State on a statewide basis at the current rate of four percent, less certain amounts required for tax refunds. Subject to appropriation for such purpose, moneys in the 1% Sales Tax Fund are first available to make required payments on bonds and other obligations of the Local Government Assistance Corporation. Unlike the Trust Fund, after such payments, excess funds in the 1% Sales Tax Fund are otherwise returned to the General Fund of the State. In State Fiscal Year 2010–11, approximately \$2.4 billion of such excess revenue was paid over to the State’s General Fund. A failure to appropriate for Cooperative Agreement Payments would interrupt the transfer of these excess funds and would have a significant adverse impact on the State’s General Fund balance. See “APPENDIX C — INFORMATION CONCERNING THE STATE OF NEW YORK”.

A failure to appropriate for Cooperative Agreement Payments certified by the Chairperson of the Authority in and of itself would have no impact on the ability of the Local Government Assistance Corporation to pay the debt service on its bonds and payments on its other obligations.

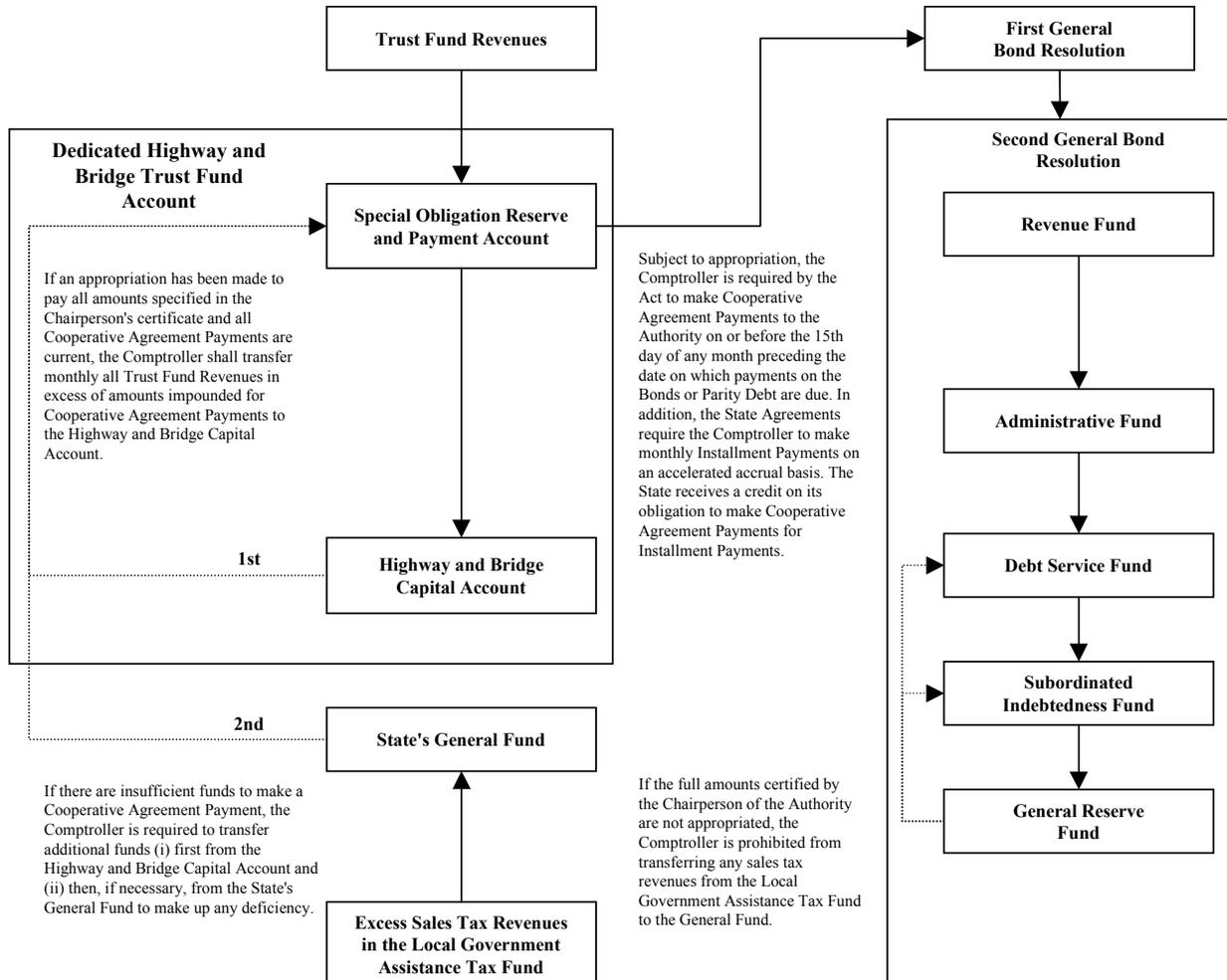
Under no circumstances are any moneys deposited in the 1% Sales Tax Fund available for appropriation to the Authority for the purposes of making Cooperative Agreement Payments or Installment Payments or otherwise as security for the Trust Fund Bonds or other obligations under the Resolutions.

The Authority and the Director of the Budget believe 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 its public benefit corporations to raise funds in the public credit markets.

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Flow of Trust Fund Revenues

The chart below summarizes the flow of Trust Fund Revenues through the Trust Fund and the funds established under the Second General Bond Resolution.



Additional Bonds

The Authorizing Legislation currently authorizes the issuance of bonds in an aggregate principal amount not in excess of \$16.5 billion. The Authority has previously issued \$5,776,892,248 of First General Trust Fund Bonds and \$5,400,790,000 of Second General Trust Fund Bonds, which count against the \$16.5 billion authorization. Such principal amount is exclusive of certain refunding and renewal obligations and allows for the issuance of an additional aggregate principal amount of bonds (i) to fund any debt service reserve fund established in connection with the First General Trust Fund Bonds and any debt service reserve fund established in connection with Variable Interest Rate Bonds in accordance with the applicable debt service reserve requirement, (ii) to provide capitalized interest, if any, and (iii) to fund costs of issuance. Such costs of issuance include fees and other charges and expenses, including underwriters' discount, related to the issuance of such Additional Bonds, or related to the provision of any applicable Credit Facilities. The Second General Trust Fund Bonds are not secured by a debt service reserve fund.

Pursuant to the Second General Bond Resolution, Additional Bonds or Bond Anticipation Notes may be issued provided that (a) the amount of collections of the Trust Fund Revenues (and such other funds as may then be payable to the Trust Fund) 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 less (b) the Authority Expenses relating to the State's

multi-year highway and bridge capital program for the State Fiscal Year, as estimated by an Authorized Officer of the Authority, shall be at least 2.0 times (c) the sum of (i) the amount required to be calculated pursuant to the First General Bond Resolution and (ii) the Aggregate Debt Service (excluding any accrued interest or capitalized interest but including interest on Variable Interest Rate Bonds calculated as if such Variable Interest Rate Bonds bore interest at the average interest rate or rates anticipated to be borne by such Bonds over the period or periods for which such rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Authority in consultation with the Director of the Budget) on all outstanding Second General Trust Fund Bonds and Additional Bonds to be issued to refinance Bond Anticipation Notes then outstanding, including the Series proposed to be issued, and any additional amounts payable with respect to Parity Debt, for each State Fiscal Year, as certified by an Authorized Officer of the Authority. In connection with any such Bond Anticipation Notes, such Authorized Officer of the Authority shall estimate, in consultation with the purchasers of such notes, the amortization schedule and interest rates of the Second General Trust Fund Bonds in anticipation of which such notes were issued. Aggregate Debt Service with respect to the First General Trust Fund Bonds shall be calculated in accordance with the First General Bond Resolution.

In accordance with the Additional Bonds test described above, Trust Fund Revenues of \$2.060 billion were available to pay debt service, which amount represents 2.2 times the maximum annual Aggregate Debt Service for all outstanding Trust Fund Bonds and the Series 2011A Bonds. For (i) information with respect to estimated maximum Aggregate Debt Service for all outstanding Trust Fund Bonds and the Series 2011A Bonds, see “DEBT SERVICE REQUIREMENTS”, and (ii) additional information on the State’s financing plan related to the State’s multi-year highway and bridge capital program, see “STATE HIGHWAY AND BRIDGE CAPITAL PROJECTS AND FINANCING PLANS — Financing Plans”.

The Second General Bond Resolution provides that Additional Bonds may be issued in order to refund Second General Trust Fund Bonds either by meeting the foregoing coverage requirement or without meeting the foregoing coverage requirement provided that (1) Aggregate Debt Service is not increased as a result of such refunding in any State Fiscal Year in which Second General Trust Fund Bonds were outstanding prior to the refunding or (2) the Authority certifies that the refunding Second General Trust Fund Bonds are being issued in order to avoid an imminent Event of Default to the extent permitted in the Second General Bond Resolution. The Second General Bond Resolution also provides that Additional Bonds may be issued in order to refund First General Trust Fund Bonds either by meeting the foregoing coverage requirement or without meeting the foregoing coverage requirement provided that the combined Aggregate Debt Service under the Resolutions for all outstanding Trust Fund Bonds is not increased as a result of such refunding in any State Fiscal Year in which bonds were Outstanding under either Resolution prior to the refunding.

The Second General Bond Resolution provides that in the event that any Series of Additional Bonds includes provisions relating to a mandatory purchase or redemption other than as a result of scheduled Sinking Fund Installments there shall be filed a certificate of an Authorized Officer setting forth the terms and provisions of such mandatory purchase or redemption and the conditions under which such purchase or redemption could occur and either (i) that the debt service coverage requirements described above have been calculated on the assumption that such mandatory purchase or redemption will occur or (ii) that provisions have been included in the Supplemental Resolution to the effect that only the scheduled payments of principal on the Second General Trust Fund Bonds to be issued and the Sinking Fund Installments with respect thereto and interest on the Second General Trust Fund Bonds of such Series will be on a parity with outstanding Second General Trust Fund Bonds and that all other redemption of principal as a result of such mandatory purchase or redemption provisions are payable solely from the Subordinated Indebtedness Fund or the General Reserve Fund.

For additional information, see “APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION — Special Provisions for Additional Bonds and Bond Anticipation Notes” and “— Refunding Bonds”.

Parity Debt

The Authority may incur Parity Debt pursuant to the terms of the Second General Bond Resolution which, subject to certain exceptions, would be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Second General Bond Resolution with respect to Second General Trust Fund Bonds. Parity Debt may be incurred in the form of a Parity Reimbursement Obligation or a Parity Swap Obligation. 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 Second General Trust Fund Bond and may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Second General Bond Resolution for the Second General Trust Fund Bonds only to the extent that principal amortization requirements of the Parity Reimbursement Obligation are equal to the amortization requirements for the related Bonds, without acceleration. A Parity Swap Obligation may be incurred in connection with a Qualified Fixed Payor Swap or a Qualified Fixed Receiver Swap and represents the Authority's obligation to pay any amount of interest (but not any termination or other fees) under the Qualified Fixed Payor Swap or Qualified Fixed Receiver Swap. It may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Second General Bond Resolution for the Second General Trust Fund Bonds only to the extent that the timing of the payment of such interest coincides with the payment of interest on the Second General Trust Fund Bonds to which the Parity Swap Obligation relates. Parity Swap Obligations may not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Fixed Payor Swap or Qualified Fixed Receiver Swap, or any payments that represent payment of interest under such an arrangement in advance of the payment of interest on the Second General Trust Fund Bonds to which the Parity Swap Obligation relates. See "APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION — Parity Debt".

No Prior Liens

Under the Second General Bond Resolution, subject to the limitations in the Authorizing Legislation and the First General Bond Resolution, the Authority has the power to and reserves the right to issue (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 Second General Bond Resolution shall be discharged and satisfied pursuant to the Second General Bond Resolution, (ii) Subordinated Indebtedness to be paid from amounts on deposit in the Subordinated Indebtedness Fund, or (iii) indebtedness payable from amounts on deposit in the General Reserve Fund, so long as any such evidences of indebtedness are not entitled to a charge or lien or right prior or equal to the rights of the Authority and Holders of the Second General Trust Fund Bonds, Parity Debt and Bond Anticipation Notes provided by the Second General Bond Resolution, including, without limitation, the Debt Service Fund or with respect to the Pledged Property or with respect to proceeds from the Trust Fund Revenues.

Subject to the rights of holders of obligations issued pursuant to the First General Bond Resolution, the Authority shall not modify or amend the First General Bond Resolution in any manner that would have a material adverse effect on the owners of Second General Trust Fund Bonds, provided, however, that nothing in the Second General Bond Resolution shall prevent the Authority from supplementing the First General Bond Resolution to provide for the issuance of First General Trust Fund Bonds constituting Refunding Bonds (as defined in the First General Bond Resolution) issued pursuant to and in compliance with the First General Bond Resolution.

The Authority has covenanted with the holders of Second General Trust Fund Bonds that so long as any Second General Trust Fund Bonds remain Outstanding, it shall not issue any First General Trust Fund Bonds other than Refunding Bonds (as defined in the First General Bond Resolution) issued pursuant to and in compliance with Section 204(A)(4)(i) of the First General Bond Resolution. Section 204(A)(4)(i) of the First General Bond Resolution requires that, following the refunding, aggregate debt service under the First General Bond Resolution would be no greater in any State Fiscal Year in which there were First General Trust Fund Bonds outstanding.

Credit of the State Not Pledged; State Not Obligated to Continue Imposition of Taxes and Fees

The Second General Trust Fund Bonds do not constitute a legally enforceable obligation on the part of the State nor create a debt on behalf of the State enforceable against the State. Certain statements and information relating to the State have been provided by the State and are set forth in Appendix C to this Official Statement.

The State is not bound or obligated to continue the imposition of the taxes and fees from which the Trust Fund Revenues are currently derived. The Authorizing Legislation states that the State pledges and agrees with the holders of the Authority's notes and bonds that the State will not in any way impair the rights and remedies of holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Nevertheless, the State may in the exercise of its sovereign power amend, repeal, modify or otherwise

alter statutes imposing or relating to any taxes and fees. An Event of Default under the Second General Bond 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. There can be no assurance, however, that future economic, political or statutory changes will not materially reduce the flow of revenues to the Trust Fund. In such an event, the State may, but is not obligated to, consider remedial actions, including, but not limited to, restructuring revenues available to the Trust Fund or program activity.

The revenues, facilities, properties and any and all other assets of the Authority or any of its subsidiaries 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 shall not be used for, or as a result of any court proceeding or otherwise applied to, the payment of the principal of and the interest on the Second General Trust Fund Bonds, and under no circumstances shall the aforementioned be available for such purpose. See "THE AUTHORITY" below for a further description of the Authority.

Reservation of State's Right to Substitute Credit

The Second General Bond Resolution reserves to the State 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 Second General Bond Resolution, (i) to assume, in whole or in part, the Second General Trust Fund Bonds, (ii) to extinguish the existing lien on Pledged Property created under the Second General Bond Resolution, and (iii) to substitute security for the Second General Trust Fund Bonds, in each case only so long as the assumption, extinguishment and substitution is accomplished in accordance with either of two provisions of the Second General Bond Resolution. (For these purposes, any Second General Trust Fund Bonds paid or deemed to have been paid in accordance with the Second General Bond 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 Second General Bond Resolution referred to in the prior paragraph 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 Second General Bond Resolution referred to in the prior paragraph 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 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 the Second General Trust Fund Bonds. Moreover, there can be no assurance that the Authority would be the issuer of such State Revenue Bonds upon any such assumption, extinguishment and substitution and, if not the Authority, the issuer of such State Revenue Bonds could be the State or another public entity.

See "APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION — Reservation of State Rights of Assumption, Extinguishment and Substitution" for a more detailed summary of the provisions relating to any such assumption, extinguishment and substitution.

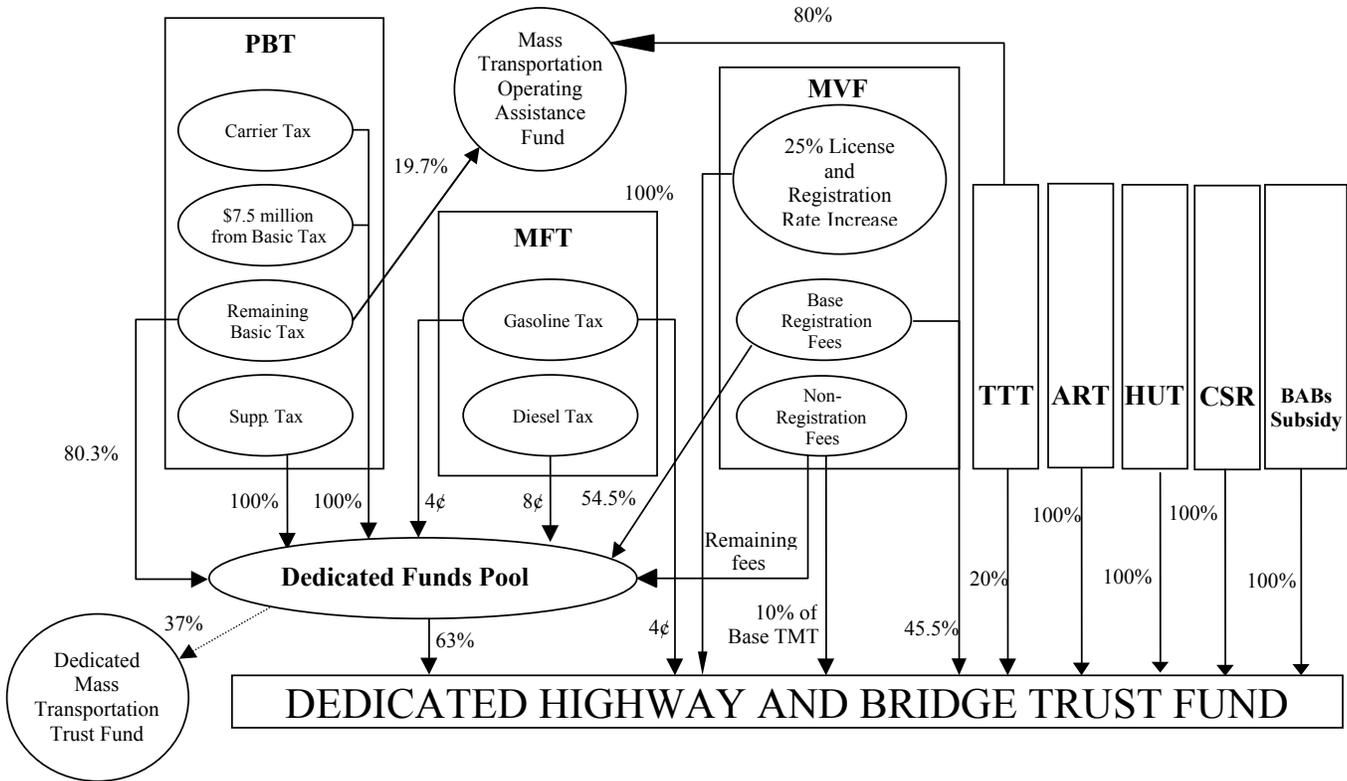
SOURCES OF REVENUE FOR THE TRUST FUND

Introduction

The State highway and bridge program is funded in part by various transportation-related taxes and fees including (a) portions of the State's (i) petroleum business taxes (the "PBT"), (ii) motor fuel taxes (the "MFT"), (iii) motor vehicle fees (the "MVF") and (iv) transmission and transportation taxes (the "TTT") in the corporation and utility taxes, (b) all revenues generated by the highway use tax (the "HUT") and auto rental tax (the "ART"), and (c) certain special revenues (the "CSR"). In addition to supporting this program through the Trust Fund, portions of the first four revenue sources are also statutorily allocated among several other State funds.

The flow chart below depicts the flow of funds to the Dedicated Highway and Bridge Trust Fund for State Fiscal Year 2011–12.

**Transportation-Related Taxes & Fees Allocation
State Fiscal Year 2011–12 Enacted Budget**



The PBT is the business privilege tax imposed on petroleum businesses operating in the State. The tax is measured by the quantity of various petroleum products refined or sold in the State or imported for sale or use in the State. PBT rates generally have two aspects: (i) the basic tax whose rate varies by product type, and (ii) the supplemental tax, which, in general, is applied at a uniform rate. Since State Fiscal Year 2002–03, most of the net PBT receipts from the basic tax and all of the supplemental tax were earmarked to the Dedicated Funds Pool. Since State Fiscal Year 1995–96, the Trust Fund has received 63 percent of the receipts earmarked to the Dedicated Funds Pool.

Dedicated motor fuel tax revenue earmarked to the Trust Fund has been derived from one hundred percent of the receipts from four cents of the aggregate eight-cent-per-gallon excise tax levied with respect to gasoline and other non-diesel motor fuels, generally for highway use. Legislation adopted with the 2000–01 Enacted Budget earmarked, over time, the remaining four cents of the aggregate eight-cent-per-gallon excise tax imposed on gasoline and the eight-cent-per-gallon excise tax levied on diesel motor fuel to the Dedicated Funds Pool. The Trust Fund receives 63 percent of receipts from the gasoline tax and diesel motor fuel tax which are deposited to the Dedicated Funds Pool.

All highway use tax revenues are earmarked to the Trust Fund and include three components: the truck mileage tax, the fuel use tax, and highway use registration fees. The truck mileage tax is levied on certain commercial vehicles based on the number of miles driven on the public highways of the State and the loaded or unloaded weight of the vehicles. The fuel use tax is imposed upon amounts of fuel purchased outside the State by certain common carriers and used while traveling on the public highways of the State. Highway use registrations are required for operators of vehicles that are subject to the highway use tax.

A large portion of the State’s motor vehicle fees is earmarked to the Trust Fund. Motor vehicle fees are mainly derived from vehicle registration and driver licensing fees. Of the aggregate amount of motor vehicle

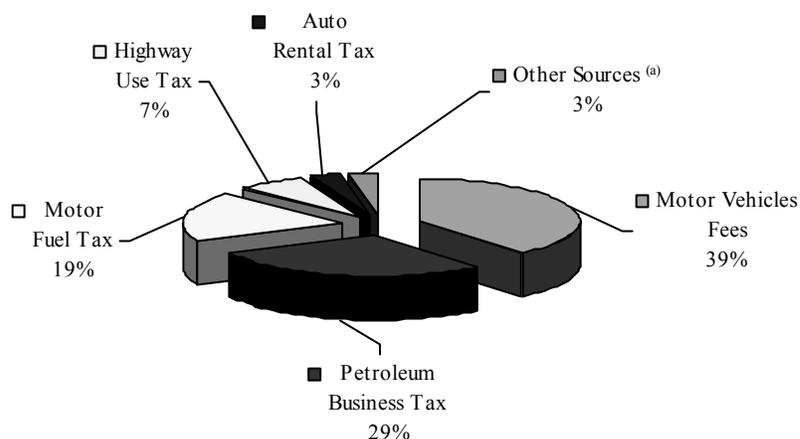
registration fees, 45.5 percent is earmarked to the Trust Fund. The remaining 54.5 percent of the registration fees is earmarked to the Dedicated Funds Pool. The Trust Fund receives 63 percent of that share of motor vehicle fees. The State has directed additional moneys from non-registration motor vehicle fees to the Trust Fund since 2001–02. The 2005–06 Enacted Budget moved \$169 million of all of the remaining non-registration funds still deposited in the General Fund to the Dedicated Funds Pool, and earmarked revenues from proposed fee increase increments to the Dedicated Funds Pool.

The 2002–03 Enacted Budget directed all of the receipts collected from the auto rental tax to the Trust Fund, effective April 1, 2002. Currently, the State imposes a six percent tax on charges to certain rental passenger cars and a supplemental tax of five percent in the Metropolitan Commuter Transportation District (“MCTD”).

The State imposes a franchise tax on transmission and transportation companies under Sections 183 and 184 of the corporation and utilities taxes. The 2003–04 Enacted Budget directed the deposit of 20 percent of transmission and transportation taxes to the Trust Fund effective April 1, 2004. These deposits are scheduled to cease on March 31, 2015.

The following chart indicates the portion of State Fiscal Year 2011–12 Trust Fund Revenues that is estimated in the 2011-12 Enacted Budget to be derived from each of the revenue sources.

**Dedicated Highway and Bridge Trust Fund Revenue Sources
Enacted Budget State Fiscal Year 2011–12**



^(a) Includes Build America Bonds Subsidy, Certain Special Revenues, and Transmission and Transportation Taxes.

The following sections provide general information on collections and projected receipts for each of the sources of revenues since the Trust Fund was established.

Dedicated Petroleum Business Tax

General. The single largest source of revenues flowing to the Trust Fund is the business privilege tax imposed on petroleum businesses operating in the State. The base of the PBT is the quantity of various petroleum products refined or sold in the State or imported into the State for sale or use therein.

Tax Rates. Since 1990, the basic and supplemental PBT tax rates have been subject to separately computed annual adjustments on January 1 of each year, to reflect the change in the Producer Price Index (“PPI”) for refined petroleum products for the 12 months ended August 31 of the immediately preceding year. The tax rates, therefore, increase as prices rise and decrease as prices fall. Legislation adopted in 1994 maintained the 1992 rates through 1995 and provided that beginning January 1, 1996, the PBT rates would be adjusted annually subject to a

maximum change of five percent of the current rate in any year. In addition to the five percent cap on rate changes, the statute also requires basic and supplemental rates to be rounded to the nearest tenth of one cent. Subsequent legislation provided that diesel rates be rounded to the nearest hundredth of one cent. As a result, the tax rates usually do not change by the full five percent allowed under the statutory formula.

The table below shows the changes in the PPI for refined petroleum products since 2001–02 and the capped PBT index.

**Petroleum Business Tax Index Change
(percent)**

Year for PPI Change (September 1 to August 31)	PPI For Refined Petroleum Products Change	Year for PBT Index	PBT Index Change (January 1)
2001–02	-19.51	2003	-5.00
2002–03	27.01	2004	5.00
2003–04	12.94	2005	5.00
2004–05	35.10	2006	5.00
2005–06	35.89	2007	5.00
2006–07	-1.22	2008	-1.20
2007–08	42.08	2009	5.00
2008–09	-34.93	2010	-5.00
2009–10	18.55	2011	5.00
2010–11 ^(a)	25.26	2012 ^(a)	5.00

^(a) Estimated.

The table below shows the rates per gallon for the PBT in effect for 2010 and 2011 and projected rates for 2012, respectively.

**PETROLEUM BUSINESS NET TAX RATES FOR 2010 – 12
(cents per gallon)**

Petroleum Products	2010			2011			2012		
	Base	Supp	Total ¹	Base	Supp	Total ¹	Base	Supp	Total ²
Automotive fuel									
Gasoline and other non-diesel	9.80	6.50	16.30	10.20	6.80	17.00	10.70	7.10	17.80
Diesel	9.80	4.75	14.55	10.20	5.05	15.25	10.70	5.30	16.00
Aviation gasoline or Kero-jet fuel	6.50	0.00	6.50	6.80	0.00	6.80	7.10	0.00	7.10
Non-automotive diesel fuels									
Commercial gallowage	8.90	0.00	8.90	9.30	0.00	9.30	9.70	0.00	9.70
Nonresidential heating	4.80	0.00	4.80	5.00	0.00	5.00	5.20	0.00	5.20
Residual petroleum products									
Commercial gallowage	6.80	0.00	6.80	7.10	0.00	7.10	7.40	0.00	7.40
Nonresidential heating	3.70	0.00	3.70	3.80	0.00	3.80	3.90	0.00	3.90
Railroad diesel fuel	8.50	0.00	8.50	8.90	0.00	8.90	9.40	0.00	9.40

¹ The tax rates represent the net tax rate after credits.

² Projected — The estimated petroleum producer price index increase of 25.26 percent through August 2011 would result in an increase of not more than 5.0 percent in the PBT tax rates on January 1, 2012.

Tax Base. Generally, transactions that are excluded from the basic PBT base are also excluded from the supplemental tax base. Exclusions include sales for export from the State, sales of fuel oil for residential heating purposes and manufacturing use, and sales to government entities when such entities buy petroleum for their own use. Sales of kerosene (other than kero-jet fuel) and liquefied petroleum gas and sales of residual fuel oil used as bunker fuel also are exempted. Beginning January 1, 2002, all electric utilities that use petroleum to generate electricity have been allowed to apply commercial gallowage rates under deregulation.

The State also imposes a petroleum business carrier tax under the PBT on fuel purchased by motor carriers outside the State but consumed within the State. The carrier tax rates are the same as the PBT automotive gasoline and diesel rates listed above.

Legislative Changes. Legislation enacted in 1996 expanded the partial exemption provided for residual and distillate fuels used in manufacturing to a full exemption, effective January 1, 1998. In addition, such legislation provided (i) rate reductions for diesel motor fuel used by motor vehicles, phased in on January 1, 1998 and April 1, 1999; (ii) a full exemption from the supplemental tax imposed on residual and distillate fuels used by the commercial sector for heating, effective March 1, 1997; (iii) a partial reduction in the basic tax and a full exemption from the supplemental tax imposed on diesel motor fuel used by railroads, effective January 1, 1997; and (iv) an increase in the credit against the basic tax for residual and distillate fuels used by utilities, effective April 1, 1999. Where applicable, the new rate structure maintains indexing by allowing the rates to be adjusted by the index and then subsequently reducing such rate, or increasing such credit, by a fixed cents-per-gallon rate. To preserve dedicated funds revenue flows, the 1996 legislation also increased the share of the basic tax going to the Dedicated Funds Pool from 63.3 percent to 66.2 percent, effective January 1, 1997; to 68.1 percent, effective January 1, 1998; and to 69.8 percent, effective April 1, 1999. These changes were designed to be revenue-neutral to the Dedicated Funds Pool.

Legislation enacted in 1999 reduced the PBT rate on commercial heating oil by 20 percent and provided for reimbursement of PBT imposed on fuels used for mining and extraction, effective April 1, 2001. To preserve dedicated funds revenue flows, the 1999 legislation increased the share of the basic tax going to the Dedicated Funds Pool from 69.8 percent to 70.5 percent, effective April 1, 2001. Like the aforementioned changes made in 1994, 1995 and 1996, these changes were designed to be revenue-neutral to the Dedicated Funds Pool.

Legislation adopted with the 2000–01 Enacted Budget eliminated the PBT minimum taxes, effective March 1, 2001, and reduced the PBT rate on commercial heating oil by 33 percent, effective September 1, 2002. To save the Trust Fund harmless from these tax cuts, the legislation earmarked certain motor vehicle registration fees to the Dedicated Funds Pool (see “Dedicated Motor Vehicle Fees” below). Legislation adopted with the 2000–01 Enacted Budget and effective April 1, 2001, also increased revenues flowing to the Trust Fund by earmarking \$7.5 million of the PBT basic tax, which had been directed to the General Fund, to the Dedicated Funds Pool; increasing the percentage of the remaining basic tax receipts earmarked to the Dedicated Funds Pool from 70.5 percent to 80.3 percent; and depositing receipts from the PBT carrier tax to the Dedicated Funds Pool.

Legislation adopted with the 2004–05 Enacted Budget eliminated the PBT on fuels used for aircraft overflight and landing, effective November 1, 2004, and exempted fuel burned on takeoff by airlines operating non-stop flights between at least four cities in New York.

Legislation adopted with the 2005–06 Enacted Budget exempted or partially exempted PBT on alternative fuels, including ethanol (e85) and biodiesel (B20) until September 1, 2011. Legislation adopted with the 2011-12 Enacted Budget will extend the exemption for one year.

Tax Imposition and Payment. Imposition of the tax occurs at different points in the distribution chain, depending upon the type of product. The tax is imposed on motor fuels at the same time as the eight-cent-per-gallon motor fuel tax. Gasoline, which represents the preponderance of automotive fuel sales in the State, is taxed upon importation into the State for sale or upon manufacture in the State. Other non-diesel automotive fuels such as compressed natural gas, methanol and ethanol become subject to the tax on their first sale as motor fuel in the State. Automotive diesel motor fuel becomes taxed upon its first non-exempt sale or use in the State. Nonautomotive diesel fuel (such as No. 2 fuel oil used for commercial heating) and residual fuel usually become taxable on the sale to the consumer or upon use of the product in the State.

Most petroleum businesses remit this tax on a monthly basis. Taxpayers with yearly motor fuel tax and PBT liability totaling more than \$5 million now remit tax for the first 22 days of the month by electronic funds transfer by the third business day thereafter. Tax for the balance of the month is paid with the monthly returns filed by the 20th of the following month. The Department of Taxation and Finance advises that, in State Fiscal Year 2009–10, 26 taxpayers, accounting for 87 percent of all PBT receipts, participated in the electronic funds transfer program.

As a complement to the fuel use tax, the PBT carrier tax is collected quarterly with the fuel use tax portion of the highway tax (see “Highway Use Tax” below).

Aspects relating to the imposition and collection of the PBT have from time to time been and may continue to be the subject of administrative claims and litigation by taxpayers.

Historical Summary of PBT Revenue. Since 1983, the State has substantially changed its taxation of petroleum businesses. These revisions altered collection mechanisms, modified tax bases, and increased the level of taxation. The most significant changes occurred in 1990 with the restructuring of a gross receipts tax to a cents-per-gallon tax and the indexing of the tax rates to maintain price sensitivity. Full-year revenue history under the gallonage-based PBT, therefore, only exists from State Fiscal Year 1991–92. Full-year collections of both the basic PBT and the supplemental PBT began in State Fiscal Year 1992–93.

The following table provides historical information since 2001–02 on the basic PBT and the supplemental PBT, the major funding source for the Trust Fund.

**Actual Basic and Supplemental PBT Collections
(\$ millions)**

<u>Collection Period State Fiscal Year</u>	<u>Basic PBT</u>	<u>Supplemental PBT</u>
2001–02	\$635.7	\$347.4
2002–03	618.9	384.5
2003–04	674.2	358.3
2004–05	692.3	370.9
2005–06	735.0	389.4
2006–07	676.2	391.9
2007–08	709.0	423.2
2008–09	682.5	403.5
2009–10	674.1	411.0
2010–11	660.4	412.8

Source: New York State Department of Taxation and Finance.

Several factors account for the changes in PBT revenues during the period referenced above.

Receipts for State Fiscal Year 2001–02 reflect more than a one percent increase in gasoline consumption. Diesel consumption declined about 10 percent due to the economic slowdown. Aviation fuel consumption dropped more than 23 percent in the latter half of the year due to the terrorist attack on the World Trade Center in New York City on September 11, 2001. Receipts from residual fuel used by utilities declined due to the warm winter. Collections also reflect the 5 percent increase in PBT rates effective January 1, 2001 and another 5 percent increase effective January 1, 2002, and \$19.3 million from the carrier tax.

Receipts for State Fiscal Year 2002–03 reflect the 5 percent increase in PBT rates effective January 1, 2002, and the 5 percent decline effective January 1, 2003. Collections also include \$20.2 million from the carrier tax.

Receipts for State Fiscal Year 2003–04 increased significantly over State Fiscal Year 2002–03. The main reason for the increase was the decrease in the relative price of residual fuel compared to natural gas. Tax collections for State Fiscal Year 2003–04 also reflect the 5 percent decline in PBT rates effective January 1, 2003 and the 5 percent increase effective January 1, 2004. Total collections include \$19.9 million from the carrier tax.

Receipts for State Fiscal Year 2004–05 increased over State Fiscal Year 2003–04. The collections reflect the 5 percent increase in PBT rates effective January 1, 2004 and another 5 percent increase effective January 1, 2005. The collections also reflect strong growth in diesel receipts. Total collections include \$21.9 million from the carrier tax.

Receipts for State Fiscal Year 2005–06 increased over State Fiscal Year 2004–05. The collections reflect the 5 percent increase in PBT rates effective January 1, 2005 and another 5 percent increase effective January 1, 2006. Total collections include \$21.6 million from the carrier tax.

Receipts for 2006–07 reflect the 5 percent increase in PBT rates effective January 1, 2006 and the 5 percent increase effective January 1, 2007. Basic PBT collections declined in 2006–07 due to a reduction in residual fuel

use. Residual fuel use declined significantly in 2006–07 due to the increase in the relative price of residual fuel oil compared to natural gas. Total collections also include \$22.2 million from the carrier tax.

Receipts for 2007–08 increased over State Fiscal Year 2006–07. The collections reflect a 5 percent increase in PBT rates effective January 1, 2007 and a 1.2 percent decrease in PBT rates effective January 1, 2008. Total collections include \$23.1 million from the carrier tax.

Receipts for 2008–09 decreased over State Fiscal Year 2007–08. The collections reflect a 1.2 percent decrease in PBT rates effective January 1, 2008 and a 5 percent increase in PBT rates effective January 1, 2009. Total collections include \$20.6 million from the carrier tax.

Receipts for 2009–10 decreased over State Fiscal Year 2008–09. The collections reflect a 5 percent increase in PBT rates effective January 1, 2009 and a 5 percent decrease in PBT rates effective January 1, 2010. Total collections include \$18.4 million from the carrier tax.

Receipts for 2010–11 decreased over State Fiscal Year 2009–10. The collections reflect a 5 percent decrease in PBT rates effective January 1, 2010, and a 5 percent increase in PBT rates effective January 1, 2011. Total collections include \$17.1 million from the carrier tax.

Actual and Estimated Revenues from Dedicated PBT. Actual receipts since State Fiscal Year 2001–02 and Division of the Budget’s estimate of receipts from the dedicated PBT for State Fiscal Year 2010–11 are as set forth in the following table:

Trust Fund Revenues from PBT

State Fiscal Year	Dedicated Funds Pool (\$ millions)	Trust Fund Revenue (\$ millions)	Trust Fund Share
2001–02	\$878.7	\$553.6	63.0%
2002–03	901.7	568.1	63.0
2003–04	921.1	580.3	63.0
2004–05	950.2	598.6	63.0
2005–06	1,002.4	631.5	63.0
2006–07	958.6	603.9	63.0
2007–08	1,017.1	640.8	63.0
2008–09	973.6	613.4	63.0
2009–10	972.2	612.5	63.0
2010–11	961.9	606.0	63.0
2011–12 ^(a)	975.0	614.0	63.0

^(a) Estimated.

The estimate reflects the 2011–12 Enacted Budget. In formulating its projection for 2011–12, the Division of the Budget made various assumptions regarding income, gasoline prices and consumption, fuel efficiency of the motor vehicles in the State and certain demographic trends. Forecasts of these variables are generated by the Division of the Budget’s own economic models of the United States and State economies, and a forecast published by the Federal Energy Information Administration (“EIA”). These assumptions were supplemented with year-to-date actual receipts. The estimates for PBT receipts from gasoline motor fuel are consistent with the consumption estimates used in forecasting motor fuel tax receipts. The PBT forecast also incorporates the indexing provisions that increased the rates by 5 percent on January 1, 2011, and are projected to increase the rates by 5 percent on January 1, 2012.

In formulating its estimates of PBT revenues from diesel motor fuel, the Division of the Budget relied upon its own forecast of nationwide economic conditions, as reflected in national gross domestic product, and upon indicators of New York business activity. The estimates for PBT receipts from diesel motor fuel are also consistent with the consumption estimates used in forecasting motor fuel tax receipts.

After automotive fuels (gasoline and diesel motor fuel), residual fuel used in the generation of electricity by public utilities in the State is the second largest source of PBT revenues. Electric utility use of residual fuel oil now accounts for more than five percent of dedicated PBT receipts. Residual fuel use consumption is estimated to remain flat in 2011–12.

The balance of the tax consists of tax paid with respect to commercial usage of nonautomotive diesel fuel (middle distillate No. 2) and residual fuel oils (Nos. 4, 5 and 6 oils) and kero-jet fuel. The forecast anticipates that total tax collections from these fuels will remain flat in 2011–12. The estimated receipts include \$17 million in 2011–12 from the carrier tax.

Legislation adopted with the 2006–07 Enacted Budget provided a partial or full exemption for alternative fuels from the PBT to September 1, 2011. Legislation adopted with the 2011-12 Enacted Budget will extend the exemption for one year. The financial impact to the Dedicated Highway and Bridge Trust Fund is minimal.

Dedicated Motor Fuel Tax

General. MFT revenue is derived from an eight-cent-per-gallon excise tax levied with respect to gasoline and diesel motor fuels, generally for highway use. The aggregate rate of tax on gasoline was last changed on February 1, 1972, when it was increased from seven cents to eight cents per gallon. The aggregate rate of tax on diesel motor fuel was last changed on January 1, 1996 when it decreased from ten cents to eight cents per gallon.

Prior to April 1, 2000, 50% of MFT gasoline revenue was earmarked to the Trust Fund. Effective April 1, 2000, legislation enacted in 2000 earmarked 67.7 percent of gasoline MFT revenue and 31.5 percent of diesel MFT revenue to the Trust Fund. Effective April 1, 2001, legislation enacted in 2000 increased the diesel MFT revenue to the Trust Fund from 31.5 percent to 49.2 percent. Effective April 1, 2003, legislation adopted with the 2000–01 Enacted Budget earmarked 81.5 percent of MFT gasoline revenue and 63.0 percent of MFT diesel revenue to the Trust Fund.

Tax Imposition and Payment. The tax on motor fuel is payable by distributors registered with the State. The gasoline motor fuel tax is imposed when gasoline is imported (or caused to be imported) into the State for sale or use in the State, or manufactured in the State. Generally, the tax on other non-diesel motor fuels earmarked to the Trust Fund (such as compressed natural gas, propane, methanol and ethanol) is remitted by the dealer selling it as motor fuel. The tax on diesel motor fuel is imposed on the first non-exempt sale of diesel in the State.

Most petroleum businesses remit these taxes on a monthly basis. Businesses with yearly MFT and PBT liability totaling more than \$5 million remit the PBT and MFT for the first 22 days of the month by electronic funds transfer by the third business day thereafter. Tax for the balance of the month is paid with the monthly returns filed by the 20th of the following month. In State Fiscal Year 2009–10, 24 taxpayers, accounting for 88 percent of all motor fuel tax receipts, participated in the electronic funds transfer program.

Although the tax is remitted by distributors, the incidence of the tax falls primarily on final users of the fuel on the highways and waterways of the State. Governmental purchases are exempt from the tax. Fuel purchased for certain road vehicles (such as fire trucks, buses used in local transit, taxicabs and ambulances), upon which the tax has been paid, may be eligible for full or partial reimbursement of the MFT. Reimbursement of the tax is also available for fuel not used on the highways (e.g., fuel used in farming). Certain exemptions, including sales of kero-jet fuel for use in airplanes and sales to exempt organizations, apply only to the diesel motor fuel.

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Actual and Estimated Revenues from Dedicated Motor Fuel Tax. Actual receipts since 2001–02 and Division of the Budget forecasts of Trust Fund receipts from the gasoline and diesel MFT for State Fiscal Year 2011–12 are set forth in the following table:

**Trust Fund Revenues From MFT
(\$ millions)**

State Fiscal Year	Gasoline MFT	Diesel MFT	Total Revenues
2001–02	\$291.8	\$28.8	\$320.6
2002–03	324.2	32.0	356.2
2003–04	377.2	33.2	410.4
2004–05	377.7	41.8	419.5
2005–06	376.4	43.4	419.8
2006–07	362.8	43.0	405.8
2007–08	369.8	44.8	414.6
2008–09	356.1	42.2	398.3
2009–10	360.1	41.0	401.1
2010–11	363.7	44.0	407.7
2011–12 ^(a)	359.6	44.4	404.0

(a) Estimated.

In formulating the gasoline motor fuel tax forecast, the Division of the Budget relied principally upon relationships among gross domestic product, income, gasoline prices and gasoline demand that have been established by the Division of the Budget’s own economic forecast and the EIA. Gasoline consumption is estimated to decline in 2011–12.

To develop the diesel MFT forecast, the Division of the Budget relied primarily on its own forecasts of State economic conditions, as reflected in real gross domestic product (GDP). Diesel consumption is estimated to increase slightly in 2011–12.

Legislation adopted with the 2006–07 Enacted Budget provided a partial or full exemption for alternative fuels from the MFT to September 1, 2011. Legislation adopted with the 2011-12 Enacted Budget will extend the exemption for one year. The financial impact to the Dedicated Highway and Bridge Trust Fund is minimal.

Highway Use Tax

General. The highway use tax includes three components: the truck mileage tax, the fuel use tax, and registration fees. Under current law, all HUT receipts are earmarked to the Trust Fund.

Since 1951, the truck mileage tax has been levied on commercial vehicles having a loaded gross weight of more than 18,000 pounds. In 1961, the State gave carriers the option of using an unloaded weight basis to compute truck mileage tax liability. A motor carrier pays tax based on both the number of miles driven on the public highways of this State and the weight of the vehicle.

Legislation enacted in 1998 reduced the truck mileage tax by 25 percent, effective January 1, 1999, and increased the percentage of motor vehicle registration fees flowing to the Trust Fund to save the Fund harmless from this and other tax and fee reductions and to increase the flow of funds to the Trust Fund by approximately \$25 million.

Effective April 1, 2001, legislation adopted with the 2000–01 Enacted Budget reduced the supplemental truck mileage tax by 20 percent. To save the Trust Fund harmless, legislation enacted with the Budget also increased the flow of motor vehicle fees to the Trust Fund (See “Dedicated Motor Vehicle Fees” below).

The fuel use tax is a complement to the State motor fuel and sales taxes. In contrast to the latter taxes, which are imposed upon the amount of fuel purchased within the State, the fuel use tax applies to fuel purchased outside New York State by trucks and tractors and by foreign or interstate bus carriers, but used while traveling on the public highways of the State.

The 1994 legislation enabled the State to join the federally mandated International Fuel Tax Agreement (“IFTA”) on January 1, 1996. This agreement provides for the uniform reporting and collection of fuel-use-related taxes among IFTA jurisdictions. IFTA reduces and simplifies the reporting requirements of truckers by permitting motor carriers to file a single tax return with their base state. The base state then distributes revenues back to the other IFTA jurisdictions based on the miles traveled in those jurisdictions. Under IFTA, jurisdictions may impose a fuel use tax only on vehicles with gross weights of over 26,000 pounds or with three or more axles. New York’s law required the fuel tax on vehicles with gross weights of over 18,000 pounds. Therefore, on and after January 1, 1996, the State fuel use tax no longer applied to vehicles that weigh between 18,000 and 26,000 pounds. To avert a loss in revenues flowing to the Trust Fund due to the 1994 legislative changes in truck mileage and fuel use taxes, that legislation increased the percentage of motor vehicle registration fees flowing to the Trust Fund from 13 percent to 17 percent on January 1, 1995 and to 20 percent on January 1, 1996.

Prior to July 1, 2007, commercial carriers liable for the truck mileage tax would purchase a highway use permit/sticker for each qualifying vehicle. Permits were issued triennially at an initial cost of \$15 with subsequent renewals of \$4 for motor vehicles and \$2 for trailers. With the enactment of the replacement fee proposal in the 2009–10 Enacted Budget, all permits cost \$15. Decals cost \$4.

On August 10, 2005, a Federal law was enacted that restricted the ability of States to require motor carriers to display a permit sticker. (This law was later repealed on September 6, 2008, in a technical corrections bill). On July 1, 2007, New York State replaced the permit system with a registration system to adhere to this Federal transportation law.

The current registration system is based on the license plate number of each vehicle. The Commissioner of the Department of Taxation and Finance has the authorization to mail out decals to TMT carriers. The Commissioner could deny registration if the carrier has not paid monies due from any other tax. There is now a civil penalty for any person who fails to obtain a certificate of registration when it is required. Special permits are issued for the transportation of motor vehicles, for automotive fuel carriers, and for trips into New York State not to exceed 72 hours.

Actual and Estimated Revenues from Highway Use Tax. The table below shows actual receipts since State Fiscal Year 2001–02 and the Division of the Budget forecast of HUT receipts for State Fiscal Year 2011–12. The forecast reflects the 2011–12 Enacted Budget and is based upon forecasts of national and State economic conditions and motor fuel prices.

Trust Fund Revenues From HUT

State Fiscal Year	Revenues (\$ millions)
2001–02	\$148.3
2002–03	146.8
2003–04	146.6
2004–05	151.4
2005–06	160.2
2006–07	152.7
2007–08	148.0
2008–09	140.9
2009–10	137.2
2010–11	129.2
2011–12 ^(a)	144.0

^(a) Estimated.

Legislation adopted with the 2006–07 Enacted Budget capped State sales tax on motor fuel and diesel motor fuel at eight cents per gallon. This change reduces the receipts from the fuel use tax sales tax component.

The State also provided a partial or full exemption for alternative fuels from the fuel use tax to September 1, 2011. Legislation adopted with the 2011-12 Enacted Budget will extend the exemption for one year. The financial impact to the Dedicated Highway and Bridge Trust Fund is minimal.

Legislation adopted with the 2009–10 Enacted Budget increased the highway use tax fee for a registration certificate from \$4 to \$15 for a motor vehicle, and from \$2 to \$15 for a trailer, semi-trailer, dolly or other drawn device.

Dedicated Motor Vehicle Fees

General. Motor vehicle fees are derived from a variety of sources, but consist mainly of vehicle registration and driver licensing fees.

A percentage of State motor vehicle registration fees is earmarked to the Trust Fund. These motor vehicle fees derive from the registration of passenger vehicles, trucks, vans, motorcycles, trailers, semitrailers, buses, and other types of vehicles operating on the public highways of the State.

The State Department of Motor Vehicles administers motor vehicle registration provisions of the State Vehicle and Traffic Law. County clerks in most counties act as agents for the State in administering the issuance of most types of motor vehicle registration. Motor vehicle registration renewals generally are accomplished by mail.

With the exceptions of buses, which are charged according to seating capacity, and semitrailers, which are currently registered at a flat fee of \$23, motor vehicle registration fees in the State are currently based on vehicle weight. Since July 1, 1998 passenger vehicles are registered at graduated annual rates of 64.5 cents per 100 lbs. up to 3,500 lbs., and 97 cents for each 100 lbs. over 3,500 lbs., with a maximum yearly registration fee of \$56.06. The yearly registration fee for trucks and light delivery vehicles is \$2.88 per 500 lbs. of maximum gross weight. Tractors are registered at an annual fee of \$1.21 per 100 lbs. of maximum gross weight. Motorcycles, snowmobiles, all-terrain vehicles, ambulances, trucks used exclusively in the transportation of household goods, and other specialized vehicles have separate registration fee schedules.

Legislation enacted in 1989 mandated biennial registration of all motor vehicles weighing less than 18,000 lbs. Thus, most motor vehicle registrations are issued and renewed for two-year periods; registrations are staggered evenly throughout the months to ensure an even workload.

To avert a loss in revenues flowing to the Trust Fund as a result of reducing and eliminating the truck mileage tax imposed on Thruway mileage, 1994 legislation increased the percentage of motor vehicle registration fees flowing to the Trust Fund from 13 percent to 17 percent on January 1, 1995, and to 20 percent on and after January 1, 1996.

Legislation which was enacted with the State's 1997–98 budget eliminated certain refunds of registration fees. It was later repealed, making refunds available again.

Legislation enacted with the State's 1998–99 budget reduced the registration fees for passenger vehicles by 25 percent, starting July 1, 1998 (see above), and increased the county clerk's retention as payment for collecting these fees. Both to hold the Trust Fund harmless from this reduction and to increase the flow of revenue to the Trust Fund by approximately \$25 million, legislation enacted with the 1998–99 budget increased the percentage of registration fees earmarked to the Trust Fund to 28 percent, effective April 1, 1998, and to 34 percent, effective July 1, 1998. Also, to save the Trust Fund harmless from the 25 percent reduction of the truck mileage tax, such legislation increased the percentage of registration fees earmarked to the Trust Fund to 45.5 percent, effective February 1, 1999.

Legislation enacted in 1999 increased county clerks' retention fees from 9.3 percent to 12.7 percent, effective April 1, 1999.

To increase the amount of revenues flowing to the Trust Fund and to save the Trust Fund harmless from the PBT tax cuts enacted in 2000, legislation enacted with the 2000–01 State Budget earmarked the remaining 54.5 percent of motor vehicle registration fees to the Dedicated Funds Pool. The Trust Fund will receive 63 percent of such motor vehicle fees. Effective April 1, 2001, 23.5 percent of certain motor vehicle registration fees were deposited to the Dedicated Funds Pool. That percentage increased to 54.5 percent effective April 1, 2002.

In addition, legislation enacted with the 2000–01 Enacted Budget directed the State Comptroller to deposit into the Dedicated Funds Pool \$28.4 million in 2002–03, \$67.9 million in 2003–04, and \$170.1 million in 2004–05. Of these amounts, 63% was directed to the Trust Fund.

Effective April 1, 2001, to save harmless the Trust Fund from the 20 percent reduction of the supplemental truck mileage tax, legislation enacted with the 2000–01 State Budget also directed an amount of non-registration motor vehicle fees to be deposited in the Trust Fund. The amount is equal to 10 percent of the base truck mileage tax. See “— Highway Use Tax”, above.

Legislation enacted with the 2001–02 State Budget directed the deposit of \$169 million of non-registration motor vehicle fee revenues to the Trust Fund in State Fiscal Year 2001–02. Legislation enacted with the 2002–03 State Budget redirected \$171.6 million of non-registration motor vehicle fees to the Trust Fund in State Fiscal Year 2002–03 and \$152.7 million in State Fiscal Year 2003–04.

The 2003–04 Enacted Budget directed \$170.1 million of additional other motor vehicle fees to the Dedicated Funds Pool in State Fiscal Year 2004–05 and thereafter and directed \$59.9 million from the General Fund to the Trust Fund in State Fiscal Year 2004–05. It also increased the certificate of vehicle sale fee (estimated to be \$12.0 million), the original title application fee (estimated to be \$14.7 million), and the vehicle safety inspection fee (estimated to be \$21.2 million) in State Fiscal Years 2004–05 and thereafter for deposit to the Trust Fund.

The 2005–06 Enacted Budget moved \$169 million of all of the remaining non-registration funds still deposited into the General Fund to the Dedicated Funds Pool, effective April 1, 2005. Legislation adopted with the 2011–12 Enacted Budget amended the \$169 million provision by including all funds (fees, taxes, fines, and assessments) and not just the non-dedicated portion. The 2005–06 Enacted Budget increased certain non-registration fees, including title fees estimated to be \$39.4 million in 2005–06 and \$78.8 million thereafter. Revenues from these fee increases are deposited in the Dedicated Funds Pool in 2005–06 and thereafter.

Legislation adopted with the 2009–10 Enacted Budget increased license fees by 25 percent for a revenue increase of \$18.8 million in 2009–10 and \$36.4 million in 2010–11. The additional revenues from this increase will be directed to the Trust Fund.

In addition, most registrations increased by 25 percent for a revenue increase of \$51.9 million in 2009–10 and \$103.4 million in 2010–11. The additional revenues from this increase will be directed to the Trust Fund.

Also, the license plate fee increased from \$15 to \$25 effective April 1, 2010, resulting in an estimated revenue increase of \$20 million. The additional revenues from this increase will be directed to the General Fund.

There is also a MTA supplemental registration and license fee imposed on motorists living in the MCTD. The additional revenues from these supplemental fees will be directed to the MTA.

Actual and Estimated Revenues from Motor Vehicle Fees. The Division of the Budget has forecasted the registration fees for passenger and commercial motor vehicles and other motor vehicle fees for State Fiscal Years 2010–11 and 2011–12. The forecast reflects the State’s 2011–12 Enacted Budget. The forecast is based upon national new automobile sales, New York State economic conditions, and registration renewal cycles in the State and the increased allocation to the Trust Fund described above.

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Trust Fund Revenues From MVF

State Fiscal Year	Revenues (\$ millions)
2001–02.....	\$370.6
2002–03.....	469.9
2003–04.....	468.1
2004–05.....	524.5
2005–06.....	495.1
2006–07.....	557.0
2007–08.....	569.0
2008–09.....	546.6
2009–10.....	628.1
2010–11 ^(a)	824.0
2011–12 ^{(a)(b)}	827.0

^(a) Includes all motor vehicle receipts that are directed to the DHBTF. Nearly \$107 million in CSR revenues, that are collected by the Department of Motor Vehicles, are now included in this amount.

^(b) Estimated.

Auto Rental Tax

The State imposes an auto rental tax on any rental or use in New York State of a passenger car with a gross vehicle weight of 9,000 pounds or less that has seating capacity for nine or fewer passengers. Legislation enacted with the 2002–03 State Budget increased the amount of revenue that flows to the Trust Fund by shifting the auto rental tax receipts from the General Fund to the Trust Fund, effective April 1, 2002. Legislation in the 2009–10 Enacted Budget increased the auto rental tax from 5 percent to 6 percent. There is also a MTA supplemental tax of 5 percent imposed on passenger car rentals within the MCTD. Revenues from this supplemental tax are directed to the MTA and are not included in the table below.

Trust Fund Revenues From Auto Rental Tax

State Fiscal Year	Revenues (\$ millions)
2001–02.....	\$37.9
2002–03.....	37.2
2003–04.....	38.6
2004–05.....	39.8
2005–06.....	42.3
2006–07.....	45.5
2007–08.....	47.0
2008–09.....	60.7
2009–10.....	51.7
2010–11.....	60.0
2011–12 ^(a)	65.0

^(a) Estimated.

Transmission and Transportation Taxes

The State imposes franchise taxes on transmission and transportation companies doing business in New York State. Under Section 183 of the Tax Law, companies pay tax based on the highest of three alternatives: allocated value of issued capital stock at a tax rate of 1.5 mills (.0015); allocated value of issued capital stock on which dividends are paid at a rate of 6 percent or more, at a tax rate of 0.375 mills (.000375) for each 1 percent of dividends paid, or a rate of 1.5 mills (.0015) to capital stock on which dividends are not paid, or are paid at a rate of less than 6 percent; or a minimum tax of \$75. Section 184 of the Tax Law provides for a tax rate of 0.375 percent of gross earnings. The 2003–04 Enacted Budget increased the flow of funds to the Dedicated Highway and Bridge Trust Fund by shifting 20 percent of receipts from the transmission and transportation taxes from the General Fund, effective April 1, 2004. The 2005–06 Enacted Budget continued these additional deposits through March 31, 2010. The 2009-10 Enacted Budget extended these additional deposits through March 31, 2015. Since April 1, 2004, 80 percent of transmission and transportation taxes have been deposited into the Mass Transportation Operating Assistance Fund (“MTOAF”), with the remaining amounts deposited into the Trust Fund.

The table below shows deposits of transmission and transportation taxes into the MTOAF and the Trust Fund since State Fiscal Year 2004–05 and the Division of Budget estimate of such deposits for State Fiscal Year 2010–11. The forecast for State Fiscal Year 2011–12 reflects the 2011–12 Enacted Budget.

**Transmission and Transportation Taxes
Deposits to MTOAF and Trust Fund**

<u>State Fiscal Year</u>	<u>MTOAF (\$ millions)</u>	<u>Trust Fund (\$ millions)</u>
2004–05.....	\$64.5	\$16.1
2005–06.....	73.9	18.4
2006–07.....	68.4	17.1
2007–08.....	60.3	15.1
2008–09.....	71.8	17.9
2009–10.....	78.6	19.7
2010–11.....	65.6	16.4
2011–12 ^(a)	65.0	15.0

^(a) Estimated.

Certain Special Revenues

Since April 1, 1999, certain transportation-related fees and charges have been deposited in the Dedicated Highway and Bridge Trust Fund. Prior to 1999–2000, these transportation-related fees were deposited to the credit of four State special revenue funds. The 1999–2000 Enacted Budget redirected these fees, through administrative action, to the Trust Fund. These fees are generated from the sale of permits for transportation of oversized and/or overweight cargo over the State’s highways and bridges, the sale of permits for highway work, fees imposed for directional and outdoor advertising signs posted along State highways, and miscellaneous other transportation-related fees. These fees have been deposited directly in the Trust Fund since the 2000–01 Enacted Budget formalized in statute the redirection of these fees to the Trust Fund. Some of the fee schedules associated with these Trust Fund Revenues are subject to change by the Commissioner of Transportation.

The 2003–04 Enacted Budget moved receipts from State Department of Motor Vehicles (“DMV”) data search fees (\$50.0 million) from the General Fund to the Trust Fund, effective April 1, 2003. The 2003–04 Enacted Budget also increased data search fees effective April 1, 2004; the additional receipts have been deposited into the Trust Fund since April 1, 2004.

The 2004–05 Enacted Budget increased overweight truck fees, which were estimated to bring in an additional \$0.8 million in State Fiscal Year 2004–05, and \$1.5 million per year thereafter.

The 2005–06 Enacted Budget increased the data sales fee, insurance buyback fee and salvaged vehicle inspection fee, generating an additional \$21 million on a fully-annualized basis in State Fiscal Year 2006–07.

The 2006–07 Enacted Budget dedicated DMV fee increases of \$3.6 million for the driver responsibility program in State Fiscal Year 2006–07, and increasing to \$28.6 million per year thereafter.

The 2011–12 Enacted Budget recognizes \$2.1 million in receipts from private sector partnerships in funding State HELP trucks.

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Certain Special Revenues

State Fiscal Year	Revenues (\$ millions)
2001-02	\$19.7
2002-03	18.9
2003-04	64.7
2004-05	81.2
2005-06	82.2
2006-07	100.3
2007-08	126.1
2008-09	137.2
2009-10	141.0
2010-11 ^(a)	24.5
2011-12 ^{(a)(b)(c)}	24.6

(a) Nearly \$107 million in receipts are now categorized under motor vehicle receipts. Only dedicated receipts collected by the Department of Transportation are included in this category.

(b) Includes \$2.1 million in new receipts from private sector partnerships in funding State HELP trucks.

(c) Estimated.

Build America Bonds (BABs) Subsidy

The American Recovery and Reinvestment Act of 2009 (“ARRA”) authorized the Build America Bonds (“BABs”) program, which offered issuers the opportunity to issue taxable bonds for capital projects that would otherwise qualify for tax-exemption and receive a subsidy equal to 35% of each interest payment from the U.S. Treasury. The Trust Fund receives a 35% interest subsidy on the Second General Trust Fund Bonds Series 2010B.

Trust Fund Revenues from BABs Subsidy

State Fiscal Year	Revenues (\$ millions)
2010-11	\$5.6
2011-12 ^(a)	5.4

(a) Estimated.

Actual and Estimated Trust Fund Revenues

The following table provides a summary of the actual and estimated Trust Fund Revenues derived from the sources discussed above.

Actual and Estimated Trust Fund Revenues (\$ millions)

State Fiscal Year	PBT	MFT	HUT	MVF	ART	TTT	CSR	BABs	Total
2001-02	\$553.6	\$320.6	\$148.3	\$370.6	—	—	\$19.7	—	\$1,412.8
2002-03	568.1	356.2	146.8	469.9	\$37.2	—	18.9	—	1,597.1
2003-04	580.3	410.4	146.6	468.1	38.6	—	64.7	—	1,708.7
2004-05	598.6	419.5	151.4	524.5	39.8	\$16.1	81.2	—	1,831.1
2005-06	631.5	419.8	160.2	495.1	42.3	18.4	82.2	—	1,849.5
2006-07	603.9	405.8	152.7	557.0	45.5	17.1	100.3	—	1,882.3
2007-08	640.8	414.6	148.0	569.0	47.0	15.1	126.1	—	1,960.6
2008-09	613.4	398.3	140.9	546.6	60.7	17.9	137.2	—	1,915.0
2009-10	612.5	401.1	137.2	628.1	51.7	19.7	141.0	—	1,991.3
2010-11	606.0	407.7	129.2	824.0	60.0	16.4	24.5	\$5.6	2,073.4
2011-12 ^(a)	614.0	404.0	144.0	827.0	65.0	15.0	24.6	5.4	2,099.0

(a) Estimated.

Factors Affecting Trust Fund Revenues

The discussion above has generally covered receipts since State Fiscal Year 2001–02. Trust Fund receipts should also be viewed from a long term perspective.

An examination of historical data for the calendar years 1971 through 2010 by the Division of the Budget suggests that the revenues that would have flowed to the Trust Fund would have been affected positively or negatively by factors which include but are not limited to: (1) State legislative changes affecting the tax rates, the tax base, payment schedules and the allocation of receipts to the Trust Fund; (2) overall economic conditions in the State; (3) population growth in the State; (4) significant changes in the price of petroleum and refined petroleum products; (5) improvements in the fuel efficiency of automobiles; (6) the use of the extensive public transportation network of subways, buses and commuter rails; (7) world political events, such as the OPEC oil embargo (1973–75), the Persian Gulf War (1990–91), the terrorist attacks on September 11, 2001 and the war in Iraq; (8) variations in climate and in the price of natural gas relative to certain competing taxable petroleum products, which primarily affect the consumption of taxable petroleum products by utilities; (9) environmental pressures to reduce acid rain through reduction of sulfur dioxide emissions from facilities burning fossil fuels; (10) the shift in the State from a manufacturing-based to service-based economy; (11) State and Federal initiatives encouraging energy efficiency and environmental protection; (12) impact of utility deregulation on Statewide supply and demand of electricity; and (13) tax evasion and Federal and State enforcement measures.

Historically, the price of refined petroleum products has tended to increase over the long term. An examination of the factors mentioned above over the period covered by the historical data demonstrates that even relatively sharp price increases have not had a permanent adverse effect on motor fuel consumption levels. Furthermore, the impact of higher prices on motor fuel consumption (by far the largest component of Trust Fund receipts) is relatively limited. The data suggest that short-term demand is relatively inelastic in the face of price changes, and that motor fuel tax collections have thus been relatively stable, compared with the price of refined petroleum products.

General economic conditions also have an impact upon fuel consumption. During recessions, motor fuel consumption declines as business activity slows. Motor fuel consumption, however, recovers and begins to grow during periods of economic strength. In general, motor fuel tax collections flowing to the Trust Fund have remained relatively constant over the period covered by the historical data. The PBT, being affected by both price and quantity changes, shows somewhat more variability. Although the bulk of the interval covered by the historical data is marked by growth, there were periods when the revenue effects of changes in consumption were offset by price changes.

Likewise, motor vehicle registration fee receipts have been primarily influenced over the period covered by the historical data by population, economic conditions, and statutory changes. Over the period covered by the historical data, motor vehicle registration fees would have provided a modestly growing source of revenue for the Trust Fund.

Generally, over the period covered by the historical data discussed above, the sources of revenue dedicated to the Trust Fund were subject to a variety of extreme economic and political conditions, yet would have provided a reasonably stable and moderately growing flow of revenue to the Trust Fund without intervention by the State. There can be no assurances, however, that future economic, political or statutory changes will not materially reduce the flow of revenues to the Trust Fund. In such an event, the State may, but is not obligated to, consider remedial actions, including but not limited to, restructuring revenues available to the Trust Fund or program activity.

STATE HIGHWAY AND BRIDGE CAPITAL PROJECTS AND FINANCING PLANS

State Transportation Programs

The State's transportation programs are designed to provide a safe and efficient transportation network to all citizens. The Department of Transportation, headed by the Commissioner, currently has an approximately 8,700-person workforce located in Albany, 11 regions and over 60 local headquarters.

In carrying out its mission, the Department of Transportation maintains a system of more than 38,000 highway lane miles and over 7,500 bridges which support over 140 billion annual vehicle miles of travel. It also coordinates and develops comprehensive State policy, encompassing highways and bridges, rail, mass transit, port and aviation facilities. It formulates and keeps a comprehensive Statewide master plan for the balanced development of both public and private transportation facilities, and regulates rates and services for rail and motor carriers involved in intrastate commerce. Its Public Transportation Safety Board oversees the safe operation of bus lines, commuter rail and subway systems which are subsidized with public funds.

Highway and Bridge Capital Improvements Planning and Budgeting

The Department's capital planning and budgeting process takes place in the context of several key planning activities. Since 2006, the Department has prepared a Statewide Master Plan, "Strategies for a New Age: New York State's Master Plan for 2030"; a twenty-year needs assessment, "The New York State Department of Transportation Multimodal Investment Needs & Goals For The Future 2010–2030"; and in October 2009, the "New York State Department of Transportation Capital Program Proposal for 2010–2015." These documents discuss the transportation challenges facing the State during the next several decades, and recommend investment policies and strategies to better meet these challenges.

In addition to these longer term planning documents, the Department continuously examines the implementation of the current financing plan, and works with its Regions and metropolitan transportation planning organizations on a program update process. The Department coordinates the development of a twelve-year transportation program plan with the required five-year Federal Transportation Improvement Plans (TIP) and four-year Statewide Transportation Improvement Plan (STIP). Projects in these plans will form the basis of the next transportation financing plan. Programs are reviewed and approved by the Department of Transportation's executive management to ensure that regional, corridor and statewide programs achieve intended results.

Condition rating surveys of State pavements are performed annually. All highway bridges are inspected at least every two years. Annual summary reports are issued on the condition of State highways and bridges. Detailed reports identify pavement conditions for each segment (approximately one-twentieth of a mile) and each structural component of the bridge, guiding the capital and preventive maintenance decision-making process.

Financing Plans

From time to time, the State has enacted transportation plans that have established the programmatic and financial framework for transportation investment over specific multi-year time periods. The 2005–10 program totaled almost \$17.7 billion and resulted in significant transportation improvements throughout the State.

The 2010–11 Enacted Budget established a two-year \$7 billion Department of Transportation capital program that balances preservation of core transportation infrastructure with fiscal necessity. The 2011-12 Enacted Budget continues this program. Through careful management, and by implementing operational efficiencies, the Department of Transportation utilizes its capital funds to complete critical infrastructure projects that protect the health and safety of the traveling public and promote the economic vitality of the State.

Key financial factors impacting program levels include the lack of a new multi-year Federal transportation act to replace the Federal program that expired on September 30, 2009; the phase-out of the 2005 Transportation Bond Act as projects are completed; and dependence on the General Fund to support the Trust Fund. Despite these factors, the Enacted Budget maintains the State's core Trust Fund investment in the highway and bridge construction program at 2010–11 levels.

The two-year plan provides funding for highways and bridges, associated engineering and construction inspection, preventive maintenance, rail, aviation, canal, and other programs, and includes over \$800 million in support of local highway and bridge programs financed by Local Highway and Bridge Service Contract Bonds and State Personal Income Tax Revenue Bonds (Transportation). In addition to funding State transportation plan capital commitments, the 2011–12 Enacted Budget continues to provide pay-as-you-go funding from the Trust Fund for certain transportation-related operating expenses of the Department of Transportation and the Department of Motor Vehicles, while incorporating reductions to improve agency operations and reduce General Fund support to the Trust Fund.

Approximately half of the plan's support comes from the Trust Fund including Trust Fund Revenues used on a pay-as-you-go basis and proceeds from the sale of Trust Fund Bonds. The balance of the program is supported by Federal aid, State general obligation bonds, and a small amount of funding from the Dedicated Mass Transportation Trust Fund. The 2010-11 budget included a cash transfer of \$587 million from the General Fund to the Trust Fund. In addition, the 2011-12 Enacted Budget projects a cash transfer of approximately \$450 million from the General Fund to the Trust Fund to address an estimated funding shortfall in State Fiscal Year 2011-12. Additional funding shortfalls are projected for future years. It is anticipated that a successor multi-year Department of Transportation capital plan, including program levels and sources of funding, will be developed for the period beginning in State Fiscal Year 2012-13.

The two-year capital program excludes the continued use of one-time federal funding under ARRA. Construction activity for highway and bridge projects funded by ARRA is expected to continue to decline as projects are completed.

Significant portions of the State's transportation capital programs are supported by Federal aid. The most recently authorized act, known as SAFETEA-LU, expired on September 30, 2009. A successor program has not been established and Federal support for the State's transportation programs continues through temporary funding measures passed by Congress. The Federal Highway Trust Fund is expected to continue to have cash flow difficulties unless corrective action is taken. To the extent that Federal aid varies from current, relatively flat placeholder assumptions, whether under a new act or an additional economic stimulus proposal, the State's program will need to be adjusted accordingly.

In September 2005, the Authority issued \$2,786,000,000 aggregate principal amount of its Second General Highway and Bridge Trust Fund Bonds, Series 2005B, to among other things, accomplish a programmatic restructuring of the State's Highway and Bridge Trust Fund Bond program, realigning the program's annual debt service requirement to better match the term of debt to asset life, thereby providing additional capital capacity to fund the State's current multi-year highway and bridge capital program.

Legislation enacted in 2000 established the authorized amount of Trust Fund Bonds that may be issued to support the program at \$10.25 billion, excluding certain refunding and renewal obligations, and bonds to fund debt service reserve funds, if any, provide capitalized interest, if any, and fund costs of issuance. The 2005-06 Enacted Budget included legislation that increased this authorization from \$10.25 billion to \$16.5 billion. The Authority has previously issued \$5,776,892,248 of First General Trust Fund Bonds and \$5,400,790,000 of Second General Trust Fund Bonds, which count against the \$16.5 billion authorization.

DESCRIPTION OF THE SERIES 2011A BONDS

General

The Series 2011A 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 2011A Bonds will be payable semi-annually on April 1 and October 1 of each year, commencing on October 1, 2011. Interest on the Series 2011A Bonds is calculated on the basis of a 360-day year, consisting of twelve 30-day months.

The Series 2011A 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 2011A Bonds will be payable through The Bank of New York Mellon, as trustee (the "Trustee") and paying agent (the "Paying Agent") under the Second General Bond Resolution. Purchases of beneficial interests from DTC in the Series 2011A Bonds will be made in book-entry only form 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 2011A Bonds, payments of the principal, premium, if any, and interest on the Series 2011A Bonds will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement 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 "Book-Entry Only System".

Redemption Provisions

The Series 2011A Bonds are subject to optional redemption as described below and in “APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION — Redemption of Bonds”.

Optional Redemption for the Series 2011A Bonds. The Series 2011A Bonds maturing on or before April 1, 2021 are not subject to optional redemption prior to maturity. The Series 2011A Bonds maturing on or after April 1, 2022 are subject to redemption prior to maturity on or after April 1, 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 Series 2011A Bonds to be Redeemed. In the case of redemptions of Series 2011A Bonds at the option of the Authority, the Authority shall select the maturities of the Series 2011A Bonds to be redeemed. If less than all of the Series 2011A Bonds of a maturity are to be redeemed, the Trustee shall assign to each outstanding Series 2011A 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 Series 2011A 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 Series 2011A Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2011A Bonds to be redeemed.

Notice of Redemption. The Trustee is to give notice of the redemption of the Series 2011A 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 2011A Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books of the Authority. The failure of any owner of a Series 2011A Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of Series 2011A Bonds with respect to which notice has been given in accordance with the Second General Bond Resolution. 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 2011A Bonds. If at the time of notice, the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the Series 2011A Bonds called for optional redemption, such notice shall state that such optional redemption is conditional, in that it is subject to the sufficient deposit of moneys with the Trustee not later than the date fixed for redemption. Such notice shall be of no effect and no optional redemption shall occur unless such moneys are so deposited.

If on the Redemption Date moneys for the redemption of the Series 2011A Bonds to be redeemed, together with interest thereon to the Redemption Date, are held by the Trustee 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 2011A Bonds to be redeemed will cease to accrue from and after the Redemption Date and such Series 2011A Bonds will no longer be considered to be Outstanding under the Second General Bond Resolution.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2011A Bonds. The Series 2011A 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 2011A Bond certificate will be issued for each stated maturity of the Series 2011A Bonds, 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 2011A BONDS, AS PARTNERSHIP NOMINEE FOR DTC, REFERENCES HEREIN TO BONDHOLDERS OR OWNERS OF THE SERIES 2011A BONDS (OTHER THAN UNDER THE CAPTIONS “TAX MATTERS” AND “CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12”) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2011A 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 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2011A 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 2011A 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 2011A Bonds, except in the event that use of the book-entry system for the Series 2011A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A 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 2011A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2011A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2011A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2011A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2011A Bonds may wish to ascertain that the nominee holding the Series 2011A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2011A 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 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011A Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The

Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2011A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, redemption premium, if any, and interest payments on the Series 2011A 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 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 principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2011A Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2011A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event Series 2011A Bond certificates will be printed and delivered to DTC.

The Authority may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2011A Bonds registered in its name for the purposes of payment of the principal of, and redemption premium, if any, or interest on, the Series 2011A Bonds, giving any notice permitted or required to be given to registered owners under the Second General Bond Resolution, registering the transfer of the Series 2011A Bonds, or other action to be taken by registered owners and for all other purposes whatsoever.

NEITHER THE AUTHORITY NOR THE UNDERWRITERS (IN SUCH CAPACITY) 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 REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2011A BONDS; (iii) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2011A BONDHOLDERS; (iv) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2011A 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 2011A BONDS.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC or other sources that the Authority believes to be reliable, but neither the Authority nor the Underwriters take any responsibility for the accuracy thereof.

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DEBT SERVICE REQUIREMENTS

The following schedule sets forth the amounts required to be paid by the Authority from Cooperative Agreement Payments for debt service on the Trust Fund Bonds after issuance of the Series 2011A Bonds. Totals may not add due to rounding.

12 Month Period Ending April 1	Outstanding First General Trust Fund Bonds Debt Service ⁽¹⁾⁽²⁾	Outstanding Second General Trust Fund Bonds Debt Service ⁽²⁾	Series 2011A Bonds			Total Aggregate Debt Service on Trust Fund Bonds ⁽²⁾
			Principal Payments	Interest Payments ⁽²⁾	Debt Service ⁽²⁾	
2012	\$200,762,366	\$ 680,824,494	\$ 20,665,000	\$ 15,753,758	\$ 36,418,758	\$ 918,005,618
2013	98,054,366	748,940,920	29,620,000	20,038,913	49,658,913	896,654,198
2014	74,194,240	758,290,787	18,115,000	18,854,113	36,969,113	869,454,140
2015	9,278,465	725,453,332	16,590,000	18,143,263	34,733,263	769,465,060
2016	14,798,090	683,585,630	18,575,000	17,490,813	36,065,813	734,449,533
2017	3,721,250	676,464,335	17,960,000	16,644,763	34,604,763	714,790,348
2018	3,721,250	672,874,267	17,420,000	15,776,913	33,196,913	709,792,430
2019	40,026,250	627,312,633	17,500,000	14,973,763	32,473,763	699,812,646
2020	40,026,000	588,874,606	18,290,000	14,182,363	32,472,363	661,372,969
2021	-	578,467,666	19,115,000	13,355,613	32,470,613	610,938,279
2022	-	331,166,376	20,045,000	12,425,513	32,470,513	363,636,889
2023	-	335,235,236	20,980,000	11,490,763	32,470,763	367,705,999
2024	-	289,589,422	22,020,000	10,451,263	32,471,263	322,060,685
2025	-	270,006,291	23,125,000	9,350,263	32,475,263	302,481,554
2026	-	229,276,370	24,275,000	8,198,700	32,473,700	261,750,071
2027	-	202,006,120	25,475,000	6,996,000	32,471,000	234,477,120
2028	-	144,191,531	26,735,000	5,739,000	32,474,000	176,665,531
2029	-	84,526,318	28,070,000	4,402,250	32,472,250	116,998,568
2030	-	43,692,620	29,475,000	2,998,750	32,473,750	76,166,370
2031	-	-	30,950,000	1,525,000	32,475,000	32,475,000
Total	<u>\$484,582,276</u>	<u>\$8,670,778,956</u>	<u>\$445,000,000</u>	<u>\$238,791,771</u>	<u>\$683,791,771</u>	<u>\$9,839,153,002</u>

⁽¹⁾ Reflects the defeasance of the Refunded Bonds.

⁽²⁾ Totals may not add due to rounding.

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ESTIMATED SOURCES AND USES OF FUNDS

The proceeds received from the sale of the Series 2011A Bonds are expected to be applied in the following approximate amounts:

Sources of Funds

Principal Amount of Series 2011A Bonds	\$445,000,000.00
Net Original Issue Premium	41,287,920.80
Amount Released from the First General Highway and Bridge Trust Fund Resolution Debt Service Fund	<u>4,969,025.49</u>
Total Sources of Funds	<u>\$491,256,946.29</u>

Uses of Funds

Deposit to Bond Proceeds Fund	\$440,000,000.00
Deposit to Refunding Escrow	45,267,462.25
Costs of Issuance*	4,004,297.04
Underwriters' Discount	<u>1,985,187.00</u>
Total Uses of Funds	<u>\$491,256,946.29</u>

* Includes the State Bond Issuance Charge of \$3,706,862.36.

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THE AUTHORITY

Introduction

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

Members and Officers

The Act provides that the Authority consists of a Board of seven members appointed by the Governor of the State, with the advice and consent of the Senate of the State. 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. The members of the Authority receive no salary but are reimbursed for their necessary expenses incurred in connection with their duties. The Chairman is designated as Chairman 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:

<u>Name</u>	<u>Expiration of Term</u>
Howard P. Milstein.....	January 1, 2020*
John L. Buono	January 1, 2011*
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 Simberg.....	September 14, 2017

* Pursuant to the Public Officers Law, members of the Board of the Authority whose terms have expired continue to serve until a successor is appointed and qualified. On May 9, 2011, Governor Cuomo nominated Howard P. Milstein to succeed John L. Buono as a member of the Board of and the Chairman of the Authority. Mr. Milstein's appointment was confirmed by the State Senate on June 15, 2011.

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. He 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.

John L. Buono was confirmed as Chairman of the Authority in June 2002 for a term expiring on January 1, 2011. He continued to serve until his successor, Howard P. Milstein, was confirmed by the State Senate on June 15, 2011. Prior to the enactment of the PAAA, the Act designated the Chairman as its Chief Executive Officer. The PAAA removed that designation. From 1998 through the end of 2003, Mr. Buono served as President of Hudson Valley Community College, where he worked on developing a stronger relationship between the college and local businesses and civic organizations. Previously, he served for three years as Executive Director of the Dormitory Authority of the State of New York. He served two terms as the Rensselaer County Executive from 1986 through 1995. Mr. Buono earned his Bachelor of Arts degree in Political Science and his Masters in Public Administration at the State University of New York at Albany.

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.

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

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

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

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

Richard Simberg was confirmed as a member of the Authority Board on June 3, 2009. Mr. Simberg previously served in several positions with the New York State Department of Transportation from 1958–1991. He served as Assistant Commissioner for Engineering and Chief Engineer, as well as Regional Director of Transportation for the Central New York and Mohawk Valley Regions. Since then, he has been active in engineering education, engineering ethics, and has consulted with the City of Alexandria regarding the Woodrow Wilson Bridge. Mr. Simberg earned a Bachelor of Civil Engineering degree from Clarkson University and received a Master of Civil Engineering degree from Rensselaer Polytechnic Institute.

The present officers of the Authority are as follows:

<u>Name</u>	<u>Office</u>
Howard P. Milstein	Chairman (beginning June 15, 2011)
John L. Buono	Chairman (through June 15, 2011)
Donna J. Luh	Vice Chair
Michael R. Fleischer	Executive Director
John M. Bryan	Treasurer
Michael Sikule	Assistant Treasurer
Jill Warner	Secretary
Judy A. Gallagher	Assistant Secretary
William McDonough	Assistant Secretary
Elizabeth A. Yanus	Assistant Secretary

Michael R. Fleischer was appointed Executive Director of the Authority, effective April 30, 2003 and Chief Executive Officer of the Authority effective March 23, 2006. Mr. Fleischer previously served as the First Deputy Commissioner at the New York State Department of Transportation (“NYSDOT”) from 2001–2003. He began his career at NYSDOT in 1995, where he also served as Assistant Commissioner for the Office of Government and Public Affairs from 2000–2001. Mr. Fleischer is a graduate of Hamilton College, having received a BA in Government. Mr. Fleischer earned his Juris Doctor at Western New England College School of Law.

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

Other Bond Programs

The Authority issues bonds and notes under its General Revenue Bond Resolution primarily 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 Pledged Property, including the Revenues, which secure the Trust Fund Bonds and the Trust Fund 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 Pledged Property, including the Revenues, which secure the Trust Fund Bonds and the Trust Fund 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 State Personal Income Tax Revenue Bonds (Transportation), 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. See "THE DEDICATED HIGHWAY AND BRIDGE TRUST FUND".

LITIGATION

There is not now pending or threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the Series 2011A Bonds or in any way contesting or affecting the validity of the Series 2011A 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 2011A Bonds or the existence or powers of the Authority.

TAX MATTERS

Federal Income Taxes

In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, and assuming compliance with the representations, certifications and covenants described in the immediately succeeding paragraph, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes. Furthermore, in the opinion of Bond Counsel, such interest is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2011A Bonds is included in "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Corporate purchasers of the Series 2011A Bonds should consult their tax advisors regarding the computation of any alternative minimum tax.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at the time of, and subsequent to, the issuance and delivery of the Series 2011A Bonds in order that interest on the Series 2011A Bonds be and remain excluded from gross income for federal income tax purposes. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of bond proceeds and other moneys or properties, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2011A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2011A Bonds irrespective of the date on which such noncompliance occurs. The Second General Bond Resolution, the certificate as to arbitrage and use of proceeds delivered by the Authority at the time of delivery of the Series 2011A Bonds (the "Arbitrage Certificate"), and certificates dated the date of closing from each of the Director of the Budget and the Commissioner of Transportation (collectively, the "Tax Certificates") contain certain factual certifications, covenants, representations and warranties as to compliance with the requirements of the Code. In rendering the above-described opinions, Bond Counsel will assume the accuracy of such factual certifications and continuing compliance by the Authority and the State with such covenants,

representations and warranties set forth in the Second General Bond Resolution, the Arbitrage Certificate and the Tax Certificates.

The difference between the principal amount of the Series 2011A Bonds maturing on April 1, 2031 and bearing interest at a rate of 4.25% per annum (the “Discount Bonds”), and the initial offering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that an owner’s adjusted basis of a Discount Bond acquired at such initial offering price for purposes of determining gain or loss on the disposition of such Discount Bond will be increased by the amount of such accrued original issue discount. 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 such corporation’s federal alternative minimum tax liability. Consequently, a corporate owner of any Discount Bond should be aware that the accrual of original issue discount in each year may result in a federal alternative minimum tax liability, even though the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

All of the Series 2011A Bonds other than the Discount Bonds (collectively, the “Premium Bonds”) are initially offered to the public at prices greater than the amounts payable thereon at maturity. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner’s original cost of acquiring such Premium Bonds. Owners of Premium Bonds are advised that they should consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or receipt or accrual of interest on, the Series 2011A Bonds. The proposed form of the approving opinion of Bond Counsel relating to the Series 2011A Bonds is attached to this Official Statement as Appendix D.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2011A Bonds should be aware that the accrual or receipt of tax-exempt interest on the Series 2011A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient’s particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of collateral federal income tax consequences of acquiring or holding the Series 2011A Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2011A Bonds, (ii) interest on the Series 2011A Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2011A Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2011A Bonds.

In addition, the Code generally denies the interest deduction for indebtedness incurred or continued by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Series 2011A Bonds.

All prospective purchasers of the Series 2011A Bonds should consult with their tax advisors in order to understand the implications of the Code as to these and other federal and state tax consequences, as well as any local tax consequences, of purchasing or holding the Series 2011A Bonds.

State and Local Income Tax

Bond Counsel is also of the opinion that under existing statutes, including the Act, interest on the Series 2011A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof.

Any noncompliance with the Federal income tax requirements set forth above would not, however, affect the exemption of interest on the Series 2011A Bonds from personal income taxes imposed by New York State or any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2011A Bonds.

Interest on the Series 2011A Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion, however, as to the tax treatment of the Series 2011A Bonds under other state or local jurisdictions. Each purchaser of Series 2011A Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2011A Bonds in a particular state or local jurisdiction other than the State of New York.

Other Considerations

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2011A Bonds may adversely affect the value of, or the tax status of, interest on, the Series 2011A Bonds.

Certain requirements and procedures contained or referred to in the State Transportation Revenue Bond Resolution, the Tax Letter, the Arbitrage Certificate and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any federal, state or local tax consequences with respect to the Series 2011A Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of a bond counsel other than Harris Beach PLLC.

No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, regulations, administrative rulings, or court decisions, will not cause interest on the Series 2011A Bonds to be subject, directly or indirectly, to federal or State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decisions or action of the Internal Revenue Service, including but not limited to the promulgation of a regulation or ruling, or the selection of the Series 2011A Bonds for audit examination or the course or result of any Internal Revenue Service examination of the Series 2011A Bonds or obligations which present similar tax issues, will not affect the market price or marketability of the Series 2011A Bonds. Prospective purchasers of the Series 2011A Bonds should consult their own tax advisors regarding the forgoing matters.

STATE NOT LIABLE ON THE BONDS

The Authorizing Legislation provides that the Series 2011A Bonds shall not be a debt of the State nor shall the State be liable thereon.

RATINGS

Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies ("S&P"), and Fitch Ratings ("Fitch") have rated the Series 2011A Bonds "AA" and "AA", respectively.

Ratings reflect only the respective views of such organizations, and 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 any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Series 2011A Bonds.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase from the Authority the Series 2011A Bonds described on the cover page and the inside cover page of this Official Statement at an aggregate purchase price of \$484,302,733.80 reflecting a net original issue premium of \$41,287,920.80 and an underwriters' discount of \$1,985,187.00 and to reoffer such Series 2011A Bonds at the public offering prices or yields derived from such prices set forth on the inside cover page hereof. Such Series 2011A Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2011A Bonds into investment trusts) at prices lower or yields higher than such public offering prices or yields and such prices or 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 2011A Bonds if any Series 2011A Bonds are purchased. The Underwriters have designated Citigroup Global Markets Inc., as Representative of the Underwriters of the Series 2011A Bonds.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an underwriter of the Series 2011A Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated 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, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of Series 2011A Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations was independently verified by Samuel Klein and Company, Certified Public Accountants (the "Verification Agent"). These computations, which were provided by the Underwriters, 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 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.

LEGALITY OF INVESTMENT

Pursuant to the Act, the Series 2011A 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 saving 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 2011A Bonds are also made securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Series 2011A Bonds are subject to the approval of Harris Beach PLLC, 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 Robinson & Cole LLP, New York, New York, Counsel to the Underwriters.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Authority in connection with the issuance of the Series 2011A Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2011A Bonds is contingent upon the issuance and delivery of the Series 2011A Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2011A Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Authority has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters of the Series 2011A Bonds to comply with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Authority, the State, through the Division of the Budget, and the Trustee will enter into a written agreement (the "Continuing Disclosure Agreement") for the benefit of the holders of the Series 2011A Bonds to provide continuing disclosure. Pursuant to the Continuing Disclosure Agreement the State will undertake to electronically file with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system, as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12, on an annual basis on or before 120 days after the end of each State fiscal year, commencing with the fiscal year ending March 31, 2012, financial and operating data concerning the State and the sources of revenue for the Trust Fund of the type included in this Official Statement, referred to herein as "Annual Information" and described in more detail below. The State Comptroller is required by existing law to issue audited annual financial statements of the State prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") within 120 days after the close of the State fiscal year, and the State will undertake to electronically file with the MSRB the State's annual financial statements for such year, prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be electronically filed with the MSRB and such audited financial statements shall be electronically filed with the MSRB if and when such statements are available. In addition, the Authority will undertake, for the benefit of the holders of the Series 2011A Bonds, to electronically file the notices described below (the "Notices") with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of any of the events described below.

The Annual Information shall consist of (a) financial and operating data of the type included in this Official Statement under the heading "SOURCES OF REVENUE FOR THE TRUST FUND", including information relating to (1) a description of how the State allocates taxes and fees to the Trust Fund; (2) a description of the material taxes and fees allocated to the Trust Fund, currently the petroleum business tax, the motor fuel tax, the highway use tax, motor vehicle fees, auto rental tax, and transmission and transportation taxes, and certain special revenues together with a description of the tax rate, the tax base and the imposition and collection of such taxes and a description of the basis on which such fees are charged and collected by the State (unless the taxes and fees constituting the sources of revenue have been materially changed or modified, in which case similar information about such new or modified taxes or fees will be provided); (3) for the material taxes and fees then constituting a source of revenue for the Trust Fund, a historical summary of such revenue, if available, together with an explanation of the factors affecting collection levels, for a period of at least the five most recent completed Fiscal Years then available; and (b) financial and operating data of the type included in the Annual Information Statement of the State set forth or referred to in Appendix C hereto, under the headings or subheadings "Prior Fiscal Years", "Debt and Other Financing Activities", "State Government Employment", "State Retirement Systems", and "Authorities and Localities", including, more specifically, information consisting of (1) for prior fiscal years, an

analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is then currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning the debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems; together with (c) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the State, and in judging the financial condition, of the State.

The Notices include notices of any of the following fourteen events with respect to the Series 2011A Bonds to be provided in a timely manner not in excess of ten (10) business days after the occurrence of the event: (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 Series 2011A Bonds, or other material events affecting the tax status of the Series 2011A Bonds; (7) modifications to the rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of any obligated person; (13) the consummation of a merger, consolidation, or acquisition involving any obligated person or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the Authority will undertake, for the benefit of the holders of the Series 2011A Bonds, to electronically file with the MSRB, in a timely manner, notice of any failure by the State to electronically file the Annual Information and annual financial statements by the date required in the State's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement is an action to compel specific performance of the undertakings of the State and/or the Authority contained therein, and no person, including any Holder of the Series 2011A Bonds, may recover monetary damages thereunder under any circumstances. Any Series 2011A Bondholder, including any beneficial owner, may enforce the Continuing Disclosure Agreement for the equal and proportionate benefit of all Holders similarly situated to the extent provided in the Continuing Disclosure Agreement. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Second General Bond Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Continuing Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

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

A copy of the Continuing Disclosure Agreement, when executed by the parties thereto on the date of the initial delivery of the Series 2011A Bonds, will be on file at the office of the Authority.

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SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION

The following is a general summary of certain provisions of the Second General Bond Resolution. This summary is not to be considered a full statement of the terms of the Second General Bond Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Copies of the Resolution are available at the office of the Authority.

Definitions (Section 102)

The following are definitions in summary form of certain terms defined in the Second General Bond Resolution and used in this Official Statement:

“Accreted Amount” means, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its original issuance) plus the interest accrued on such Capital Appreciation Bond from the date of its original issuance to the Interest Payment Date next preceding the date of computation or the date of computation if such date is an Interest Payment Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds set forth in the Supplemental Resolution or a related Certificate of Determination authorizing the issuance of such Capital Appreciation Bonds, compounded on each Interest Payment Date, and, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Accreted Amount as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) and the Accreted Amount as of the immediately succeeding Interest Payment Date, calculated based upon an assumption that Accreted Amount accrues during any semi-annual period in equal daily amounts on the basis of a year of 360 days consisting of twelve (12) months of thirty (30) days each.

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

“Additional Bonds” means Bonds authenticated and delivered on original issuance pursuant to Section 203 of the Resolution.

“Administrative Fund” means the fund so designated as the Administrative Fund established in Section 502 of the Resolution.

“Administrative Fund Requirement” means the amount of monies required to pay Authority Expenses for the next succeeding calendar quarter which amount shall be determined and payable in the manner set forth in the Trust Fund Cooperative Agreement applicable to each Series of Bonds and the Payment Agreement.

“Aggregate Debt Service” means for any period and as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds then Outstanding.

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

“Appreciated Value” means (i) as of any date of computation with respect to any Capital Appreciation and Current Interest Bond prior to the Interest Commencement Date set forth in the Supplemental Resolution or related Certificate of Determination providing for the issuance of such Capital Appreciation and Current Interest Bonds, an

amount equal to the principal amount of such Capital Appreciation and Current Interest Bond (the principal amount at its original issuance) plus the interest accrued on such Capital Appreciation and Current Interest Bond from the date of original issuance of such Bond to the Interest Payment Date next preceding the date of computation or the date of computation if such date is an Interest Payment Date, such interest to accrue at the rate per annum of the Capital Appreciation and Current Interest Bonds set forth in the Supplemental Resolution or related Certificate of Determination providing for the issuance of such Capital Appreciation and Current Interest Bond, compounded semi-annually on each Interest Payment Date, and, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Appreciated Value as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Interest Payment Date calculated based upon an assumption that Appreciated Value accrues during any period in equal daily amounts on the basis of a year of 360 days consisting of twelve (12) months of thirty (30) days each, and (ii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

“Arbitrage and Use of Proceeds Certificate” means, with respect to any Series of Bonds, the interest on which is intended by the Authority to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer in connection with the initial issuance and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Authority 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.

“Authority” means the New York State Thruway Authority, a public corporation organized and existing under the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the rights, obligations, powers, duties and functions of the Authority contemplated by the terms of the Resolution.

“Authority Board” means the board of the Authority duly appointed and acting pursuant to the Act.

“Authority Expenses” means all proper items of cost or expenditure incurred or anticipated to be incurred by the Authority in connection with the financing of any Trust Fund Project pursuant to the Resolution, or direct and indirect administrative costs and expenses and allocable portions of direct and indirect costs of the Authority incurred in connection with financing such Trust Fund Projects, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified therein as may be necessary or incident to the financing of such Trust Fund Projects, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Authority relating to the financing of Trust Fund Projects set forth in Section 385 of the Act; provided, however, that Authority Expenses shall not include any termination or other payments to be made in connection with Qualified Fixed Payor Swaps, Qualified Fixed Receiver Swaps or other similar arrangements or, except to the extent expressly provided in the Resolution, Credit Facilities.

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

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

“Bond” or “Bonds” or “Second General Trust Fund Bonds” means any bond, note, bonds or notes payable from amounts in the Debt Service Fund; provided, however, that such terms shall not include any Bond Anticipation Notes, or Subordinated Indebtedness or indebtedness of the Authority payable from the General Reserve Fund.

“Bond Anticipation Notes” means notes issued pursuant to Section 206 of the Resolution.

“Bondholder,” “Holder” or “Holder of Bonds” or any similar term, means any person who shall be the registered owner of any Outstanding Bond or Bonds.

“Bond Proceeds Fund” means the Fund designated as the Bond Proceeds Fund established in Section 502 of the Resolution.

“Business Day” means a day of the year which is not a Saturday, Sunday or legal holiday in the State and not a day on which the New York Stock Exchange is closed or offices of the Authority, the State, the Trustee, a Paying Agent or a provider of a Credit Facility are authorized or obligated to close.

“Capital Appreciation and Current Interest Bonds” means any Bonds as to which accruing interest is not paid prior to the Interest Commencement Date specified in the Supplemental Resolution or related Certificate of Determination providing for the issuance of such Bonds and the Appreciated Value for such Bonds is compounded semi-annually on each of the applicable semi-annual dates designated for compounding prior to the Interest Commencement Date for such Bonds, all as so designated by the Supplemental Resolution or related Certificate of Determination providing for the issuance of such Bonds.

“Capital Appreciation Bonds” means Bonds of a Series the interest on which (1) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Resolution or the Certificate of Determination authorizing the issuance of such Bonds and (2) is payable upon the maturity or redemption of such Bonds.

“Capital Funds” when used with respect to any Fiduciary means that 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.

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

“Chairperson” or “Chairman” means the Chairman or Chairperson of the Board of Directors of the Authority in accordance with the Act, or any successor thereto and, to the extent permitted by law in connection with the exercise of any specific duty, the Authorized Officer or Officers delegated in writing by the Chairman or Chairperson to exercise such duty in his or her absence or unavailability.

“Chapter 56” means Chapter 56 of the Laws of 1993 of the State, as amended.

“Code” means 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.

“Commissioner” means the Commissioner of Transportation of the State or his or her duly authorized representative.

“Comptroller” means 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.

“Cooperative Agreement Reimbursements” shall have the meaning set forth in the Trust Fund Cooperative Agreement.

“Cost” or “Costs” of Issuance means 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 may include, but are not limited to, Authority 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, 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, Reserve Credit Facilities, Qualified Fixed Payor Swaps, Qualified Fixed Receiver Swaps and other similar financial arrangements, costs and expenses of refunding such Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

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

“Credit Facility” means any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument which is obtained by the Authority or the State and is issued by a financial, insurance or other institution and which provides security or liquidity in respect of the Bonds of any Series (and with respect to a policy of bond insurance guarantees the payment of principal of and interest on the Bonds).

“Current Interest Bonds” means Bonds of a Series the interest on which is payable on the Interest Payment Dates provided therefor in a Supplemental Resolution.

“Debt Service” for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on the Bonds of such Series, including, to the extent not otherwise provided in a Supplemental Resolution, all additional interest amounts due and payable by the Authority and all additional interest amounts to accrue to the end of such period pursuant to Parity Debt, and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment payment date for such Series (or, if there shall be no such preceding Principal Installment payment date, from a date one year prior to the due date of the first Principal Installment of the Bonds of such Series); provided, however, that in calculating Aggregate Debt Service for purposes of Sections 203 and 204 of the Resolution, Debt Service on Outstanding Bonds for which the Authority has entered into a Qualified Fixed Payor Swap shall be calculated assuming that the interest rate on such Bonds shall equal the stated fixed rate on the Qualified Fixed Payor Swap. Such interest and Principal Installments shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof, provided, however, that there shall be excluded from “Debt Service” (1) interest on Bonds to the extent that Escrowed Interest is available to pay such interest, (2) Principal Installments on Bonds to the extent that Escrowed Principal is available to pay such Principal Installments, and (3) interest funded from Bond proceeds to the extent that such amounts are held by the Trustee in the Debt Service Fund for such purpose.

“Debt Service Fund” means the Fund designated as the Debt Service Fund pursuant to Section 502 of the Resolution.

“Defeased Municipal Obligations” means pre-refunded municipal obligations rated “AAA” by S&P, “Aaa” by Moody’s and “AAA” by Fitch (but only to the extent that any such rating agency is then rating the bonds), and meeting the following requirements:

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

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

“Department of Transportation” means the agency of the State known as the New York State Department of Transportation, or any successor thereto.

“Depository” means any bank or trust company or national banking association selected by the Authority, the Trustee (with the consent of the Authority), or the Paying Agent (with the consent of the Authority) as a depository of monies and securities held under the provisions of the Resolution and may include the Trustee or the Paying Agent.

“Director of the Budget” means 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 other official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

“Escrowed Interest” means amounts irrevocably deposited in escrow or earnings on such amounts which are required to be applied to pay interest on particular Bonds.

“Escrowed Principal” means amounts irrevocably deposited in escrow or earnings on such amounts which are required to be applied to pay Principal Installment on particular Bonds.

“Estimated Average Interest Rate” means, as to any Variable Interest Rate Bonds or Qualified Fixed Receiver Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Fixed Receiver 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 Authority in consultation with the Director of the Budget.

“Event of Default” means any Event of Default set forth pursuant to Section 1101 of the Resolution.

“Fiduciary” means the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

“First General Bond Resolution” means the General Highway and Bridge Trust Fund Bond Resolution adopted by the Authority on May 19, 1994, as amended and supplemented.

“First General Trust Fund Bonds” means any bonds, notes or other obligations, including any parity debt, issued and outstanding under the First General Bond Resolution.

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

“Floater/Inverse Floater Bonds” means Bonds which bear interest at a variable interest rate (or a multiple of a variable rate of interest) and with respect to which each of the following conditions is met: (i) such Bonds are issued concurrently in two halves of equal principal amounts of floating interest rate Bonds and inverse floating interest rate Bonds, with each half bearing a variable rate of interest (or a multiple of a variable rate of interest), (ii) such Bonds and such other Bonds, unless linked to bear a fixed rate of interest, are required to remain Outstanding in equal principal amounts at all times, and (iii) the net effect of such equal principal amounts and variable interest rates (or multiples of variable interest rates) is at all times a fixed interest rate to the Authority.

“Fund” means any one of the funds created and established pursuant to the Resolution.

“General Reserve Fund” means the fund designated as the General Reserve Fund pursuant to Section 502 of the Resolution.

“Government Obligations” means (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency described in clause (a) (ii) in the definition of Investment Obligations herein and approved by the Authority; (c) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clauses (a) or (b) 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; (d) Defeased Municipal Obligations; and (e) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations described in this definition.

“Installment Payment” refers to any obligation of the State or the State Comptroller, incurred pursuant to a State Agreement and denominated therein as an “Installment Payment,” to pay to the Authority or the Trustee all or any portion of an amount set aside pursuant to subdivision 3(e) of Section 89-b in advance of the date on which such State Agreements require a payment pursuant to subdivision 3(d) of Section 89-b.

“Interest Commencement Date” means, with respect to any particular Capital Appreciation and Current Interest Bond, the date, which must be an Interest Payment Date, as set forth in the Supplemental Resolution or related Certificate of Determination providing for the issuance of such Bond (which date must be prior to the scheduled maturity date for such Bond) after which interest accruing on such Bond shall be payable semi-annually, with the first such payment being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

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

“Investment Obligations” means, to the extent the same are at the time legal for investment of funds of the Authority under the Act or under other applicable law:

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

(b) certificates of deposit issued by, and time deposits in, 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 Moody’s, S&P and Fitch (but only to the extent that any such rating agency is then rating the Bonds), 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 S&P, Moody’s and Fitch (but only to the extent that any such rating agency is then rating the Bonds),

(e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by S&P, Moody’s and Fitch (but only to the extent that any such rating agency is then rating the Bonds),

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

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

(h) any repurchase agreement for Government Obligations by the Authority or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protective 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 Authority shall implement pursuant to a Supplemental Resolution; provided, however, that the Government Obligations must be transferred to the Authority or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. 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 S&P, Moody’s and Fitch (but only to the extent that any such rating agency is then rating the Bonds), and

(j) any other obligations from time to time permitted pursuant to the Act or other applicable law, provided, however, that if the funds invested in any such obligation are pledged for the payment of Bonds hereunder and the Bonds are then rated by Moody’s, S&P or Fitch, such obligation shall be rated in one of the two highest Rating Categories of each such rating agency or, if such obligation is not then rated by any such rating agency, an obligation of comparable credit quality of the same issuer is rated in one of the two highest Rating Categories of such rating agency.

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

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

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

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

(ii) Any Bond (or portion of a Bond) deemed to have been paid in accordance with Section 1104 of the Resolution unless a Supplemental Resolution or a Certificate of Determination 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; or

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

provided, however, that, unless required pursuant to a Supplemental Resolution, a Parity Reimbursement Obligation shall not, by itself, increase the Outstanding principal amount of Bonds.

“Parity Debt” means any Parity Reimbursement Obligation or any Parity Swap Obligation.

“Parity Reimbursement Obligation” has the meaning provided in the Resolution, as summarized in this Appendix A under the subheading “Parity Debt.”

“Parity Swap Obligation” has the meaning provided in the Resolution, as summarized in this Appendix A under the subheading “Parity Debt.”

“Paying Agent” or “Paying Agents” means any paying agent for the Bonds of any Series appointed pursuant to Section 802 of the Resolution, and its successor or successors and any other corporation which may at

any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Authority shall act as such Paying Agent.

“Payment Agreement” means any payment agreement authorized by Section 385 of the Act and entered into in connection with Bonds.

“Pledged Property” means, subject to the rights of holders of First General Trust Fund Bonds, all of the Authority’s right, title and interest in and to the State Agreements (other than (i) the Authority’s right to receive the payment of Authority Expenses, (ii) the right of the Authority to enforce the obligation of the State or the Comptroller to make Installment Payments, (iii) the right of the Authority to agree to the amendment of a State Agreement in accordance with Section 610 of the Resolution, and (iv) the right of the Authority to enforce the provisions of any State Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Installment Payments) under the State Agreements for the benefit of Bondholders or Fiduciaries), the Revenues and Funds (other than (a) the Administrative Fund, and (b) the Rebate Fund), including Investment Securities held in any such Fund thereunder, together with all proceeds and revenues of the foregoing and all other monies, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Resolution; provided, however, that in no event shall any Trust Fund Project or any interest therein be deemed to be “Pledged Property.”

“Principal” or “principal” means (1) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), provided, however, when used in connection with (a) the authorization and issuance of Bonds and (b) the order of priority of payments of Bonds after a default under Article XI of the Resolution, “Principal” or “principal” means the Original Principal Amount of a Capital Appreciation Bond (the difference between the Accreted Amount and the Original Principal Amount being deemed interest), and provided further, however, that when used in connection with determining whether the Bondholders of the requisite principal amount of Outstanding Bonds have given any required consent, notice, waiver, request, demand, authorization, direction or notice, “Principal” or “principal” means the Accreted Amount, (2) with respect to any Capital Appreciation and Current Interest Bond, the Appreciated Value thereof, (3) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity, and (4) with respect to any Parity Reimbursement Obligation, the amount due thereunder attributable to any principal on Bonds paid from a related Credit Facility.

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

“Qualified Fixed Payor Swap” means, to the extent from time to time permitted pursuant to law, with respect to Bonds, any financial arrangement (i) that is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which provides that the Authority shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal either to the principal amount of such Bonds of such Series or a notional principal amount relating to all or a portion of the principal amount of such Series, and that such entity shall pay to the Authority an amount based on the interest accruing on such actual or notional principal amount at a variable rate of interest computed according to a formula set forth in such arrangement or that one shall pay to the other any net amount due under such arrangement or such other similar arrangement, the net effect of (a) such arrangement and (b) the interest rate borne by such Bonds, taken together is at all times a fixed interest rate to the Authority; (iii) which provides for a commencement date and a termination date identical to the term or remaining term of such Bonds, taking into account any conversion of Bonds from a variable interest rate to a fixed interest rate as a termination date; and (iv) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Fixed Payor Swap with respect to such Bonds.

“Qualified Fixed Receiver Swap” means, to the extent from time to time permitted by law, with respect to the Bonds, any financial arrangement (i) that is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) that is entered into by the Authority in connection with Bonds bearing interest at a fixed rate of interest in the expectation of lowering the Authority’s costs of incurring such indebtedness, (iii) that is entered into by the Authority for a term of more than five years, (iv) the net effect of which, together with the interest rate borne by such Bonds, is a variable rate of interest to the Authority during the term of such arrangement, and (v) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Fixed Receiver Swap with respect to such Bonds.

“Qualified Swap Provider” means, with respect to a Series of Bonds, an entity whose senior long term obligations, other senior, unsecured long term obligations 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 or claims paying ability are rated either (i) at least as high as “A3” by Moody’s, “A” by S&P, and “A” by Fitch, or the equivalent thereof by any successor thereto if such rating agency then maintains a rating on the Bonds, but in no event lower than any Rating Category designated by each such rating agency for the Bonds Outstanding subject to such Qualified Fixed Payor Swap, or (ii) any such lower Rating Categories which each such rating agency then maintaining a rating on the Bonds Outstanding indicates in writing to the Authority and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Bonds Outstanding subject to such Qualified Fixed Payor Swap or Qualified Fixed Receiver Swap that is in effect prior to entering into such Qualified Fixed Payor Swap or Qualified Fixed Receiver Swap, as appropriate.

“Rating Categories” means one of the generic rating categories of Moody’s, S&P or Fitch without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

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

“Rebate Fund” means the Fund designated as the Rebate Fund established in Section 502 of the Resolution.

“Record Date” means with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds or a Certificate of Determination relating thereto 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” means the date upon which Bonds are to be called for redemption pursuant to the Resolution.

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

“Refunding Bonds” means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered pursuant to Section 204 of the Resolution on original issuance, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

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

“Reimbursement Obligation” has the meaning provided in of Section 205 of the Resolution.

“Requisition” means any instructions delivered by the Director of the Budget to the Authority, in accordance with Section 385.1(b) of the Act and a Trust Fund Cooperative Agreement, providing for the payment of Bond proceeds to the State.

“Resolution” means the Second General Highway and Bridge Trust Fund Bond Resolution as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions thereof.

“Revenue Fund” means the Fund designated as the Revenue Fund established in Section 502 of the Resolution.

“Revenues” means (i) all amounts appropriated and paid to the Authority from the Trust Fund pursuant to the Act, Section 89-b and Section 10-e, (ii) any other amounts appropriated and paid by the State to the Authority or received from any other source by the Authority and pledged by the Authority as security for the payment of Bonds, and (iii) interest received or to be received on any monies or securities held pursuant to the Resolution and paid or required to be paid into the Revenue Fund.

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

“Section 89-b” means section 89-b of the State Finance Law, as it may be hereafter amended from time to time.

“Section 10-e” means section 10-e of the Highway Law of the State, as it may be hereafter amended from time to time.

“Serial Bonds” means the Bonds so designated in a Supplemental Resolution or a Certificate of Determination.

“Series” means all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds pursuant to Section 203 of the Resolution regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

“Sinking Fund Installment” means, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of monies required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Authority on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of such Bond.

“State” means the State of New York.

“State Agreements” means, with respect to a Series of Bonds, the applicable Trust Fund Cooperative Agreement and Payment Agreement.

“State Fiscal Year” means the fiscal year of the State as set forth in the State Finance Law.

“State Legislature” means the Legislature of the State of New York.

“State Revenue Bonds” means 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” means any evidence of indebtedness of the Authority payable out of amounts available in the Subordinated Indebtedness Fund established under the Resolution.

“Supplemental Resolution” means any resolution supplemental to or amendatory of the Resolution, adopted by the Authority and becoming effective in accordance with the Resolution.

“Tax Law” means the tax law of the State.

“Term Bonds” means with respect to Bonds of a Series, the Bonds so designated in an applicable Supplemental Resolution or the applicable Certificate of Determination and payable as principal or from Sinking Fund Installments.

“Thruway System” means the Thruway System as defined in the Act.

“Trust Fund” means the Dedicated Highway and Bridge Trust Fund established by Section 89-b of the State Finance Law, as it may be hereafter amended from time to time.

“Trust Fund Bonds” means the First General Trust Fund Bonds and the Second General Trust Fund Bonds.

“Trust Fund Cooperative Agreement” means any dedicated highway and bridge trust fund cooperative agreement authorized by Section 385 of the Act and entered into with respect to Bonds, as it may be amended or supplemented from time to time.

“Trust Fund Project” means any project or activity financed in whole or in part by the Authority pursuant to Section 385 of the Act and Section 89-b.

“Trust Fund Project Costs” means authorized expenditures relating to a Trust Fund Project.

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

“Variable Interest Rate Bonds” means 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; provided, however, that Bonds bearing a variable rate of interest shall not be deemed Variable Interest Rate Bonds if (a) the Authority has entered into a Qualified Fixed Payor Swap with respect to such Bonds (but only for so long as such Qualified Fixed Payor Swap meets all requirements of a “Qualified Fixed Payor Swap” as defined in the Resolution) or (b) such Bonds constitute Floater/Inverse Floater Bonds; provided further that (1) Bonds bearing a fixed rate of interest shall be deemed Variable Interest Rate Bonds to the extent that the Authority has entered into a Qualified Fixed Receiver Swap and (2) the derivative rate of such arrangement shall be deemed to be the variable interest rate of such Bonds.

“Vehicle and Traffic Law” means the vehicle and traffic law of the State.

Resolution to Constitute Contract (Section 104)

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

Authorization of Bonds (Section 201)

The Bonds shall be special obligations of the Authority secured by the pledge effected pursuant to Section 501 of 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 89-b without recourse against any other assets, revenues or funds of or other payments due to the Authority. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

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

General Provisions for Issuance of Bonds (Section 202)

The Bonds of each Series shall be executed by the Authority, authenticated by the Trustee and delivered to or upon the order of the Authority upon receipt by the Trustee, among other things, of a Counsel's Opinion to the effect that (i) the Authority has the right and power under the Act to adopt this Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority 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 Section 501, 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, binding, special obligations of the Authority payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Act and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution; provided, however, that such Counsel's Opinion may be qualified to the extent that the enforceability thereof may be limited by bankruptcy, insolvency and similar laws affecting rights and remedies of creditors.

Special Provisions for Additional Bonds and Bond Anticipation Notes (Section 203)

One or more Series of Bonds, Additional Bonds, or Bond Anticipation Notes issued pursuant to the Resolution in anticipation of such Additional Bonds, may be authorized and delivered upon original issuance upon receipt by the Trustee of either the items described in this Appendix under the subheading "Refunding Bonds" in the case of Refunding Bonds, or the following:

(1) A certificate by the Director of the Budget setting forth the most recent collections for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate, of the taxes, fees, fines or penalties which, as of the date of issuance of any such Series of Bonds or Bond Anticipation Notes, are levied, collected or imposed by or on behalf of the State and are required to be deposited into the Special Obligation Reserve and Payment Account of the Trust Fund; provided, however, that if any taxes, fees, fines or penalties that are required to be deposited into such account were not so required for all of such 12 calendar months, such certificate may nevertheless include the full amount of all such taxes, fees, fines or penalties actually collected for such 12 calendar months;

(2) A certificate by an Authorized Officer setting forth (a) the sum of (i) the amount required to be calculated pursuant to Section 203-2(a) of the First General Bond Resolution ("First Resolution Aggregate Debt Service") for each State Fiscal Year and (ii) the Aggregate Debt Service (including the aggregate amount of the principal on Serial Bonds, the Sinking Fund Installments, maturities of Term Bonds not required to be paid from Sinking Fund Installments and interest (excluding any accrued interest or capitalized interest but including interest on Variable Interest Rate Bonds calculated at the Estimated Average Interest Rate)) on all Outstanding Bonds and Additional Bonds to be issued to refinance Bond Anticipation Notes then outstanding, including such Series, and any additional amounts payable with respect to Parity Debt for each State Fiscal Year and (b) the aggregate amount of Authority Expenses as estimated by an Authorized Officer for the current State Fiscal Year under the Resolution and the First General Bond Resolution; provided that such Authorized Officer, in connection with any Bond Anticipation Notes, shall have estimated the amortization schedule and interest rates of the Bonds in anticipation of which such notes were issued in consultation with the purchasers of such notes; and

(3) A certificate by an Authorized Officer stating that the amounts set forth pursuant to paragraph (1) above after deducting the Authority Expenses set forth pursuant to paragraph (2)(b) above, will be at least 2.0 times such aggregate amount set forth in paragraph 2(a) above for each State Fiscal Year set forth pursuant to paragraph (2)(a) above.

Provided further that prior to the issuance of any Subordinated Indebtedness or Additional Bonds with provisions described in the next succeeding paragraph in this Section, or other evidence of indebtedness not otherwise defined in the Resolution issued by the Authority or other financial instruments not otherwise defined in the Resolution entered into by the Authority, any of which is payable from revenues derived from the Trust Fund or

from the proceeds of Bonds, the Trustee shall receive (in conjunction with the certificate hereinbefore referred to when such certificate is required) a certificate of an Authorized Officer (i) identifying such obligations as one or more of the obligations or instruments just described, (ii) setting forth the terms and provisions thereof, including, without limitation, the date or dates and amounts of payment of principal of and interest on the Subordinated Indebtedness, Additional Bonds, Parity Debt or other such evidences of indebtedness or other financial instruments, or the date or dates of any such mandatory purchase or redemption provisions, and of any payments relating to such obligations and (iii) stating that such date or dates and amounts of payments have been scheduled so that they do not materially adversely affect the ability of the Authority to pay Aggregate Debt Service and First Resolution Aggregate Debt Service when due.

Provided further that in the event that any series of Additional Bonds includes provisions relating to a mandatory purchase or redemption other than as a result of scheduled Sinking Fund Installments that there is filed a certificate of an Authorized Officer setting forth the terms and provisions of such mandatory purchase or redemption and the conditions under which such redemption could occur and either (i) that the amount set forth above under clause 2(a) above has been calculated on the assumption that such mandatory purchase or redemption will occur or (ii) provisions have been included in the Supplemental Resolution to the effect that only the scheduled payments of principal on the Bonds to be issued and the Sinking Fund Installments with respect thereto and interest on the Series will be on a parity with Outstanding Bonds and that all other redemption of principal as a result of such mandatory purchase or redemption provisions are payable solely from the Subordinated Indebtedness Fund or the General Reserve Fund.

Provided further that in the event that any series of Additional Bonds includes Bonds constituting Variable Interest Rate Bonds that, in accordance with the related Supplemental Resolution, are not required to be secured by a Credit Facility, then the Authority shall provide written notice thereof to Moody's, S&P and Fitch (but only to the extent that any such rating agency is then rating any Bonds) at least seven Business Days prior to issuing any such Variable Interest Rate Bonds. The Authority shall not issue such Variable Interest Rate Bonds unsecured by a Credit Facility if, within such seven-Business-Day-period, any such rating agency notifies the Authority in writing that, solely as a result of the issuance by the Authority of such Variable Interest Rate Bonds unsecured by a Credit Facility, the rating actually assigned by such rating agency to any Outstanding Bonds would be adversely affected (without consideration of whether the credit outlook or other expectations of such rating agency would be adversely affected).

Refunding Bonds (Section 204)

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds, a portion of a Series of Outstanding Bonds, a portion of a maturity of a Series of Outstanding Bonds or any Subordinated Indebtedness or indebtedness payable from the General Reserve Fund that was issued to finance or refinance Trust Fund Project Costs. Nothing in this Section 204 shall be deemed to prohibit the issuance of Bonds under Section 203 or this Section 204 for the purpose of refunding First General Trust Fund Bonds, and in the case of a refunding under this Section 204, the provisions of Section 204(A)(4) hereof and, if applicable, Section 204(A)(1-3) of the First General Bond Resolution shall apply to such issuance. The Authority Board by resolution of its members may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other monies available therefor, to accomplish such refunding and to make such deposits required by the Resolution and by the Supplemental Resolution authorizing such Series of Refunding Bonds.

Refunding Bonds issued to refund Outstanding Bonds may be authorized and delivered only upon receipt by the Trustee of either the items described in this Appendix under the subheading "Special Provisions for Additional Bonds and Bond Anticipation Notes" or the following:

- (1) If the Bonds to be refunded are to be redeemed, irrevocable instructions to redeem the Bonds;
- (2) Evidence of due publication of the defeasance notice required by Section 1104 of the Resolution;

(3) Monies or Government Obligations sufficient to effect payment of the Bonds to be refunded at the applicable maturity date or Redemption Date; and

(4) Either

(i) a certificate of an Authorized Officer demonstrating that Aggregate Debt Service will not be greater for any State Fiscal Year as a result of such refunding (or in the case where Refunding Bonds are proposed to be issued to refund First General Trust Fund Bonds) a similar certificate of an Authorized Officer demonstrating that combined Aggregate Debt Service under the Resolution and the First General Bond Resolution will not be greater for each such State Fiscal Year; or

(ii) a certificate of an Authorized Officer to the effect that the Refunding Bonds are being issued in order to avoid an imminent payment default with respect to the Bonds, or in the case of Refunding Bonds issued to refund First General Trust Fund Bonds are being issued to avoid an imminent payment default with respect to the First General Trust Fund Bonds.

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

Parity Debt (Section 205)

The Authority 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 Authority deems appropriate.

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

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

The Authority 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 Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation shall be created, for purposes of the Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation (a "Parity Reimbursement Obligation"), which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Resolution, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. 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, which payments shall be Subordinated Indebtedness or payable from the General Reserve Fund. 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.

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 Authority also may enter into Qualified Fixed Payor Swaps, Qualified Fixed Receiver

Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Authority determines that such Qualified Fixed Payor Swaps, Qualified Fixed Receiver Swaps or other similar arrangements will assist the Authority in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or Certificate of Determination, the Authority's obligation to pay any amount of interest (but not any termination or other fees) under any Qualified Fixed Payor Swap or Qualified Fixed Receiver Swap (a "Parity Swap Obligation") may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Resolution, but only to the extent that the timing of the payment of such interest coincides with the payment of interest on the Bonds to which such Parity Swap Obligation relates. Parity Swap Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Fixed Payor Swap or Qualified Fixed Receiver Swap, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Parity Swap Obligation relates, which payments shall be Subordinated Indebtedness or payable from the General Reserve Fund.

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

Bond Anticipation Notes (Section 206)

Whenever the Authority shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Authority, with the approval of the Director of the Budget and subject to certain other provisions of the Resolution, may by 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.

Redemption of Bonds (Sections 402 and 407)

The State may, upon furnishing sufficient funds therefor, require the Authority to redeem the Bonds as provided in the Act. In the case of any redemption of Bonds of a Series at the election of the Authority, such Bonds may be redeemed at the option of the Authority as provided in the Supplemental Resolution authorizing such Bonds or the Certificate of Determination.

The Pledge Effected by the Resolution (Section 501)

There are pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Debt, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the subordination provisions hereinafter described) for the purposes and on the terms and conditions set forth in the Resolution, 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 Debt issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided by the Resolution, of any one Bond or Parity Debt over any other Bond or Parity Debt, 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 Debt shall be superior in all respects to any pledge or lien now or hereafter created for Subordinated Indebtedness. The pledge created by the Resolution, insofar as it relates to revenues, monies and securities and funds pledged under the First General Bond Resolution is expressly declared to be subordinate in all respects to the pledge of such revenues, monies and securities and funds created by the First General Bond Resolution. *Any cash payments received by the Authority from the United States Treasury with respect to any Trust Fund Bonds issued as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009 may be assigned to the State and deposited in the Trust Fund and constitute and be treated as revenues subject to the pledge set forth in the Resolution.*

The revenues, facilities, properties and any and all other assets of the Authority, or of any subsidiary thereof, of any name and nature which are related to or are a part of the Authority's ownership, jurisdiction over and operation of the Thruway System 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 Authority.

The State has no obligation to continue the imposition of the taxes and fees deposited in the Trust Fund pursuant to Section 89-b, nor to maintain such taxes and fees at any minimum level, and monies in the Trust Fund are not pledged to the payment of the Bonds or Parity Debt prior to appropriation and transfer to the Authority or the Trustee.

Establishment of Funds (Section 502)

The Resolution establishes the following funds, to be held as set forth below:

- (1) Revenue Fund, to be held by the Authority;
- (2) Administrative Fund, to be held by the Authority;
- (3) Debt Service Fund, to be held by the Trustee;
- (4) Subordinated Indebtedness Fund, to be held by the Trustee;
- (5) General Reserve Fund, to be held by the Authority;
- (6) Rebate Fund, to be held by the Authority; and
- (7) Bond Proceeds Fund, to be held by the Authority.

Revenue Fund (Sections 503 and 504)

The Authority shall pay into the Revenue Fund all Revenues as received. Payments made pursuant to State Agreements, together with any other Pledged Property deposited in the Revenue Fund, shall be applied to the Funds and accounts established under the Resolution on or before the times and in the amounts specified in the certificates delivered pursuant to the Resolution; 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 Administrative Fund, second, to the Debt Service Fund, third, to the Subordinated Indebtedness Fund, fourth, to the General Reserve Fund and, fifth, to the Rebate Fund; provided further that (i) no monies shall be deposited into the Subordinated Indebtedness Fund or the General Reserve Fund unless the Director of the Budget, in his or her sole and exclusive judgment, which judgment must be reasonable, makes a determination in writing to the Authority that upon such deposit, amounts to be derived from Revenues are expected to be sufficient to meet all requirements through the next succeeding April 1 of the Debt Service Fund, and (ii) if and to the extent the Director of the Budget does not make such determination, such monies shall be deposited into the Debt Service Fund.

Administrative Fund (Section 505)

Amounts in the Administrative Fund shall be paid out from time to time by the Authority for reasonable and necessary Authority Expenses, free and clear of the lien and pledge created by the Resolution.

Whenever the Administrative Fund exceeds the amount reasonable and necessary for Authority Expenses including reserves and working capital, the Authority shall apply the excess to the purposes and in the Funds established in 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.

Debt Service Fund (Section 506)

In addition to the monies allocated from the Revenue Fund, 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 Certificate of Determination for such Series.

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

- (A) The interest due on all Outstanding Bonds on such Interest Payment Date;
- (B) The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;
- (C) The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;
- (D) The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with Section 511 of the Resolution; and
- (E) Amounts due with respect to Parity Debt.

The amounts paid out pursuant to this Section remain irrevocably pledged, and shall be applied, to such payments.

In the event that on any such Interest Payment Date, Redemption Date or payment date with respect to Parity Debt, the amount in the Debt Service Fund shall be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds, for the payment of the principal or Redemption Price of Outstanding Bonds, for the payment of Sinking Fund Installments of the Outstanding Bonds of any Series due and payable on such date or for the payment of Parity Debt, the Authority, in the following order of priority, shall withdraw from the General Reserve Fund, the Subordinated Indebtedness Fund, and deposit to the Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make payment of interest on, and principal or Redemption Price and Sinking Fund Installments of the Outstanding Bonds of such Series; provided, however, that with respect to any Variable Interest Rate Bonds, payments relating to any such Bonds shall be made pro rata with all other Bonds from amounts available from the General Reserve Fund.

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

Subordinated Indebtedness Fund (Section 508)

The Trustee shall pay out of the Subordinated Indebtedness Fund all amounts required pursuant to a Supplemental Resolution or Certificate of Determination for payments in connection with Subordinated Indebtedness.

Subordinated Indebtedness may be issued, subject to the approval of the Director of the Budget, to finance any lawful corporate purpose of the Authority authorized under Section 385 of the Act. Subordinated Indebtedness may be secured by a pledge of such amounts in the Subordinated Indebtedness Fund as may from time to time be available for the payment thereof and of Revenues; provided, however, that any pledge of Revenues shall be, and shall be expressed to be, subordinate in all respects to the pledge described above under the heading "The Pledge Effected by the Resolution."

The Authority shall have the right to covenant with the holders from time to time of Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued; 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 obligations to declare the same or instruct such holders' trustee to declare the same to be immediately due and give rise to such a declaration unless all Outstanding Bonds shall have been declared immediately due and payable in accordance with the Resolution.

General Reserve Fund (Section 509)

Amounts in the General Reserve Fund are to be transferred, in the following order, to the Debt Service Fund, and the Subordinated Indebtedness Fund to make up deficiencies therein or, subject to the approval of the Director of the Budget, to set aside reserves for such Funds.

Indebtedness payable from amounts in the General Reserve Fund may be issued, subject to the approval of the Director of the Budget, to finance any lawful corporate purpose of the Authority authorized under Section 385 of the Act. Such indebtedness may be secured by a pledge of such amounts in the General Reserve Fund as may from time to time be available for the payment thereof and of Revenues; provided, however, that any pledge of Revenues shall be, and shall be expressed to be, subordinate in all respects to the pledge described above under the heading "The Pledge Effected by the Resolution" and any pledge with respect to Subordinated Indebtedness.

The Authority shall have the right to covenant with the holders from time to time of indebtedness payable from the General Reserve Fund to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued; provided, however, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such indebtedness shall not permit the holders of such obligations to declare the same or instruct such holders' trustee to declare the same to be immediately due and give rise to such a declaration unless all Outstanding Bonds and Subordinated Indebtedness shall have been declared immediately due and payable in accordance with the Resolution.

Amounts in the General Reserve Fund not immediately required for the purposes referred to in the preceding paragraph shall be paid to the State, free and clear of the lien and pledge created by the Resolution.

Rebate Fund (Section 510)

Monies on deposit in the Rebate Fund shall be applied by the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America in accordance with the provisions of the Arbitrage and Use of Proceeds Certificate, if any, delivered in connection with each Series of Bonds. Monies which the Authority determines to be in excess of the amount required to be so rebated shall be deposited to the Revenue Fund.

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Authority shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and transfer from the General Reserve Fund and the Bond Proceeds Fund, 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.

Bond Proceeds Fund (Section 511)

The Authority shall deposit into the Bond Proceeds Fund the proceeds of sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Debt Service Fund, and the Administrative Fund to enable the Authority to comply with the conditions precedent to the issuance of any Bonds, or unless all or any portion of such amounts are to be otherwise applied as specified in a Supplemental Resolution or a Certificate of Determination.

Except as may be otherwise determined by the purposes for which a Series is issued as set forth in the Supplemental Resolution or Certificate of Determination authorizing such Series, amounts in the Bond Proceeds Fund shall be applied by the Authority from time to time (i) to pay Cooperative Agreement Reimbursements to the State pursuant to Requisitions or to fund outstanding Bond Anticipation Notes issued by the Authority from time to time for the purpose of making such repayment or repayments to the State, and (ii) to refund Bonds or First General Trust Fund Bonds. Pending any repayment referred to in subdivision (i) of the preceding sentence, monies in the Bond Proceeds Fund allocated to such repayment may be invested in Investment Obligations maturing at such time or times as monies are expected to be needed to make such repayments.

Whenever the Authority 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 monies are not available therefor, amounts in the Bond Proceeds

Fund shall 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, shall be retained in the Bond Proceeds Fund or transferred to the Debt Service Fund, or the Rebate Fund.

Application of Monies in the Debt Service Fund for Redemption of Bonds and Satisfaction of Sinking Fund Installments (Section 512)

1. Monies delivered to the Authority, which by the provisions of the Resolution are to be applied for redemption of Bonds, shall upon receipt by the Authority be deposited to the credit of the Debt Service Fund for such purpose to the extent not otherwise provided pursuant to a Supplemental Resolution.

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

3. In satisfaction, in whole or in part, of any Sinking Fund Installment, the Authority 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, 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.

4. Notwithstanding the provisions of paragraph 2 above, if the amount in the Debt Service Fund at any time (other than monies 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 paragraph 2 under the heading "Defeasance" below as is required thereby to deem certain of such Bonds to have been paid within the meaning of such provision, the Authority may request the Trustee to take such action consistent with such defeasance provision as is required to deem certain of such Bonds to have been paid within the meaning of such provision. The Trustee, upon receipt of such request and irrevocable instructions of the Authority to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

Payment of Bonds (Section 601)

The Authority 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.

Extension of Payment of Bonds (Section 602)

The Authority 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 Authority 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 Authority to issue Refunding Bonds as permitted thereby and by the Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

Further Assurance (Section 604)

At any time and all times the Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned, or intended so to be, or which the Authority may hereafter become bound to pledge or assign.

Power to Issue Bonds and Pledge Revenues and Other Funds (Section 605)

The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the 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 under “The Pledge Effected by the Resolution,” 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 Authority to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Authority in accordance with their terms and the terms of the Resolution. The Authority 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.

Creation of Liens (Section 606)

Except in accordance with the provisions set forth under “The Pledge Effected by the Resolution” and “Reservation of State Rights of Assumption, Extinguishment and Substitution,” the Authority shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Debt 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 Authority 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 under “Defeasance,” (ii) Subordinated Indebtedness or (iii) indebtedness payable from amounts on deposit in the General Reserve Fund.

Certificate to the Director of the Budget and Comptroller (Section 607)

In order to assure the maintenance of the Funds and accounts held under the First General Bond Resolution and the Resolution. not less than one hundred and twenty days before the beginning of each State Fiscal Year, the Chairperson shall certify to the Director of the Budget and the Comptroller (with a copy to the Trustee) a schedule setting forth the projected cash requirements of the Authority for such State Fiscal Year pursuant to each Trust Fund Cooperative Agreement. The total amount so certified by such Chairperson for such State Fiscal Year shall be at least equal to:

- (i) all cash requirements required to be certified by the Authority pursuant to Section 607 of the First General Bond Resolution;
- (ii) all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;
- (iii) the amounts required to pay all interest on Outstanding Bonds (including interest on Variable Interest Rate Bonds calculated at the Estimated Average Interest Rate) and any additional amounts due with respect to related Parity Debt due in such State Fiscal Year;
- (iv) all principal of and interest on outstanding Subordinated Indebtedness or amounts otherwise payable from the General Reserve Fund and any other outstanding evidence of indebtedness issued by the Authority and payable from revenues derived from the taxes and fees deposited in the Trust Fund and due in such State Fiscal Year;

- (v) all Authority Expenses for such State Fiscal Year; and
- (vi) all other payment requirements referred to in Section 385 of the Act for such State Fiscal Year.

Such schedule of projected cash requirements shall specify the Funds into which such amounts are to be deposited.

The schedule accompanying the certificate of the Chairperson shall also provide for payments on such dates as the Authority and the Director of the Budget deem 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 Trust Fund in accordance with Section 89-b, to enable the Authority to meet its current obligations relating to the Trust Fund, the Bonds and Parity Debt as they become due; provided, however, that such schedule shall require the Comptroller to pay to the Authority all amounts required for principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bond or for payments with respect to Parity Debt on or before the fifteenth day of any month 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 Authority's obligations when due, such schedule shall require payment to the Authority of (i) all monies set aside pursuant to subdivision 3(e) of Section 89-b less (ii) the Authority's estimate of investment earnings available therefor on Funds and accounts established under the Resolution, at least once each calendar month prior to the making of any transfer pursuant to subdivision 3(c) of Section 89-b.

The Chairperson shall 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 Authority for the purposes and at the times prescribed by subdivisions 2, 3 and 4 of Section 385 of the Act. The Chairperson shall immediately 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 Debt.

In any event, whether or not there has been any intervening requirement to revise such certificate under the preceding paragraph, 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 Debt, Subordinated Indebtedness or other evidence of indebtedness, the Chairperson shall submit a new certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Authority as of such date for the purposes and at the times prescribed by the terms of the Resolution.

The agreement of the State under Section 385 of the Act and Section 89-b shall be deemed executory only to the extent of appropriations available for payments under Section 385 of the Act and Section 89-b and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

Agreement With the Director of the Budget (Section 608)

The Authority shall only issue Bonds or other obligations under the Resolution with the approval of the Director of the Budget.

Agreement With the State (Section 609)

The Resolution provides that, in accordance with the provisions of Section 373 of the Act, the Authority has included 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 or other obligations issued or incurred hereunder made by the State and set forth in such Section 373 that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes and other obligations issued or incurred hereunder, 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.

The Resolution provides that the State agrees to and does indemnify and save harmless the Authority 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 Authority arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to Section 385 of the Act, including the issuance and delivery of Bonds, Bond Anticipation Notes or other obligations under the Resolution.

Notwithstanding any other provision of the Resolution, nothing contained in Section 385 of the Act 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 any taxes or fees, including the taxes and fees imposed pursuant to section two hundred eighty-four, articles thirteen-A and twenty-one of the Tax Law and section four hundred one of the Vehicle and Traffic Law. The Authority and the holders of the Bonds, Bond Anticipation Notes 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 hereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such taxes and fees.

Amendment of State Agreements (Section 610)

The Authority shall not amend, change, modify, alter or terminate any Trust Fund Cooperative Agreement or Payment 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 issuer 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 issuers 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. Any Trust Fund Cooperative Agreement or Payment Agreement may be amended, supplemented, changed, modified or altered without the consent of the issuer 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 any Trust Fund Project or which may be added to such Trust Fund Project, or to provide for additional Trust Fund Cooperative Agreement Payments; and any Trust Fund Cooperative Agreement or any Payment 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 Trust Fund Cooperative Agreement or Payment Agreement, which may be defective or inconsistent with any other provisions contained therein or in such Trust Fund Cooperative Agreement or Payment Agreement or, to the extent permitted by law, to delete provisions relating to and requiring deeds, leases or use permits in connection with Trust Fund Projects contained in any Trust Fund Cooperative Agreement and which the Authority determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the issuer of a Credit Facility, as the case may be. In no event shall changes relating solely to Trust Fund Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or issuers of Credit Facilities.

For the purposes of this Section, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Trust Fund Cooperative Agreement or Payment Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the issuer of a Credit Facility, as the case may be. The Authority may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the issuer 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 issuer of a Credit Facility and all Holders of Bonds.

For all purposes of this Section, the Authority shall be required to obtain and be entitled to rely upon Counsel's Opinion (a copy of which shall be provided by the Authority to any issuer 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 issuer of a Credit Facility of a Series then Outstanding.

Enforcement of Duties and Obligations of the State (Section 611)

The Authority shall take all legally available action to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Trust Fund Cooperative Agreement and any Payment Agreement in the manner and at the times provided in such Trust Fund Cooperative Agreement or Payment Agreement, respectively; provided, however, that (i) the Authority is not obligated to enforce any duty or obligation of the State or the Comptroller to make Installment Payments, and (ii) the Authority may delay, defer or waive enforcement of one or more provisions of said Trust Fund Cooperative Agreement (other than provisions requiring the payment of monies to any Fund or account established hereunder) or Payment Agreement, if the Authority 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.

Reservation of State Rights of Assumption, Extinguishment and Substitution (Section 612)

1. It is expressly understood and agreed by the Authority and the holders or other obligees of Bonds, Bond Anticipation Notes, Parity Debt, Subordinated Indebtedness 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 10 of Section 385 of the 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 include the Revenues pledged under the Resolution, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Debt, Subordinated Indebtedness and other obligations of the Authority 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 Debt, Subordinated Indebtedness 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 Resolution.

2. 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:

(i) the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Debt, Subordinated Indebtedness 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 Debt, Subordinated Indebtedness or other obligations; and

(ii) any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that include, but are not necessarily limited to, all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Debt, Subordinated Indebtedness or other obligations issued or incurred under the Resolution as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of Section 89-b relating to security for or payment of the Bonds and Parity Debt 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 Trust 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 Section 89-b may be amended to delete the transfer from the general fund as set forth in paragraph (f) of subdivision 3 of Section 89-b and paragraph (a) of subdivision 5 of Section 92-r of the State Finance Law may be amended to delete the requirement that Trust Fund Cooperative Agreement payments be appropriated before any monies held pursuant to such Section 92-r are transferred to the general fund; and

(iii) any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on the issuance of additional indebtedness that are no less restrictive than those set forth in the Resolution, and shall contain

limitations on amendment powers no less restrictive than those set forth in the Resolution, and shall include events of default to the effect of those contained in the Resolution and shall grant the remedies contained under the Resolution, 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 Authority in Section 1101(i) of the Resolution, and shall include defeasance provisions no less restrictive than those set forth in the Resolution; and

(iv) [Reserved]; and

(v) the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Debt, Subordinated Indebtedness 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

(vi) any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Debt, Subordinated Indebtedness and other obligations secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Resolution; and

(vii) the Authority 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 Resolution and the Act and (b) will have no adverse effect on the federal or State tax status of interest on the Bonds; and

(viii) any State Revenue Bonds or other obligations resulting from any such assumption, extinguishment and substitution shall bear the same or higher rating or ratings as in effect immediately prior to such assumption, extinguishment and substitution by each of the nationally recognized securities rating agencies that were requested by the Authority to provide a rating on the Outstanding obligations at the time of original issuance thereof and that were then providing a rating on the Bonds, Bond Anticipation Notes, Subordinated Indebtedness and other obligations issued or incurred under the Resolution.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to the Resolution (or brief summary thereof or reference thereto) shall be mailed by the Authority to such Bondholders and providers of Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as in the Resolution provided).

3. 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:

(i) the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Debt, Subordinated Indebtedness 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 Debt, Subordinated Indebtedness or other obligations; and

(ii) with respect to all Bonds Outstanding that are not secured as to timely payment of principal, Sinking Fund Installments and interest by a Credit Facility obtained by the Authority or the State, written consent to such assumption, extinguishment and substitution shall be given as hereinafter provided by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and

(iii) with respect to all Bonds Outstanding that are secured as to timely payment of principal, Sinking Fund Installments and interest by a Credit Facility obtained by the Authority or the State, written

consent to such assumption, extinguishment and substitution shall be given by the provider of each such Credit Facility; and

(iv) the Authority 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 Resolution and the Act; and

(v) any State Revenue Bonds or other obligations resulting from any such assumption, extinguishment and substitution shall bear the same or higher rating or ratings as in effect immediately prior to such assumption, extinguishment and substitution by each of the nationally recognized securities rating agencies that were requested by the Authority to provide a rating on the Outstanding obligations at the time of original issuance thereof and that were then providing a rating on the Bonds, Bond Anticipation Notes, Subordinated Indebtedness and other obligations issued or incurred under the Resolution.

4. Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Authority, the covenants, agreements and other obligations of the Authority to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Authority 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 Authority all monies, 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.

Accounts and Reports (Section 613)

The Authority shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than five percent (5%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Authority may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Authority.

Tax Covenants (Section 614)

1. Subject to paragraph 2 below, the Authority shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall not be included in the gross income of the owners thereof for purposes of federal income taxation.

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

Amendment of First General Bond Resolution; Covenant Regarding First General Trust Fund Bonds (Section 615)

The Authority covenants with the Holders of Bonds that (after the delivery of the initial Series of Bonds and so long as any Bonds remain Outstanding) it shall not issue any First General Trust Fund Bonds other than Refunding Bonds (as defined in the First General Bond Resolution) issued pursuant to and in compliance with Section 204(A)(4)(i) of the First General Bond Resolution.

Subject to the rights of holders of obligations issued pursuant to the First General Bond Resolution, the Authority shall not modify or amend the First General Bond Resolution in any manner that would have a material adverse effect on the owners of Second General Trust Fund Bonds, provided, however, that nothing herein shall prevent the Authority from (i) supplementing the First General Bond Resolution to provide for the issuance of First General Trust Fund Bonds constituting Refunding Bonds (as defined in the First General Bond Resolution) issued pursuant to and in compliance with Section 204(A)(4)(i) of the First General Bond Resolution, or (ii) amending the First General Bond Resolution to amend the definition of the term "Debt Service Reserve Fund Requirement" to

allow such requirement to be reduced to \$0.00 and to delete Section 619 thereof relating to annual coverage certifications and adjustments to requirements for the debt service reserve fund.

Notice as to Event of Default (Section 616)

The Authority shall notify each issuer of a Credit Facility and the Trustee in writing that an “Event of Default,” as defined in the Resolution, has occurred and is continuing, which notice shall be given within thirty (30) days after the Authority has obtained actual knowledge thereof; provided, however, that the Authority shall provide the issuer of a Credit Facility with immediate notice of any payment default after the Authority has obtained actual knowledge thereof.

Covenants with Credit Facility Providers (Section 617)

The Authority may make such covenants as it may in its sole discretion determine to be appropriate with any provider of a Credit Facility that shall agree to provide a Credit Facility for Bonds of any one or more Series that shall enhance the security or the value of such Bonds and thereby reduce the principal and interest requirements on such Bonds. Such covenants may be set forth in or provided for by the applicable Supplemental Resolution and shall be binding on the Authority, the Trustee, the Paying Agents, and all the owners of Bonds the same as if such covenants were set forth in full in the Resolution.

Deposits to Administrative Fund (Section 618)

The Authority shall not deposit or cause to be deposited into the Administrative Fund, during any State Fiscal Year, any amount in excess of \$2,000,000 (which amount shall be decreased by the amount deposited in the Administrative Fund held under the First General Bond Resolution and may be increased (i) by the amount of any deposits made in order to provide for the payment of Costs of Issuance or (ii) for any State Fiscal Year ending after March 31, 1995, in an amount proportionate to any increase during such State Fiscal Year in the Consumer Price Index, New York/Northeastern New Jersey-All Urban Consumers, or any successor index prepared by the Bureau of Labor Statistics or a successor thereto, all such increases to be cumulative), unless as of the date of such deposit there shall be in existence no continuing Event of Default pursuant to Section 1101(a) of the Resolution. To the extent that the Authority is precluded from depositing any such amount into the Administrative Fund pursuant to this provision of the Resolution, the Authority shall cause any such amount that is otherwise available in the Revenue Fund to be deposited, in the following order of priority, into the Debt Service Fund, the Debt Service Reserve Fund and any debt service reserve fund established in connection with Variable Interest Rate Bonds, to the extent that a deposit into any such Fund would ameliorate or cure such an Event of Default.

Security for Deposits (Section 701)

All monies held on deposit under the Resolution shall be secured for the benefit of the Authority and, except with respect to the Rebate Fund and the Administrative Fund, the Holders of the Bonds by direct obligations of the United States of America or direct obligations of the State or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States of America or by the State as to timely payment of principal and interest of a market value or, if authorized by the Act with respect to Capital Appreciation Bonds and Capital Appreciation and Current Interest Bonds, of an Amortized Value equal at all times to the amount of the deposit; provided, however, (a) that if the securing of such monies is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Authority, the Trustee or any Paying Agent to give security for the deposit of any monies held in the Debt Service Fund, the Rebate Fund or as discussed below under “Defeasance” and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on a Series of Bonds, or for the Authority to give security for any monies which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such monies.

Investment of Funds (Section 702)

Amounts in the Funds and accounts established by the Resolution may be invested only in Investment Obligations. 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 Authority or the Trustee on the respective dates specified by an Authorized Officer, as appropriate, which dates shall be on or prior to the respective dates on which the monies invested therein are payable for the purposes of such Funds and accounts. The Authority, or the Trustee, upon the instructions of an Authorized Officer, 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. 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.

Trustee, Paying Agent (Sections 807, 808 and 809)

The Trustee may at any time resign and be discharged of its duties and obligations created by giving not less than sixty (60) days' written notice to the Authority, specifying the date when such resignation shall take effect; 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.

The Authority may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Authority during 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.

Any Trustee appointed under the Resolution 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 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.

Supplemental Resolutions (Sections 902 and 903)

The Authority may adopt, for any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee, shall be fully effective in accordance with its terms:

1. To 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;
2. 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;
3. To authorize Bonds of a Series;
4. To modify, amend, insert or delete such provisions of the Resolution as, in Counsel's Opinion, shall be necessary or desirable to ensure the continued federal tax exemption of the interest on any Series of Bonds Outstanding under the Resolution, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

5. To modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Fixed Payor Swap, Qualified Fixed Receiver Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

6. To modify the Pledge effected by the Resolution and such other provisions of the Resolution to give effect to an assumption, extinguishment and substitution consistent with the Resolution;

7. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

8. To provide for additional investments that may be delivered in lieu of Government Obligations in order to cause Bonds of a Series then or thereafter being initially issued and delivered to be deemed paid within the meaning of Section 1104 of the Resolution; provided, however, that any deposit of such investments, together with other monies and Government Obligations deposited for such purpose, shall in all other respects comply with the requirements of Section 1104 of the Resolution;

9. To the extent authorized by law and to the extent the Authority 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 Bonds issued on a tax-exempt basis, to provide for the delivery of Bonds that are not in registered form; or

10. 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.

In addition, the Authority may adopt a Supplemental Resolution amending any provision of the Resolution, effective upon filing with the Authority 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.

Amendments (Section 1002)

Any modification or amendment of the Resolution and of the rights and obligations of the Authority 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 Section 1003 of the Resolution, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. 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 Authority may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Authority shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof.

Events of Default (Section 1101)

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 five (5) business days; or

(b) the Chairperson of the Authority shall fail or refuse to comply with the provisions of subdivisions 2 and 3 of Section 385 of the Act and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to the Authority, as and when provided by subdivision 5 of such Section 385 in accordance with the Payment Agreement, any Cooperative Agreement Payments as shall be certified by the Chairperson pursuant to subdivisions 2 and 3 of such Section, which default shall continue for a period of five (5) business days; or

(d) the Authority shall fail or refuse to deposit in the Debt Service Fund the amount or amounts received by the Authority for deposit in such Fund; or

(e) 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 Chairperson pursuant to subdivisions 2 and 3 of Section 385 of the Act 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

(f) the State shall have enacted a moratorium or other similar law affecting payment of the Bonds; or

(g) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 89-b or subdivision 5 of Section 92-r of the State Finance Law, in either case relating to security for or payment of the Bonds; or

(h) failure by the Authority to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds contained, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority by the Trustee or to the Authority 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 Authority within such period and is diligently pursued until the default is corrected;

provided that nothing in this Section may be construed to restrict the right of the State under subdivision 9 of Section 385 of the Act to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or fees, including the taxes and fees to be deposited into the Trust Fund without giving rise to an Event of Default.

Remedies (Section 1102)

Upon the occurrence and continuance of any Event of Default, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Resolution, 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 Authority to account as if it were the trustee of an express trust for the Holders of such Bonds;

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

(e) declare all such Bonds due and payable, and if all defaults shall be made good then with the consent of the Holders of not less than a majority in aggregate principal amount of such Bonds then outstanding, annul such declaration and its consequences.

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 in the Resolution or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution, except that the rights of Bondholders pursuant to Section 368 of the Act as in effect on the date of adoption of the Resolution are abrogated.

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 thereunder or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided 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 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 thereunder or under the Bonds, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the provisions of the Resolution regarding the extension of payment for the Bonds. 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 Resolution 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.

Priority of Payments After Default (Section 1103)

In the event that the funds held by the Authority, 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 Debt, 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 monies 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 Authority 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:

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

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

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

Defeasance (Section 1104)

1. If the Authority 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 Authority, the covenants, agreements and other obligations of the Authority to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Authority 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 Authority all monies, securities and funds held by them pursuant to this Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

2. Bonds for the payment or redemption of which monies shall have been set aside and shall be held by the Trustee (through deposit by the Authority of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid. Any 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 preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide to Holders notice of redemption on said date or dates of such Bonds, (b) there shall have been deposited with the Authority either monies in an amount which shall be sufficient, or Government Obligations or other investments authorized for such purpose under "Other Authorized Investments" the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Authority at the same time, shall be

sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall (i) publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (b) above has been made and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity date or Redemption Date upon which monies are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, on said Bonds. The Authority shall select which Bonds of a Series and which maturity thereof shall be paid in accordance with the Resolution. Neither Government Obligations, Other Authorized Investments or monies deposited pursuant to this Section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on said Bonds; provided that any monies received from such principal or interest payments on such Government Obligations or Other Authorized Investments so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations or Other Authorized Investments 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 monies so deposited shall, to the extent in excess of the amounts required above to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Authority, and any such monies so paid shall be released of any trust, pledge, lien, encumbrance or security interest created thereby. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Authority 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.

3. For purposes of determining whether Bonds bearing a variable interest rate, other than Floater/Inverse Floater 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 monies, or Government Obligations or Other Authorized Investments and monies, if any, in accordance with paragraph 2 above, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof 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 monies, Government Obligations and Other Authorized Investments 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 paragraph 2 above, the Trustee shall, if requested, by the Authority, pay the amount of such excess to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

4. Anything in the Resolution to the contrary notwithstanding, any monies 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 monies if deposited with the Trustee, after the said date when such Bonds became due and payable, shall, at the written request of the Authority, be repaid by the Trustee to the Authority, 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 Authority for the payment of such Bonds. Before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Authority, a notice that said monies 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 monies then unclaimed will be returned to the Authority.

Payments Due on Saturdays, Sundays and Holidays (Section 1316)

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 (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.

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FORMS OF THE STATE AGREEMENTS

The State Agreements have been delivered in substantially the following forms:

FORM OF PAYMENT AGREEMENT

This Payment Agreement, made and entered into this 15th day of July, 1994 (hereinafter, together with any supplements or amendments hereto, referred to as the “Agreement”), by and between the People of the State of New York (the “State”), acting by and through the Director of the Budget of the State (the “Director” of the “Budget”) and the New York State Thruway Authority (the “Authority”), a body corporate and politic constituting a New York public corporation:

RECITALS

On or prior to the date hereof, the Authority at the request of the Director of the Budget has authorized the issuance of Bonds in series from time to time pursuant to the terms of a General Highway and Bridge Trust Fund Bond Resolution, as supplemented and amended, the “Resolution.” Terms not otherwise defined herein shall have the meaning ascribed thereto in the Resolution.

Pursuant to Section 10(e) of the Highway Law and Section 385 of the Act, the Authority and the Commissioner of Transportation of the State Department of Transportation have entered into a master dedicated highway and bridge trust fund cooperative agreement (as amended or supplemented, the “Trust Fund Cooperative Agreement”), whereby the Authority agreed to use its best efforts to finance transportation projects authorized by Section 89-b(5) of the State Finance Law and the State agreed to make dedicated highway and bridge trust fund cooperative agreement payments (the “Cooperative Agreement Payments”).

Pursuant to subdivision 6 of Section 385 of the Act, the Authority and the State desire to provide for the specific manner, timing and amount of Cooperative Agreement Payments to the Authority in accordance with the provisions of Section 385 of the Act and Section 89-b of the State Finance Law.

In consideration of the foregoing premises and the mutual agreements hereinafter set forth, the State and the Authority hereby agree as follows:

Section 1. Term. This Agreement and each and every provision hereof shall remain in full force and effect until no Bonds or other obligations under the Resolution are Outstanding and all Cooperative Agreement Payments have been made.

Section 2. Appropriation Requirement. In accordance with subdivision 6 of Section 385 of the Act, subdivision 5 of Section 10-e of the Highway Law, and paragraph (d) of subdivision 3 of Section 89-b of the State Finance Law, provisions of, respectively, this Agreement, the Trust Fund Cooperative Agreement and such paragraph of the State Finance Law regarding the payment of moneys by the State, shall be deemed executory only to the extent of moneys appropriated and available for such payments, and no liability on account of any such payments shall be incurred by the State beyond such appropriated and available moneys. Subject to the limitations set forth in the foregoing provisions of this Section, the State’s agreement and obligation to make Cooperative Agreement Payments from amounts on deposit in the dedicated highway and bridge trust fund established by Section 89-b of the State Finance Law (the “Trust Fund”) in accordance with Section 3 of this Agreement and the certificates of the Chairperson of the Authority required pursuant to subdivisions 2 and 3 of Section 385 of the Act, (including the accompanying schedules, and as such certificates may be revised from time to time and delivered to the Comptroller and Director of the Budget, the “Chairperson’s Certificate”) shall be absolute and unconditional, and each such payment shall be payable by the State, without any set-off or counterclaim whatsoever, on the date and at the time and place so specified, regardless of any contingencies whatsoever, and notwithstanding any circumstances or occurrences that may arise or take place at any time hereafter.

Section 3. (a) Cooperative Agreement Payments to the Authority. The State, for each State Fiscal Year or portion thereof during which this Agreement is in effect, shall, subject to the limitations set forth in Section

2, and consistent with the provisions of the Resolution and any applicable Trust Fund Cooperative Agreement, make Cooperative Agreement Payments, including Installment Payments, hereinafter defined, to the Authority in accordance with any such Trust Fund Cooperative Agreement and this Section from the amounts accumulated in the Trust Fund or from any other amounts appropriated for such purpose, including any amounts required to be transferred to the Authority for such Cooperative Agreement Payments from the General Fund of the State pursuant to subdivision 3(f) of Section 89-b of the State Finance Law.

(b) Amount of Payments. The State shall make all Cooperative Agreement Payments to the Authority in the amounts certified by the Chairperson of the Authority to the Comptroller and the Director of the Budget in the Chairperson's Certificate pursuant to subdivisions 2 and 3 of Section 385 of the Act. The amounts so certified in the Chairperson's Certificate shall be net of the Authority's estimate of investment earnings available therefor on moneys in the Funds and accounts established under the Bond Resolution. Furthermore, the Director of the Budget and the Authority hereby agree that, to the extent investment earnings on moneys in such Funds and accounts may by the terms of the Bond Resolution be transferred among such Funds and accounts upon direction of an Authorized Officer, the Director of the Budget by written instruction to the Authority, may direct the Authority to transfer such investment earnings.

(c) Timing of Payments. (i) The State shall make all Cooperative Agreement Payments to the Authority on the dates provided in the schedule referred to in subdivision 2 of Section 385 of the Act, which is required to accompany the Chairperson's Certificates. Such payments shall be made on or before the fifteenth day of any month preceding the date on which any payments of debt service on Bonds or payments on other obligations under the Resolution are due.

(ii) In order to ensure, in accordance with subdivision 4 of Section 385 of the Act, that sufficient funds will be available to enable the Authority to meet its current obligations under the Resolution, the Chairperson's Certificate shall further require that Cooperative Agreement Payments be paid in installments (the "Installment Payments") to the Authority by not later than the twenty-fifth day of each month for each month in which moneys in the Special Obligation Reserve and Payment Account are required to be set aside by the Comptroller pursuant to subdivision 3(e) of Section 89-b of the State Finance Law. The Chairperson's Certificate shall require such Installment Payments in amounts equaling the Authority's estimated monthly cash requirements for such periods; provided that in no month can the amount of any Installment Payment exceed the amount of moneys available to be set-aside, or previously set-aside by the Comptroller pursuant to said subdivision 3(e); and further provided, that a shortfall in such amounts set-aside and paid in any month shall be made up by payments in any succeeding month or months to the extent of moneys available pursuant to such set aside. The sum of all such Installment Payments for each applicable period shall be credited against the amount of the next Cooperative Agreement Payment.

(iii) In accordance with subdivision 4 of Section 385 of the Act, the Director of the Budget hereby deems the provisions for the timing of Cooperative Agreement Payments set forth in this Section 3 to be appropriate to ensure that sufficient funds will be available to enable the Authority to meet its obligations.

(d) Impoundment Procedures. (i) The Comptroller is required by law to comply with the procedures for setting aside revenues in the Trust Fund set forth in subdivisions 2, 3(e) and 3(f) of Section 89-b of the State Finance Law for the purposes of making the Cooperative Agreement Payments required by the Chairperson's Certificate, at the times and in the amounts set forth therein.

(ii) To ensure that the Cooperative Agreement Payments required to be made pursuant to Section 385 of the Act and the Trust Fund Cooperative Agreement, in accordance with the Chairperson's Certificate, will be made in the specific manner, timing and amounts provided for herein, the Chairperson's Certificate, and the accompanying schedule, is required under the Resolution to require payments constituting Installment Payments to the Authority from moneys set-aside by the Comptroller pursuant to subdivision 3(e) of Section 89-b of the State Finance Law on a monthly basis in accordance with the provisions of Section 3(c)(ii) of this Agreement: and provided further any such money set-aside in excess of monthly Installment Payments shall remain set aside until the next succeeding Cooperative Agreement Payment is made in full. By acknowledging, agreeing to and approving this Agreement, the Comptroller agrees that such moneys shall be so set aside and paid.

(e) Manner of Payments. The State shall make all Cooperative Agreement Payments to the Authority in accordance with subdivision 5 of Section 385 of the Act, in lawful money of the United States of America at the time of payment, or at such place or places as the Authority may lawfully designate to the State from time to time in accordance with the Resolution.

Section 4. (a) Default and Remedies. If, for any reason other than a failure by the State Legislature to appropriate moneys from the Trust Fund to meet the requirements to make Cooperative Agreement Payments as set forth in the Chairperson's Certificate, the Director of the Budget shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed in this Agreement, the Authority shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation or agreement of the State hereunder; provided that nothing herein shall affect the right of the State under subdivision 9 of Section 385 of the Act to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or fees, including the taxes and fees to be deposited into the Trust Fund pursuant to subdivision 3(a) of Section 89-b of the State Finance Law without giving rise to an event of default hereunder or under the Resolution or the Trust Fund Cooperative Agreement.

(b) Remedies Cumulative. The remedies conferred upon or reserved to the Authority under paragraph (a) of this Section 4 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 Agreement, nor may they include any amendment, change, modification or alteration of the Agreement that is prohibited by Section 6.

Section 5. Benefit to Bondholders. To the fullest extent permitted by applicable law, including without limitation the provisions of subdivision 1(c) of Section 385 of the Act, this Agreement is for the benefit of the Holders of Bonds. The Authority may pledge, assign, and transfer the right to receive Cooperative Agreement Payments from the Trust Fund and the other sources provided by law, to the Trustee for the benefit of the Holders of the Bonds under the Resolution, and from and after such pledge, assignment, or transfer, the Trustee shall have all of the Authority's rights and privileges to the extent provided, and as conferred, in such pledge, assignment and transfer.

Section 6. Reserved Right of Amendment. As provided in subdivision 6 of Section 385 of the Act, the State and the Authority reserve the right to amend, modify or rescind this Agreement or any supplement hereto in any manner; provided that no such amendment, modification or rescission shall materially adversely affect the interests of the Holders of Outstanding Bonds. Specifically, and without limiting the generality of the foregoing, this Agreement may be amended or modified (i) to provide for additional payments to the Authority, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution, in connection with the issuance of Bond Anticipation Notes, Variable Interest Rate Bonds, Inverse Floater Bonds or other obligations under the Resolution, (iii) to cure any ambiguity, (iv) to implement the provisions of Section 612 of the Resolution, or (v) to correct or supplement any provisions contained in this Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds shall be deemed to be materially adversely affected by an amendment, modification or rescission of this Agreement if the same materially adversely affects or diminishes the rights of the Holders of the Bonds or any provider of a Credit Facility or Reserve Credit Facility. The Authority may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds would be materially adversely affected by any amendment, modification or rescission, and any such determination shall be binding and conclusive on the State.

Section 7. (a) Headings. The headings contained herein are for convenience and reference and are not intended to define or limit the scope of and provisions of this Agreement.

(b) Severability. In case any one or more of the provisions of this Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Agreement, but this Agreement shall be construed and enforced as if each such illegal or invalid provision had not been contained therein.

(c) Approvals. This Agreement and any supplement hereto shall not become effective until and unless it is approved as to form by the Attorney General and acknowledged, agreed to and approved by the Comptroller.

(d) Supplemental Agreements. Any supplemental agreement entered into pursuant to this Agreement shall be executed by the parties hereto or their duly designated representatives and shall be acknowledged, agreed to and approved by the Comptroller and approved as to form by the Attorney General. All such supplemental agreements, upon execution and approval thereof in the manner required by law, shall constitute, as between the parties hereto, a part of this Agreement with the same force and effect as if incorporated herein.

(e) Counterparts. The parties may execute, acknowledge, agree to or approve this Agreement, as to form or otherwise, by signing separate counterparts hereof, each of which shall be deemed an Originally executed copy and all of which together shall constitute one and the same Agreement.

(f) Separate Responsibilities of State Officials. By executing this Agreement on behalf of the State, the Director of the Budget assumes no liability or responsibility for the actions or omissions of any officer or other employee of the State (including, without limitation, the Comptroller) beyond the scope of his power and authority as Director of the Budget. By acknowledging, agreeing to, and approving this Agreement, the Comptroller assumes no liability or responsibility for the actions or omissions of any officer or other employee of the State (including, without limitation, the Director of the Budget) beyond the scope of his power and authority as Comptroller.

(g) No Conflict with Resolution or Act. Nothing in this Agreement is intended to supplement, amend, supersede or be inconsistent with any provision of the Resolution or with any provision of the Act. In case any provision hereof appears to be or is in conflict or inconsistent with the Resolution or the Act, the provisions of the Resolution or the Act, as the case may be, shall in all respects control and the provisions hereof shall be deemed to be and are hereby agreed to be superseded and not to be in full force or effect to the extent of any such conflict or inconsistency.

(h) Compliance with Resolution. The State shall take actions necessary to ensure that the Authority will be able to comply with the requirements of Section 619 of the Resolution.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed, on behalf of the Authority by a duly authorized officer of the Authority, and on behalf of the State by the Director of the Budget or his duly authorized representative, as of the day and year hereinabove set forth.

PEOPLE OF THE STATE OF NEW YORK

By: _____
Name:
Title: Director of the Budget

NEW YORK STATE THRUWAY AUTHORITY

By: _____
Name:
Title: Chairperson

APPROVED AS TO FORM:

By: _____
Name:
Title: Attorney General

ACKNOWLEDGED, AGREED TO AND APPROVED:

By: _____
Name:
Title: Comptroller

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**AMENDED AND RESTATED FORM OF
MASTER DEDICATED HIGHWAY AND BRIDGE TRUST FUND
COOPERATIVE AGREEMENT**

(This form of agreement reflects the original Master Dedicated Highway and Bridge Trust Fund Cooperative Agreement dated July 15, 1994, Amendment No. 1 thereto dated November 15, 1995, Amendment No. 2 thereto dated June 27, 2000 and Amendment No. 3 embodied herein. Amendment No. 1 deleted provisions requiring transfers of real property interests in connection with the financing of Projects. The Projects do not constitute a source of payment or security for the Bonds, and such amendments are expressly permitted by the Bond Resolution. Amendment No. 2 added provisions necessary to address financing, from Bond proceeds, of the new multi-modal program authorized in connection with the FY2000–2005 State Transportation Plan. This form of agreement merges Amendment No. 1, Amendment No. 2 the original Master Agreement, and Amendment No. 3, which added provisions necessary to address financing from Bond proceeds of certain industrial access, rail, and aviation projects.)

THIS MASTER DEDICATED HIGHWAY AND BRIDGE TRUST FUND COOPERATIVE AGREEMENT, AMENDS AND RESTATES such agreement made and entered into as of July 15, 1994, as amended by Amendment No. 1 thereto dated November 15, 1995 (“Amendment No. 1”), and as further amended by Amendment No. 2 thereto dated June 27, 2000 (“Amendment No. 2”), as further amended by Amendment No. 3 thereto dated March 24, 2005 (“Amendment No. 3”) embodied herein, by and between:

the People of the State of New York, acting by and through the Department of Transportation (“Department”), whose main office is located at 50 Wolf Road, Albany, New York 12232;

and,

the New York State Thruway Authority (as hereinafter defined, the “Authority”) whose principal office is located at 200 Southern Boulevard, Albany, New York 12209.

WHEREAS, Highway Law §10-e(1) authorizes the Commissioner of Transportation, subject to the approval of the Director of the Budget, to enter into a dedicated highway and bridge trust fund cooperative agreement or agreements with the Authority to provide for the financing by the Authority of disbursements made by the State for any of the activities authorized pursuant to State Finance Law §89-b, in any case where the expense thereof is paid in whole or part by the State;

WHEREAS, §385–1(a) of the Act authorizes the Authority to enter into a dedicated highway and bridge trust fund cooperative agreement or agreements with the Commissioner of Transportation for the financing by the Authority of disbursements made by the State or project sponsor for any of the activities authorized pursuant to State Finance Law §89-b in any case where the expense thereof is paid in whole or part by the State or project sponsor;

WHEREAS, pursuant to Resolution No. 4442, adopted by the Board of the Authority at meeting No. 523 on May 19, 1994, the Chairman or his designee was authorized to enter into and execute this Agreement;

WHEREAS, Chapter 129 of the Laws of 1995 amends Highway Law §10-e and Public Authorities Law §385 in relation to the transfer of real property interests by the Department to the Authority in accordance with the Cooperative Agreement, making such transfer permissive and providing for the reversion to the people of the State of New York of property previously conveyed to the Authority pursuant to the Cooperative Agreement;

WHEREAS, in accordance with §7.03 of the Cooperative Agreement and Section 610 of the General Highway and Bridge Trust Fund Bond Resolution adopted by the Authority May 19, 1994, as amended, the Authority determined that Amendment No. 1 does not materially adversely affect the interests of Holders of Outstanding Bonds;

WHEREAS, pursuant to Resolution No. 4586, adopted by the Board of the Authority at Meeting No. 539, held on November 14, 1995, the Board authorized the Chairman or an Authorized Officer to approve and execute

such changes to the Cooperative Agreement as may be necessary to effectuate the purposes of Chapter 129 of the Laws of 1995;

WHEREAS, Chapter 637 of the Laws of 1996, as amended by Chapter 61 of the Laws of 2000, added certain activities to the scope of State Finance Law §89-b, consisting of certain rail, port, aviation, ferry and State or local highway and bridge projects within the “multi-modal” program established by Transportation Law §14-k;

WHEREAS, pursuant to Resolution No. 5074, adopted by the Board of the Authority at Meeting No. 591, held on June 27, 2000, the Board authorized the Chairman or an Authorized Officer to execute amendments to the Cooperative Agreement or any other agreement with the State related to the program as may be necessary to effectuate the purposes of Chapter 61 of the Laws of 2000; and

WHEREAS, pursuant to Resolution No. 5409 the Board authorized the Chairman or an Authorized Officer to execute amendments to the Cooperative Agreement or any other agreement with the State related to the program as may be necessary to address financing from Bond proceeds of certain industrial access, rail, and aviation projects.

NOW THEREFORE, pursuant to such authorizations, and in consideration of the mutual covenants herein set forth, the parties agree as follows:

**ARTICLE I.
DEFINITIONS AND GENERAL PROVISIONS**

1.01 *Definitions.* The following terms shall, for all purposes of this Agreement, have the meanings below, unless the context shall clearly indicate or require some other meaning. Terms not otherwise defined herein shall have the meaning ascribed thereto in the Resolution.

“Act” means the New York State Thruway Authority Act, Title 9 of Article 2 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended.

“Agreement” means this amended and restated master dedicated highway and bridge trust fund cooperative agreement, as amended and supplemented in accordance with the terms hereof, together with all Schedules and Supplemental Schedules attached hereto.

“Attorney General” shall mean the Attorney General of the State of New York or his or her duly authorized representative.

“Aviation Program” means a Project financed by a grant from the Department pursuant to State Finance Law §89- b(5) or otherwise provided by law.

“Bonds” means Bonds issued or other obligations incurred by the Authority pursuant to §385 of the Act and under the Resolution.

“Chairperson” means the chairperson of the New York State Thruway Authority or his or her duly authorized representative.

“Chairperson’s Certificate” shall have the meaning ascribed to such term in Section 6.01(a) hereof.

“Commissioner” means the Commissioner of Transportation of the State or his or her duly authorized representative.

“Comptroller” means the Comptroller of the State or his or her duly authorized representative.

“Construction” means or “Constructed” refers to construction, reconstruction, enhancement, improvement, replacement, reconditioning, restoration, rehabilitation, preservation and maintenance and the acquisition of any Land or interest therein required in connection with a Project.

“Cooperative Agreement Payments” means those payments required to be made pursuant to §6.02 of this Agreement.

“Cooperative Agreement Reimbursements” means State Program Reimbursements, and Multi-Modal Project Reimbursements and Grant Project Reimbursements.

“Cost” and “Project Cost” shall have the meanings provided in Section 2.03 of this Agreement.

“Dedicated Highway and Bridge Trust Fund” or “Dedicated Fund” means the dedicated highway and bridge trust fund created by State Finance Law §89-b in the joint custody of the State Comptroller and the New York State Commissioner of Taxation and Finance.

“Department” means the New York State Department of Transportation.

“Director of the Budget” means the Director of the New York State Division of the Budget. “General Fund” means the State general fund established by State Finance Law §72.

“Grant Project” means any Project under the industrial Access Program, Rail Program, or Aviation Program authorized pursuant State Finance Law §89-b(5), available State appropriations, or otherwise provided by law.

“Grant Project Reimbursements” means Authority payments of Bond proceeds to reimburse the Department or a Grant Project sponsor for costs incurred and approved by the Department for reimbursement in accordance with §5.03 of this Agreement. Grant Project Reimbursements shall not include Multi-Modal Project Reimbursements or State Program Reimbursements.

“Highway and Bridge Capital Account” means the account within the Dedicated Highway and Bridge Trust Fund, as such account is established by State Finance Law §89-b.

“Industrial Access Program Project” means a Project financed by a grant from the Department pursuant to Title 17 New York State Code of Rules and Regulations, Part 36 or as otherwise provided by law.

“Lands” means in connection with any applicable Projects lands, waters, rights in lands, lands under water, riparian rights, property rights in air space or subsurface space, including interests in such lands that are less than full title, such as easements, rights of way, uses, leases, licenses and every estate in lands, together with the improvements thereon inclusive of highways, parkways, bridges, roads and bridges, but exclusive of interests in buildings or personal property used or useful in connection with Projects, including equipment, materials and maintenance facilities.

“Lease” means a lease or leases issued by the Authority to the Department to Lands that have been transferred to the Authority by the Department, pursuant to Highway Law §10-e and §385 of the Act prior to execution and delivery of Amendment No. 1 to the Cooperative Agreement.

“Multi-Modal Project” means a Project within the subset of activities under State Finance Law §89-b(5) that is within the multi-modal program established by Transportation Law §14-k.

“Multi-Modal Project Reimbursements” means Authority payments of Bond proceeds to reimburse Multi-Modal Project sponsors including, where applicable, the Department and the Authority, for Multi-Modal Project costs incurred and approved by the Department for reimbursement in accordance with §5.03 of this Agreement. Multi-Modal Project Reimbursements shall not include State Program Reimbursements or Grant Project Reimbursements.

“New York State Thruway Authority” or “Authority” means the New York State Thruway Authority, a body corporate and politic constituting a public corporation created by Public Authorities Law Article 2, Title 9, Chapter 43-A of the Consolidated Laws of the State, as amended, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of such authority related to this Agreement.

“Payment Agreement” means the agreement by and between the Authority and the Director of the Budget which provides for the specific manner, timing and amount of Cooperative Agreement Payments, as the same may from time to time be amended or supplemented in accordance with the terms thereof.

“Permit” means a permit or permits issued by the Authority to the Department pursuant to Highway Law §10-e and §385 of the Act.

“Project” means any transportation activity authorized pursuant to State Finance Law §89-b, §385 of the Act and either Highway Law §10-e or Transportation Law §14-k, or otherwise provided by law, as described and provided for in this Agreement, which may provide for groupings of activities at the comprehensive construction program or appropriation level.

“Project Cost” and “Cost” shall have the meanings provided in Section 2.03 of this Agreement.

“Project Disbursements” means those expenditures of Project Costs made by the State for any Project authorized pursuant to State Finance Law §89-b(5) and available State appropriations that are certified by the Department for financing in accordance with this Agreement.

“Rail Program” means a Project financed by a grant from the Department pursuant to State Finance Law §89-b(5) or as otherwise provided by law.

“Requisition” means the Director of the Budget’s instructions to the Authority for reimbursement of Project Disbursements with Bond proceeds together with instructions pursuant to and in accordance with §385 of the Act.

“Resolution” means any resolution of the Authority authorizing the issuance of bonds or other obligations issued pursuant to §385 of the Act, as such may be amended and supplemented in accordance with the terms and provisions thereof.

“Reversionary Event” means the reversion of title to Lands, previously conveyed to Authority pursuant to this or any Supplemental Agreement, back to the State, which shall be occasioned without further action by either party, by: (i) a termination of a Project Lease or Permit by agreement of the parties; (ii) the redemption of Bonds; or, (iii) the assumption, extinguishment of lien of the Resolution and substitution for the Bonds by the State in accordance with §385 of the Act and the Resolution, as may be provided by law.

“Schedules” means schedules in the form of schedules A-1, A-2, B and C annexed to and forming an integral part of this Agreement, together with amendments and supplements thereto, except where, in context, certain of such schedules are enumerated, in which case “Schedules” shall mean only those enumerated.

“Section 89-b” means section 89-b of the State Finance Law of the State, as it may be hereafter amended from time to time.

“Special Obligation Reserve and Payment Account” means the account within the Dedicated Highway and Bridge Trust Fund, as such account is established by Section 89-b.

“State” means the State of New York.

“State Fiscal Year” means the fiscal year of the State as set forth in the State Finance Law.

“State Program Reimbursements” means Authority payments of Bond proceeds to reimburse the State for Project Disbursements for Projects administered by or through the Department’s contracts or its own forces, and pursuant to §5.01 of this Agreement. State Program Reimbursements do not include Multi-Modal Project Reimbursements or Grant Project Reimbursements.

“Supplemental Agreement” means one or more agreements among the parties to this Agreement undertaken pursuant to Section 1.03 of this Agreement.

“Supplemental Resolution” means a resolution of the Authority adopted for the purpose of authorizing the issuance of a series of Bonds in accordance with the terms and provisions of the Resolution.

“Supplemental Schedule” means one or more supplements to any Schedules incorporated as a part of this Agreement in accordance with Section 4.03 of this Agreement.

“Trustee” means the bank or trust company appointed to act as trustee under the Resolution, and its successor or successors.

1.02 *Purpose of Agreement.* The Authority is authorized by law to finance Projects. It is the purpose of this Agreement to provide: (a) for the Department’s, a Multi-Modal Project sponsor’s or a Grant Project sponsor’s undertaking of Projects including Multi-Modal Projects or Grant Projects; (b) for the financing by the Authority of Project Disbursements; and (c) for the making of Cooperative Agreement Payments to the Authority.

1.03 *Supplemental Agreements.* Supplemental Agreements may be entered into or incorporated into this Agreement for the purposes and in the manner set forth herein. In connection with any series of Bonds, the Authority may enter into a Supplemental Agreement, as the parties hereto shall determine from time to time to implement the purposes of this Agreement provided such Supplemental Agreements are consistent with §385 of the Act, Highway Law §10-e, Section 89-b, the Resolution and Section 7.03 hereof. When executed, such Supplemental Agreements will constitute a part of this Agreement with the same force and effect as if incorporated herein, and may include additional covenants and agreements among the parties hereto, provided such additional covenants and agreements are not contrary to or inconsistent with the rights of the holders of Bonds. Any Supplemental Agreement entered pursuant to this Agreement shall be executed by the parties or their duly authorized representatives and shall be approved by the Director of the Budget, the Comptroller and approved as to form by the Attorney General.

1.04 *Duration of Agreement.* This Agreement and each and every provision hereof shall remain in full force and effect with respect to each Project specified herein or in a Supplemental Agreement so long as Bonds authorized under the Resolution remain Outstanding and until all Cooperative Agreement Payments have been made or the rights thereto extinguished in connection with reserved State rights of assumption, extinguishment or substitution in accordance with Section 612 of the Resolution.

1.05 *Certain Provisions of Agreement Executory.* The provisions of this Agreement requiring the payment and expenditure of moneys by the State do not constitute a debt of the State and shall be deemed executory only to the extent of the moneys appropriated and available to the State and no liability on account thereof shall be incurred by the State beyond moneys appropriated and available for the purpose thereof. The provisions of this Agreement requiring the expenditure of moneys by the Authority shall be deemed executory to the extent that the Authority shall have moneys derived from the proceeds of sale of Bonds, and no liability on account thereof shall be incurred by the Authority beyond the moneys legally available for such expenditures. The Authority shall incur no liability for any contracts entered into by the Department or any other party in connection with any Projects.

1.06 *Interest of Bondholders.* The Authority and the State agree that this Agreement is executed in part in order to induce the purchase by others of Bonds to be issued to finance Project Disbursements and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Authority and the State set forth in this Agreement are hereby declared to be for the benefit of the holders and registered owners from time to time of the Bonds. Accordingly:

(a) The Authority may pledge, assign, and transfer the right to receive and collect Cooperative Agreement Payments from moneys on deposit and appropriated from the Dedicated Highway and Bridge Trust Fund and other sources authorized under §385 of the Act and Section 89-b, together with the Authority’s rights to enforce this Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Authority’s rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer.

(b) In connection with the State’s exercise of its right under §385 of the Act and under the Resolution, upon the amendment of the New York 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 done in accordance with such Resolution, the Authority may make such pledge, assignment and transfer set forth in paragraph (a) above to the State or such successor entity, as provided by law.

ARTICLE II. PROJECTS

2.01 *Project Disbursements for Transportation Projects.* Project Disbursements to be financed by the Authority shall be made by expenditure by the Department pursuant to State appropriations available for Projects or, for Multi-Modal Projects or Grant Projects costs for Multi-Modal Projects and Grant Projects incurred by the sponsors thereof and approved for reimbursement by the Department. Such Projects shall be set forth in a Schedule or Schedules submitted to the Authority under the certification of the Department, that shall include the following information:

- (a) For Department-let projects, the following:
 - (i) Project Identification Number (“PIN”), applicable Department Contract or other Department identifying Number, an abbreviated Project description and county;
 - (ii) for Department-let projects, the projected dates of commencement (for this purpose, the contract letting date), and scheduled completion;
 - (iii) estimated total Costs of each Project and Federal aid available therefor.
- (b) For Multi-Modal Projects and Grant Projects, the following:
 - (i) Project identification; and
 - (ii) Project sponsor to be paid and amount.

For Multi-Modal Projects and Grant Projects the Department shall also maintain such information as may be necessary to support the tax exempt status of the Bonds issued by the Authority to finance Multi-Modal Project Costs and Grant Project Costs.

2.02 *Construction of Projects.* The parties to this Agreement acknowledge and agree that the Department or, for Multi-Modal Projects or Grant Projects, the applicable sponsor thereof, is solely responsible for the Construction of Projects, inclusive of the planning, design, procurement, supervision and ‘acceptance thereof. The Department’s obligations under this Agreement shall not be affected should the Department be delayed by its or others’ inability to secure needed labor or materials, or by stormy or inclement weather which delays construction of the Project, or by strikes, labor disputes, lockouts or like trouble among mechanics or laborers which delay construction of the Project, or by acts of God, or by acts or neglect of regulatory agencies or their agents or employees, or by regulations or restrictions imposed by any governmental agency or authority, or by fire or other similar catastrophe, or other similar delay beyond the control of the Department, Multi-Modal Project sponsors, Grant Project sponsors, or their agents or contractors.

Each Project, other than Grant Projects, shall, upon completion, be free and clear of any real property liens and encumbrances of every kind and character which may arise in connection with the Project.

2.03 *Project Costs.* For the purposes of this Agreement “Cost” or “Project Cost” may include, together with any other proper item of cost not specifically mentioned herein, the cost of: Construction or equipment of a Project; interest or court awards in connection with Project-related contracts; right of way acquisition, site preparation; engineering and administrative services, including fringe benefits; contractual services; personal and nonpersonal services for activities including preparation of plans, designs, specifications, estimates, contracts; Construction management and supervision activities; appraisals, surveys, testing and environmental impact studies and statements; buildings, equipment and facilities used or useful in connection with the Construction, operation and repair of highways, parkways and bridges thereon, and or Multi-Modal Projects, and Grant Projects; any indemnity and surety bonds and premiums on insurance; legal fees and judgments related to Projects; and such other expenses

not specified herein as may be necessary or incident to the Construction of a Project or Projects, the financing thereof and the placing of the same in use and operation. Any Supplemental Agreement or Supplemental Schedule may provide for additional items to be included in Project Costs consistent with the requirements of Section 89-b or otherwise provided by law.

2.04 *Construction by the Department.* All contracts for Construction shall be made in the name of the Department or, in the case of Multi-Modal Projects and Grant Projects, the applicable project sponsor, and all of the rights, remedies, liabilities and obligations under such contracts shall remain and belong solely to the Department or, in the case of Multi-Modal Projects and Grant Projects, the applicable project sponsor.

2.05 *Possession and Use of Projects.* Other than as assigned in connection with Construction by contract let therefor, or where property not conveyed to the Authority is disposed of as surplus by the Department, at all times during the pendency of Authority financing of each Project the Department or, in the case of Multi-Modal Projects the applicable project sponsor, shall maintain possession, jurisdiction, supervision and control of such Project for the purposes of Construction and operation, or in the case of Grant Projects, the applicable project sponsor shall maintain possession, jurisdiction, supervision and control during Construction.

ARTICLE III. TITLE, USE, OPERATION, MAINTENANCE AND CERTAIN COVENANTS

3.01 *Operation, Maintenance and Repair of Projects.* The Department covenants and agrees that, during the pendency of Authority financing of each Project pursuant to the Cooperative Agreement, within available appropriations therefor, such Project, upon completion, shall be maintained, operated and reconstructed if necessary, under the supervision of the Department or, for Multi-Modal Projects, either the Department for State highway system projects or, for non-State highway system projects, the Multi-Modal Project sponsor, and, in any event, without liability or cost to the Authority. For Grant Projects, neither the project sponsor nor the Authority shall have any obligation to maintain or operate the project after Construction of such project is completed.

3.02 *Utilities.* The Department agrees that, the Authority shall have no liability or responsibility, by virtue of its financing of Project Costs, for any and all charges which may be lawfully required for gas, electricity, light, heat, power, water, fuel, sewage service, telephone or other communication service, and any other service used, rendered or supplied upon or in connection with each such Project and which, upon the non-payment thereof, may constitute a lien upon or encumbrance against such Project of any kind or character.

3.03 *Compliance with Laws and Regulations.* The Department covenants and agrees that, during the pendency of Authority financing of each Project pursuant to the Cooperative Agreement, it will promptly comply with, or cause to be complied with, all laws and ordinances and orders, rules, regulations and requirements of all Federal, State and local governments and agencies and departments thereof which are applicable to such Project, and whether or not the same require structural repairs or alterations, which may be applicable to such Project or the use or manner of use of such Project.

3.04 *Alterations and Additions to Projects.* The Department or applicable project sponsor shall have the right at any time and from time to time during the pendency of Authority financing of each Project pursuant to the Cooperative Agreement, without liability or cost to the Authority, to make such changes, alterations and additions, structural or otherwise, to such Project, as the Department or applicable project sponsor shall deem necessary or desirable in connection with the use of such Project. The cost of any such change, alteration or addition shall be promptly paid and discharged so that the Project shall at all times be free of liens for labor and materials supplied to the Project. All alterations, additions and improvements to the Project shall be and become a part thereof.

3.05 *Not Part of Thruway System.* In no event shall any Lands associated with Projects financed by the Authority pursuant to the Cooperative Agreement be deemed as a consequence of the financing of Project Costs hereunder a part of the "thruway system", as such term is defined in Public Authorities Law §351, for purposes of any provision of the Tax Law or the Public Authorities Law.

3.06 *Risk of Loss or Damage.* (a) Projects of the Department. The Department, for the term of Authority financing of Projects of the Department financed by the Authority pursuant to the Cooperative

Agreement, hereby assumes all risks in connection with any and all loss or damage to such Projects so financed, or any part thereof, from any and all causes whatsoever and, in the event of any such loss or damage, covenants and agrees to repair, restore, rebuild or replace such Lands or part thereof, or to cause the same to be done, as nearly as possible to the condition thereof immediately prior to such loss or damage from moneys available to the Department for such purposes, all without costs or liability to the Authority. Any such repair, restoration, rebuilding or replacement may be in accordance with such different designs, plans and specifications as may be deemed appropriate by the Department.

(b) Projects not of the Department. The Department agrees that the Authority shall have no liability or responsibility, by virtue of financing Multi-Modal Projects or Grant Projects, for loss or damage to, projects that are not projects of the Department.

(c) The Department on behalf of the State further covenants and agrees to indemnify and hold harmless the Authority in accordance with §385 of the Act.

(d) In the event that any action, suit or proceeding is brought against the Authority based upon alleged liability arising out of the financing of Projects financed by the Authority pursuant to the Cooperative Agreement, the Authority shall give timely notice in writing thereof to the Department by registered or certified mail. The failure of the Authority to give such notice shall not affect the obligation of the State hereunder or under §385-8 of the Act. The Department at its own expense shall investigate and defend such action, suit or proceeding, shall agree to release, hold harmless and indemnify the Authority and its members, officers, officials, counsel, consultants, advisors, agents and employees and shall take all such steps as may be necessary and/or proper therein to prevent the obtaining of a judgment against the Authority or such other persons.

3.07 *Covenant Against Assignment; Permitted Releases.* (a) Neither the Authority nor the Department shall assign this Agreement or any interest therein during the pendency of Authority financing; provided, however, that nothing in this section shall prohibit any pledge, assignment or transfer contemplated by Section 1.00 or the Department from licensing or permitting other use of a Project, or any part thereof, so long as the Department does not surrender possession and control thereof, except that possession and control may be surrendered to a public benefit corporation, a department of the State, municipality or other entity whose holding does not affect the tax-exempt nature of interest earnings on Bonds.

(b) Notwithstanding anything to the contrary contained herein, the Department may sell or dispose of any Project of the Department financed hereunder; provided, however, that no such sale or disposition shall result in a reduction in Cooperative Agreement Payments and provided further that, in the event Bonds issued to finance such Project are not redeemed or retired in an amount representing the amortized value of the Cost of such Project or the portion thereof to be sold, the Department shall not sell or dispose of any Project, and shall likewise require of Multi-Modal Project and Grant Project sponsors, unless either (i) it shall have received a Counsel's Opinion (as defined in the Resolution) to the effect that such sale or disposition will not result in a reduction of such Cooperative Agreement Payments and will not adversely affect the exclusion of interest on any Bonds as to which the Authority shall have received an opinion described in Section 3.09 hereof from the gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), or (ii) the proceeds of such disposition shall be applied or expended for a governmental purpose

3.08 *Condition of Projects.* The Authority makes no representations whatever in connection with the condition of any Project, and the Authority shall not be liable for any latent or patent defects therein.

3.09 *Tax Covenant.* With respect to any Bonds for which the Authority shall have received a Counsel's Opinion (as defined in the Resolution) to the effect that interest on such Bonds is not included in the gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code, the Authority and the Department each covenant and agree, and the Department shall likewise require of Multi-Modal Project and Grant Project sponsors, that they shall neither take any action nor fail to take any action, which, if either taken or not taken, would adversely affect such exclusion.

ARTICLE IV.
AUTHORITY FINANCING OF PROJECT DISBURSEMENTS

4.01 *Financing of Project Disbursements by the Authority.* The Authority covenants to use its best efforts, from time to time after the date hereof, upon the request of the Director of Budget, to issue Bonds authorized pursuant to §385 of the Act, in order to reimburse the State for Project Disbursements for each Project included in the Schedules or any Supplemental Schedules, in order to reimburse Multi-Modal Project and Grant Project sponsors for Project Costs approved by the Department, and to make such other payments as required by the Resolution.

4.02 *Project Schedules.* Projects to be financed from the Bond Proceeds Fund shall be included in Schedules certified by the Department and accepted by the Authority in connection with the issuance of a series of Bonds or periodic reimbursements for authorized Project costs from Bond proceeds.

4.03 *Supplemental Schedules.* Project Schedules may be amended or supplemented from time to time as necessary, or in connection with the issuance of a series of Bonds under the Resolution, by a Supplemental Schedule or Schedules in the same form as a Schedule. Such Supplemental Schedule or Schedules shall contain the information required by Section 2.01 hereof. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Authority, in accordance with §385 of the Act, of a series of Bonds, to cause a Supplemental Schedule to be certified by the Department and accepted by the Authority, whereupon such Supplemental Schedule will constitute a part of this Agreement with the same force and effect as if incorporated herein. Each Supplemental Schedule may relate to one or more series of Bonds and shall specify the Projects or portions of Projects financed through the issuance of such series of Bonds. Such Supplemental Schedules may be incorporated herein before or after the issuance of the contemplated series of Bonds and, with reference thereto, may modify, add or delete Projects, or portions thereof, within the overall financing authorization of such series.

ARTICLE V.
COOPERATIVE AGREEMENT REIMBURSEMENTS

5.01 *Requisitions For State Program Reimbursements.* (a) In accordance with the Resolution, the Authority agrees to make State Program Reimbursements from the funds available to it on deposit in the Bond Proceeds Fund established by the Resolution or otherwise as provided in the Resolution or a Supplemental Resolution. Such State Program Reimbursements shall be made upon receipt by the Authority from the Director of the Budget of one or more Requisitions, in form satisfactory to the Authority, accompanied by one or more certifications by the Department as to the additional matters set forth in Section 5.02 hereof.

(b) The Authority shall keep, or cause to be kept, such Requisitions and certifications set forth in subparagraph (a) above regarding payments for which the funds deposited in the Bond Proceeds Fund are to be used. All of the funds deposited in the Bond Proceeds Fund shall be used for and applied to the reimbursement of Project Disbursements or otherwise as required by the Resolution and, pending their application, may be assigned or pledged for the benefit of holders of the Bonds in such manner as the Authority may provide.

5.02 *Department Certification as to Projects and Costs.* At the request of the Director of the Budget in connection with the Director's preparation of a Requisition for a State Program Reimbursement, the Department shall prepare and submit to the Director of the Budget, for transmittal to the Authority together with the Requisition, its certification as to Projects and Costs, including the following:

(a) Each Project for which a Cooperative Agreement Reimbursement is requested is a Project authorized by Section 89-b;

(b) A Schedule or Supplemental Schedule of Projects that are subject to such Cooperative Agreement Reimbursement;

(c) A certification that the Project Disbursement for which reimbursement is sought was not previously reimbursed pursuant to this Agreement and is not to be reimbursed by Federal aid; and

(d) An acknowledgment that the Department accepts total responsibility for reviewing the plans and specification and Construction of the affected Projects and for the completion thereof.

Prior to making a State Program Reimbursement and in connection with the Department's certification, the Authority may require the Department to provide it such additional information and evidence as may be deemed reasonably necessary with respect to such certification.

5.03 *Multi-Modal Project and Grant Project Reimbursements.* (a) In accordance with the Resolution, the Authority agrees to make Multi-Modal Project and Grant Project Reimbursements from the funds available to it on deposit in the Bond Proceeds Fund established by the Resolution or otherwise as provided in the Resolution or a Supplemental Resolution. Such Multi-Modal Project and Grant Project Reimbursements shall be made upon receipt by the Authority from the Department of one or more Requisitions, in form satisfactory to the Authority, accompanied by one or more certifications by the Department as to the additional matters set forth in Section 5.04 hereof.

(b) The Authority shall keep, or cause to be kept, such Requisitions and certifications set forth in subparagraph (a) above regarding payments for which the funds deposited in the Bond Proceeds Fund are to be used. All of the funds deposited in the Bond Proceeds Fund shall be used for and applied to the reimbursement of Project Disbursements or otherwise as required by the Resolution and, pending their application, may be assigned or pledged for the benefit of holders of the Bonds in such manner as the Authority may provide.

5.04 *Certifications in Conjunction with Multi-Modal and Grant Program Project Reimbursements.* In connection with the Department's preparation of requisitions for Multi-Modal and Grant Project Reimbursements, the Department shall provide to the Authority a certification acceptable to the Authority.

ARTICLE VI. COOPERATIVE AGREEMENT PAYMENTS BY THE STATE

6.01 Authority Certification of Annual Cash Requirements.

(a) The Chairperson shall make each of the certifications required by §385 of the Act and the Resolution (including the schedules thereto, and as revised from time to time, the "Chairperson's Certificate"), setting forth to the Comptroller and the Director of the Budget a schedule of anticipated cash requirements for each State Fiscal Year pursuant to this Agreement and any Supplemental Agreement. The amounts so certified shall constitute Cooperative Agreement Payments. The total amount so certified for such State Fiscal Year shall be at least equal to:

(i) all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;

(ii) the amounts required to pay all interest on Outstanding Bonds (including interest at the greater of the variable interest rate calculated at the maximum rate of interest permitted on such Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any related Parity Debt due in such State Fiscal Year;

(iii) the amounts which are required to be deposited in the Debt Service Reserve Fund or any debt service reserve fund established in connection with Variable Interest Rate Bonds during such State Fiscal Year in order to maintain the Debt Service Reserve Fund or such debt service reserve fund at the applicable Debt Service Reserve Fund Requirement to the extent any deficiency therein has resulted directly or indirectly from a failure by the State to make any payment provided in §385 of the Act;

(iv) all principal of and interest on outstanding Subordinated Indebtedness or amounts otherwise payable from the General Reserve Fund and any other outstanding evidence of indebtedness issued by the Authority and payable from revenues derived from the taxes and fees deposited in the Trust Fund and due in such State Fiscal Year;

(v) all Authority Expenses for such State Fiscal Year; and

(vi) all other payment requirements referred to in §385 of the Act for such State Fiscal Year.

(b) The Chairperson may revise the Chairperson's Certificate at such times as shall be determined by the Chairperson and as required under the Resolution.

(c) Such Chairperson's Certificate shall provide for payments in the specific manner, timing and amounts as the Authority and the Director of the Budget agree pursuant to the Payment Agreement to ensure that sufficient funds will be available in the Special Obligation Reserve and Payment Account, or other sources, to enable the State to make all required Cooperative Agreement Payments.

6.02 *Cooperative Agreement Payments.* (a) The State, for each State Fiscal Year or portion thereof this Agreement is in effect, shall, subject to legislative appropriation, make the Cooperative Agreement Payments to the Authority in accordance with the certifications and schedules required by §385 of the Act and the provisions of the Payment Agreement.

(b) Pursuant to Section 89-b, in the event the amount set aside by the Comptroller to make Cooperative Agreement Payments is not sufficient to make Cooperative Agreement Payments required pursuant to the Chairperson's Certificate, the State agrees that the Comptroller, without the requirement of any further appropriation, shall immediately transfer, first from the Highway and Bridge Capital Account, and then, if necessary, from the General Fund, to the Special Obligation Reserve and Payment Account an amount which shall be sufficient to make such required Cooperative Agreement Payments. Following such an event the Comptroller shall, subject to the set-asides for interest and principal due on Bonds as required by Section 89-b(3)(e), set aside and pay the next moneys received by the Special Obligation Reserve and Payment Account to reimburse the General Fund for the amounts so transferred to the Special Obligation Reserve and Payment Account. Such amounts shall be set aside until the full amount of moneys so transferred to the Special Obligation Reserve and Payment Account shall have been set aside, and such amounts set aside shall be transferred to the General Fund no later than the last day of each month.

(c) The State's agreement and obligations to make such Cooperative Agreement Payments in the amount and manner and at the time and place set forth in this Agreement, in the Payment Agreement and in the latest Supplemental Agreement or Supplemental Schedules shall be absolute and unconditional, subject to the executory provisions of this Agreement contained in Section 1.05 hereof. Each such Cooperative Agreement Payment shall be payable by the State, without any setoff or counterclaim whatsoever, on the date and at the time and place specified, regardless of any contingencies whatsoever, and notwithstanding any circumstances or occurrences that may arise or take place at any time hereafter.

(d) All Cooperative Agreement Payments shall be payable in lawful money of the United States of America at the time of payment. Payment shall be made at such place or places as the Authority may lawfully designate to the State from time to time.

(e) Any Cooperative Agreement Payment which is not paid to the Authority on or before the due date thereof shall, from and after said due date, bear interest at the rate of interest applicable to the underpayment of State income taxes set by the Commissioner of Taxation and Finance pursuant to Tax Law §697 until paid, time being of the absolute essence to this obligation.

6.03 *Covenant by the Authority.* The Authority covenants to pay to the State any amount remaining in its possession of the amounts paid to it pursuant to this Agreement and the Payment Agreement after the termination of this Agreement and after all of the Authority's obligations, expenses (including all Authority Expenses) and liabilities or potential liabilities incurred by reason of this Agreement and the Payment Agreement have been paid or provision made therefor.

6.04 *Authority to be Reimbursed.* It is the intention of the parties to this Agreement that the Authority be paid in full for all necessary costs and expenses, including the Authority Expenses, which it incurs in connection with Projects and the financing of Project Disbursements and that the Authority shall incur no obligation or duties other than those specified in this Agreement with respect to such Projects.

6.05 *Events of Default by the State and Remedies.*

(a) If, for any reason other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail for a period of five (5) business days to pay when due any Cooperative Agreement Payments provided for in Section 6.02, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Authority shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or 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.

(b) The remedies conferred upon or reserved to the Authority under Section 6.05(a) in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies, including the remedies of the Authority under the Resolution 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 Agreement or the Payment Agreement, nor may they include any amendment, change, modification or alteration of the Agreement that is prohibited by the Resolution and Section 7.03 hereof.

6.06 *Limitation of the Authority Liability for Bonds.* The revenues, facilities, properties and any and all other assets of the Authority of any name and nature which are related to or are a part of the Authority's operation of the "thruway system," as defined in Public Authorities Law §351, may not be used for, or as a result of any court proceeding or otherwise applied to, the payment of Bonds, any redemption premium therefor or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

ARTICLE VII. MISCELLANEOUS

7.01 *Mutual Obligations.* It is intended and the Department expressly covenants and agrees that the Authority is not and shall not be required to expend any money or do any acts or take any steps affecting or with respect to the maintenance, preservation, repair, restoration, reconstruction or protection of the Projects or any parts thereof. The Authority agrees that the amounts certified in the Chairperson's Certificate shall be net of the Authority's estimate of investment earnings available therefor on moneys on deposit in the Funds and accounts established under the Resolution.

7.02 *Parties of Interest.* Nothing in this Agreement or any Supplemental Agreement or Supplemental Schedules expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto, the Trustee and the holders of Bonds any right, remedy or claim, legal or equitable, under or by reason of this Agreement or any Supplemental Agreement or Supplemental Schedules being intended to be and being for the sole and exclusive benefit of the parties hereto, the Trustee and the holders from time to time of Bonds.

7.03 *Reserved Right of Amendment.* As provided in §385(6) of the Act, the Department and the Authority reserve the right to amend, modify or rescind this Agreement or any Supplemental Agreement in any manner; provided that no such amendment, modification or revision shall materially adversely affect the interests of the Holders of Outstanding Bonds. Specifically, and without limiting the generality of the foregoing, this Agreement may be amended or modified (i) to provide for additional payments to the Authority, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution and the Payment Agreement, in connection with the issuance of Bonds, (iii) to cure any ambiguity, or (iv) to correct or supplement any provisions contained in this Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds shall be deemed to be materially adversely affected by an amendment, modification or revision of this Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds or any provider of a Credit Facility or Reserve Credit Facility. The Authority may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds would be materially adversely affected by any amendment, modification or revision, and any such determination shall be binding and conclusive on the Department.

7.04 *Notices.* All notices required to be given or authorized to be given by any party pursuant to this Agreement shall be in writing and may be served personally or sent by registered or certified mail to the main office of the other party or parties, as follows:

To the Authority:

New York State Thruway Authority
200 Southern Boulevard
Post Office Box 189
Albany, New York 12201-0189
Attention: Director of Thruway Finance

To the Department:

New York State Department of Transportation
50 Wolf Road
Albany, New York 12232
Attention: Director of Legal Services Division

7.05 *Approvals.* This Agreement shall not become effective until and unless it is approved by the Comptroller, the Director of the Budget and, as to form, by the Attorney General.

7.06 *Severability.* In case any one or more of the provisions of this Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement, but this Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

7.07 *Headings.* The article and paragraph headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Agreement.

7.08 *Effective Date.* This Agreement shall take effect as of the date first above stated.

(continued next page)

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the day and year first hereinabove set forth.

NEW YORK STATE THRUWAY AUTHORITY

(SEAL)

By: _____

DEPARTMENT OF TRANSPORTATION

(SEAL)

By: _____

APPROVED:

By _____
Director of the Budget

APPROVED AS TO FORM:

APPROVED:

Attorney General

State Comptroller

By: _____

By: _____

INFORMATION CONCERNING THE STATE OF NEW YORK

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

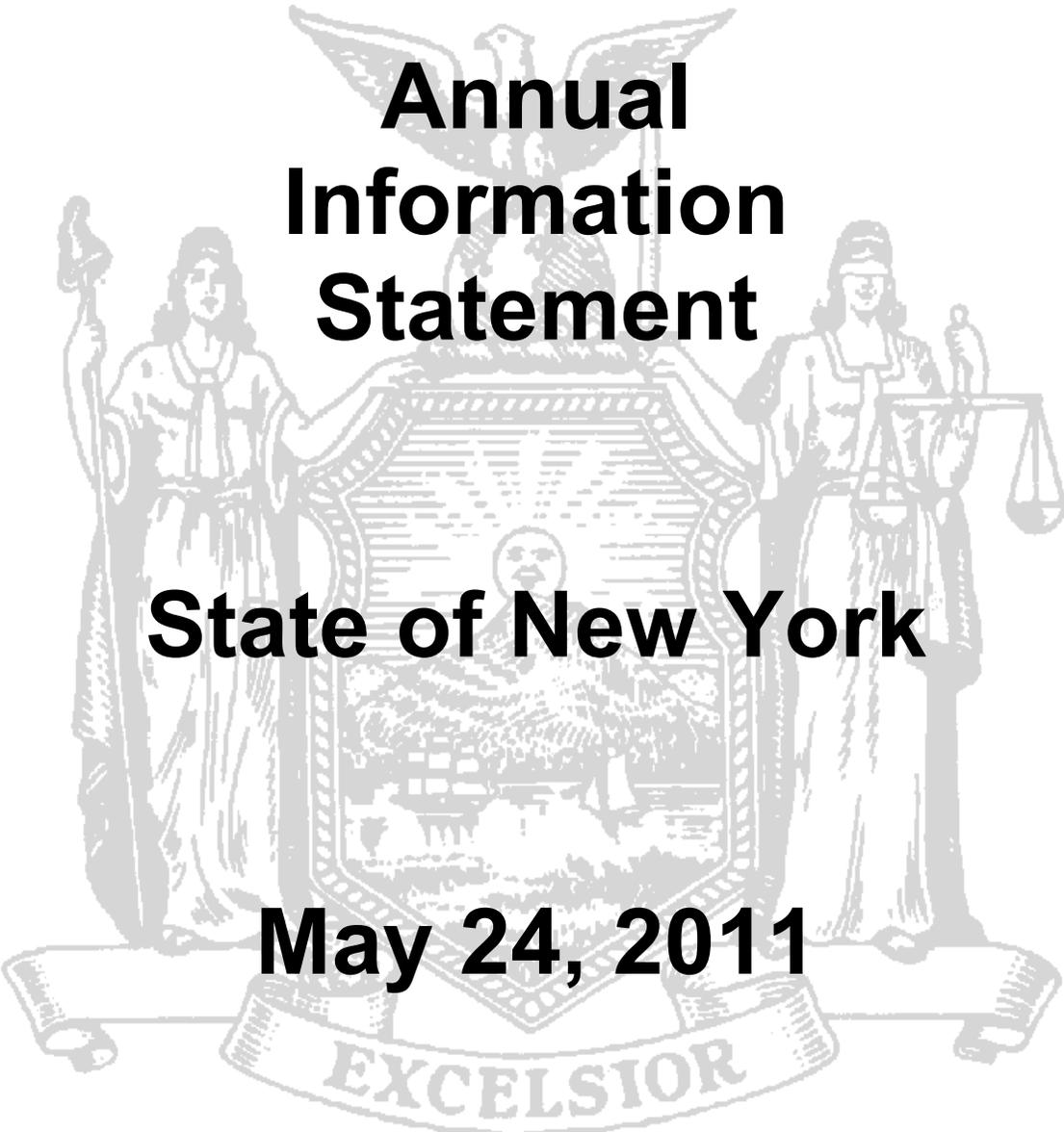
Appendix C contains the Annual Information Statement of the State of New York ("Annual Information Statement" or "AIS"), as updated or supplemented to the date specified therein. The State intends to update and supplement that Annual Information Statement as described therein. It has been supplied by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

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

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2010 were prepared by the State Comptroller in accordance with accounting principles generally accepted in the United States of America and independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 29, 2010 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

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The seal of the State of New York is centered in the background. It features an eagle with wings spread, perched atop a shield. The shield depicts a Native American holding a bow and arrow. The shield is flanked by two female figures: Liberty on the left holding a torch, and Justice on the right holding scales. A banner at the bottom of the shield reads "EXCELSIOR".

**Annual
Information
Statement**

State of New York

May 24, 2011

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**ANNUAL INFORMATION STATEMENT
STATE OF NEW YORK
DATED: MAY 24, 2011**

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INTRODUCTION

This Annual Information Statement (AIS) is dated May 24, 2011 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the State) and replaces the AIS dated September 7, 2010 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in August 2011, November 2011, and February 2012) and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any current updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State's current financial projections, including summaries and extracts from the State's Enacted Budget Financial Plan (the "Enacted Budget Financial Plan" or "Enacted Budget") for fiscal year 2012 ("FY 2012" or "2011-12") issued by the Division of the Budget ("DOB") on May 6, 2011. The Enacted Budget Financial Plan sets forth the State's official Financial Plan projections for FYs 2012 through 2015. It includes, among other things, the major components of the gap-closing plan approved for FY 2012, projected annual spending growth, the magnitude of future potential budget gaps, and detailed information on projected total receipts and disbursements in the State's governmental funds.
2. A discussion of issues and risks that may affect the Financial Plan during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the Financial Plan").
3. Information on other subjects relevant to the State's finances, including summaries of: (a) operating results for the three prior fiscal years, presented on a cash basis of accounting, (b) the State's revised economic forecast and a profile of the State economy, (c) the State's debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.
4. The status of significant litigation and arbitration that has the potential to adversely affect the State's finances.

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

INTRODUCTION

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

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

The State may issue AIS supplements or other disclosure notices to this AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. An electronic copy of this AIS can be accessed through the EMMA at www.emma.msrb.org. An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-7705. OSC issued the Basic Financial Statements for FY 2010 in July 2010. The Basic Financial Statements for FY 2011 are expected to be available in late July 2011. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

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

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

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

BUDGETARY AND ACCOUNTING BACKGROUND

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

THE STATE BUDGET PROCESS

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

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

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

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

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

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

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

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

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

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

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

FINANCIAL PLAN INFORMATION

FISCAL YEAR 2011 (ENDING MARCH 31, 2011) SUMMARY RESULTS

Based on preliminary, unaudited results, the State ended FY 2011 in balance on a cash basis in the General Fund. Receipts, including transfers from other funds, totaled \$54.4 billion, an increase of \$343 million from the last public forecast.¹ Tax receipts exceeded projections by approximately \$150 million, with stronger than expected collections in personal income tax (PIT) and sales taxes, offset in part by lower collections for business taxes. All planned refunds were made according to schedule. Other sources of General Fund receipts (including transfers of fund balances, miscellaneous receipts, and Federal grants) were approximately \$195 million above planned levels. This was due almost exclusively to the transfer of excess balances from certain special revenue funds at the close of the fiscal year.

General Fund disbursements, including transfers to other funds, totaled \$55.4 billion, an increase of \$324 million from the last public forecast. The increase was due in part to the timing of payments that were due and budgeted for the first quarter of FY 2012 but that were made in the final quarter of FY 2011. These previously unanticipated payments included approximately \$154 million for debt service expenses and \$100 million for health care expenses.

The General Fund had a closing balance of \$1.37 billion, consisting of \$1.2 billion in the State's rainy day reserves (\$1.0 billion in the Tax Stabilization Reserve and \$175 million in the Rainy Day Reserve), \$136 million in the Community Projects Fund, \$21 million in the Contingency Reserve, and \$13 million in an undesignated fund balance. The closing balance in the General Fund was \$926 million lower than the closing balance for FY 2010. This reflects the planned use of an undesignated fund balance carried forward from FY 2010 into FY 2011. See "Prior Fiscal Years" herein for more information.

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

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

Before enactment of the FY 2012 budget, the State faced a projected budget gap of \$10 billion, and projected budget gaps in future years of \$14.9 billion in FY 2013, \$17.4 billion in FY 2014, and \$20.9 billion in FY 2015. These budget gaps represented the difference between (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and (b) the expected level of resources to pay for them based on current law.² The gap estimates were based on a number of assumptions and projections developed by DOB in consultation with other State agencies. The assumptions reflected the impact of current statutory provisions on spending growth and tax receipts. Statutory mandates and entitlements, combined with enrollment increases and assumed reductions in Federal grants, accounted for a significant portion of projected base spending increases.

The estimated base gaps reflected, in part, the short-term impact of the recession on State tax receipts and economically-sensitive expenditure programs, the long-term growth in spending commitments, the expiration of the temporary PIT surcharge at the end of calendar year 2011, and the phase-out³ of the Federal stimulus funding for Medicaid, education, and other purposes.

¹ Derived from the "FY 2012 Executive Budget Financial Plan Updated for Governor's Amendments and Forecast Revisions," dated March 3, 2011, as summarized in the Quarterly Update to the FY 2011 AIS dated March 15, 2011.

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

³ Under the Federal American Recovery and Reinvestment Act of 2009 (ARRA), the Federal government increased the matching amount it paid on eligible State Medicaid expenditures from 50 percent to approximately 62 percent. This temporary

EXECUTIVE BUDGET PROPOSAL

The Governor submitted his Executive Budget proposal for FY 2012 on February 1, 2011, and amendments on February 24 and March 1, 2011, as permitted by law. The Governor's Executive Budget proposed measures (the "gap-closing plan") to eliminate the projected General Fund budget gap of \$10 billion in FY 2012, and to reduce the future projected budget gaps to \$2.2 billion in FY 2013, \$2.5 billion in FY 2014, and \$4.4 billion in FY 2015. The Executive Budget proposed savings of approximately \$2.85 billion each for School Aid and Medicaid; \$1.4 billion for State agency operations, including a 10 percent year-to-year reduction in State Operations spending in the General Fund, and corresponding reductions in other funds, where appropriate; and \$1.8 billion for a range of other programs and activities.

ENACTED BUDGET FOR FISCAL YEAR 2012

The Governor and legislative leaders announced general agreement on the outlines of a budget for FY 2012 on March 27, 2011. The Legislature passed the appropriations and accompanying legislation needed to complete the budget on March 31, 2011. Consistent with past practice, the Legislature enacted the annual debt service appropriations without amendment before the start of the fiscal year (on March 16, 2011). On April 11, 2011, the Governor completed his review of all budget bills, finalizing the enactment of the FY 2012 Budget. The following table provides selected projected indicators and measures of the Enacted Budget Financial Plan relative to the prior year and relative to the base budget for FY 2012 (i.e., before reflecting the anticipated impact of the gap-closing actions approved in the Enacted Budget).

FINANCIAL PLAN INFORMATION

ENACTED BUDGET FINANCIAL PLAN AT-A-GLANCE: SELECTED INDICATORS AND MEASURES (millions of dollars)			
	2010-11 Year-End Results ¹	2011-12	
		Before Actions ^{1,2}	Enacted Budget ¹
State Operating Funds Budget			
Size of Budget	\$84,417	\$95,047	\$86,879
Annual Growth	4.7%	12.6%	2.9%
Other Budget Measures			
General Fund (with transfers)	\$55,373 6.1%	\$65,346 18.0%	\$56,932 2.8%
State Funds (Including Capital)	\$90,118 4.7%	\$101,311 12.4%	\$92,804 3.0%
Capital Budget (Federal and State)	\$7,844 10.3%	\$8,273 5.5%	\$7,888 0.6%
Federal Operating	\$42,564 8.8%	\$40,273 -5.4%	\$36,931 -13.2%
All Funds	\$134,825 6.3%	\$143,593 6.5%	\$131,698 -2.3%
All Funds (Including "Off-Budget" Capital)	\$136,261 6.0%	\$145,251 6.6%	\$133,395 -2.1%
All Funds Receipts			
Taxes	\$60,870 5.6%	\$64,538 6.0%	\$64,976 6.7%
Miscellaneous Receipts	\$23,148 -1.7%	\$22,809 -1.5%	\$23,407 1.1%
Federal Grants	\$49,303 8.3%	\$46,753 -5.2%	\$43,305 -12.2%
Total Receipts	\$133,321 5.2%	\$134,100 0.6%	\$131,688 -1.2%
Base Tax Growth/(Decline) ³	2.1%	7.5%	7.5%
Inflation (CPI)	1.4%	1.9%	2.1%
Budget Gaps			
2011-12	N/A	(\$10,001)	0
2012-13	N/A	(\$14,945)	(\$2,379)
2013-14	N/A	(\$17,429)	(\$2,836)
2014-15	N/A	(\$20,903)	(\$4,605)
Total General Fund Reserves	<u>\$1,376</u>	N/A	<u>\$1,737</u>
Rainy Day Reserve Funds	\$1,206	N/A	\$1,306
Reserved for Potential Retroactive Payments ⁴	\$0	N/A	\$346
All Other Reserves	\$170	N/A	\$85
State Workforce (Subject to Direct Executive Control) ⁵	125,787	127,032	126,395
Debt			
Debt Service as % All Funds Receipts	4.6%	4.9%	4.9%
State-Related Debt Outstanding	\$55,674	\$57,855	\$57,939

¹ Spending in State Operating Funds, State Funds, and Federal Operating Funds has been restated to follow the classification of State and Federal special revenue accounts used by the State Comptroller.

² Before spending reductions and other actions to eliminate the projected budget gap.

³ The base tax growth rate for the current year equals current year actual collections, less the incremental values of tax law changes and involuntary collections, divided by actual collections from the prior year.

⁴ The State has set aside funds that are expected to cover the costs of potential retroactive labor settlements with unions that have not agreed to contracts through FY 2011.

⁵ FY 2012 estimate does not reflect layoffs that may be necessary in the absence of negotiated workforce savings.

FINANCIAL PLAN INFORMATION

The gap-closing plan authorized in the Enacted Budget Financial Plan did not differ significantly from the Executive Budget proposal. DOB estimates that the gap-closing plan eliminates the General Fund budget gap of \$10 billion in FY 2012 and reduces the budget gaps to \$2.4 billion in FY 2013, \$2.8 billion in FY 2014, and \$4.6 billion in FY 2015. The following table summarizes the multi-year impact of the gap-closing plan.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS				
SUMMARY OF CHANGES FROM REVISED CURRENT-SERVICES THROUGH ENACTED BUDGET				
(millions of dollars)				
	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
REVISED CURRENT-SERVICES ESTIMATE (BEFORE ACTIONS)	(10,001)	(14,945)	(17,429)	(20,903)
Enacted Budget Actions	10,001	12,566	14,593	16,298
Spending Reductions/Offsets	<u>8,537</u>	<u>11,967</u>	<u>14,302</u>	<u>15,908</u>
<i>Aid to Localities Reductions¹</i>	7,040	10,389	12,707	14,319
<i>State Agency Redesign</i>	1,497	1,578	1,595	1,589
Revenue Enhancements	324	293	91	21
Non-Recurring Resources	860	2	0	0
New Resources/Costs	380	304	200	369
Planned Deposit to Rainy Day Fund	(100)	0	0	0
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AFTER ACTIONS	0	(2,379)	(2,836)	(4,605)

¹ Outyear savings assume Medicaid and School Aid grow at their target rates.

The gap-closing plan authorizes actions to lower General Fund spending by approximately \$8.5 billion in FY 2012 compared to the current-services forecast. The Enacted Budget includes estimated savings of \$2.8 billion for School Aid and \$2.7 billion for Medicaid (including a caseload reestimate); \$1.5 billion for State agency operations; and \$1.5 billion for a range of other programs and activities.

The gap-closing plan anticipates \$324 million in additional revenues associated with specific statutory changes. These changes include modernizing the State's tax system, improving voluntary compliance with tax law, and increasing the level of resources available from the Abandoned Property Fund. The Legislature authorized certain tax modernization initiatives for two years (scheduled to sunset on December 31, 2012).

Non-recurring actions are estimated by DOB to total approximately \$860 million in FY 2012. The actions are expected to be derived from contributions by the State's public authorities, use of fund balances, and maintaining a consistent level of pay-as-you-go (PAYGO) financing for eligible capital expenses (rather than increasing the level in FY 2012, as assumed in the base budget projections).

The Enacted Budget Financial Plan limits the annual growth rates for major programs, including Medicaid and School Aid. The established growth rate for the Department of Health (DOH) Medicaid State Funds spending is limited by law to the ten-year average change in the medical component of the Consumer Price Index (CPI). This is estimated at approximately 4 percent over the plan period. The growth rate for School Aid is limited to the rate of growth in New York State personal income.

The Enacted Budget includes two-year appropriations and changes to law for Medicaid and School Aid to help limit the growth in these programs to the target rates. In Medicaid, the budget grants State officials authority to make certain modifications to the Medicaid program to help maintain spending within the allowable limit. DOB anticipates that most potential modifications that are likely to be considered to constrain Medicaid spending will require the approval of the Federal government. Adherence to the limit is dependent on other factors, including the adoption of voluntary cost-saving

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measures by the health care industry. The new administrative authority granted to State officials to modify the Medicaid program expires after two years; however, the statutory Medicaid spending cap is not scheduled to expire. The Financial Plan projections for all fiscal years assume that Medicaid and School Aid will grow at the capped rates.

PROJECTED CLOSING BALANCES

DOB estimates the State will end FY 2012 with a General Fund balance of \$1.7 billion. The closing balance in the Rainy Day Reserve reflects a planned deposit of \$100 million in FY 2012.

GENERAL FUND ESTIMATED CLOSING BALANCE (millions of dollars)				
	2010-11	Planned Deposit	Planned Uses	2011-12
Projected Year-End Fund Balance	1,376	446	(85)	1,737
Tax Stabilization Reserve Fund	1,031	0	0	1,031
Rainy Day Reserve Fund	175	100	0	275
Contingency Reserve Fund	21	0	0	21
Community Projects Fund	136	0	(85)	51
Prior Year Labor Agreements (2007-2011)	0	346	0	346
Undesignated	13	0	0	13

The closing balance also includes \$346 million identified to cover the costs of potential retroactive labor settlements with unions that have not agreed to contracts through FY 2011. The amount is calculated based on the pattern settlement for FYs 2007 through 2011 agreed to by the State's largest unions for that period. In prior years, this amount has been carried in the annual spending totals. If settlements are reached in FY 2012, the projected fund balance in the General Fund would decline by an amount equal to the cost of the settlements.

The Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor, is expected to disburse \$85 million in FY 2012, reflecting slower than anticipated spending and the repeal, as part of the FY 2012 gap-closing plan, of \$85 million in scheduled General Fund deposits for FY 2012.

ANNUAL SPENDING GROWTH

DOB estimates that State Operating Funds spending will total \$86.9 billion in FY 2012, an increase of \$2.5 billion (2.9 percent) from FY 2011 results. All Governmental Funds spending, which includes capital projects and Federal operating spending, is expected to total \$131.7 billion, a decrease of \$3.1 billion from the prior year. Consistent with recent experience, disbursements in FY 2011 were well below budgeted levels in State Operating Funds and in All Governmental Funds. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in special revenue funds and capital projects funds have been adjusted downward in FY 2012 and thereafter based on typical spending patterns and the observed variance between estimated and actual results over time.

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TOTAL DISBURSEMENTS (millions of dollars)							
	2010-11 Results	2011-12 Base	Before Actions		2011-12 Enacted	After Actions	
			Annual \$ Change	Annual % Change		Annual \$ Change	Annual % Change
State Operating Funds	84,417	95,047	10,630	12.6%	86,879	2,462	2.9%
General Fund (excluding transfers)	49,366	58,591	9,225	18.7%	50,912	1,546	3.1%
Other State Funds	29,373	30,364	991	3.4%	30,050	677	2.3%
Debt Service Funds	5,678	6,092	414	7.3%	5,917	239	4.2%
All Governmental Funds	134,825	143,593	8,768	6.5%	131,698	(3,127)	-2.3%
State Operating Funds	84,417	95,047	10,630	12.6%	86,879	2,462	2.9%
Capital Projects Funds	7,844	8,273	429	5.5%	7,888	44	0.6%
Federal Operating Funds	42,564	40,273	(2,291)	-5.4%	36,931	(5,633)	-13.2%
General Fund, including Transfers	55,373	65,346	9,973	18.0%	56,932	1,559	2.8%
State Funds	90,118	101,311	11,193	12.4%	92,804	2,686	3.0%

The annual spending growth in State Operating Funds is affected by the annual increases in debt service and fringe benefits, which are difficult to control in the short-term due to existing constitutional, statutory and contractual obligations. Together, these costs are projected to increase by nearly \$700 million in FY 2012. Debt service on State-supported debt is projected to increase by \$239 million (4.2 percent) in FY 2012. This includes the payment in FY 2011 of \$154 million in debt service expenses that were not due until the first quarter of FY 2012. Spending on fringe benefits and certain other fixed costs is projected to increase by \$428 million (7.0 percent). Growth in fringe benefits is due to increases in the State's annual contribution to the New York State and Local Retirement System and the cost of providing health insurance for active and retired State employees. Pension costs, including State contributions to SUNY's optional retirement program, are expected to increase by \$200 million (13.6 percent) in FY 2012, even with the amortization (i.e., deferral with interest expense) of contributions in excess of 10.5 percent of payroll in FY 2012. Without amortization, the State contribution to the State pension system in FY 2012 would total approximately \$2.1 billion, or \$635 million above the amount in the Enacted Budget Financial Plan.⁴ See "Other Matters Affecting the Financial Plan - Pension Expenditures (Including Amortization)" herein for more information. The following table summarizes the major sources of annual change in State spending by major program, purpose, and Fund perspective.

⁴ The Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The State amortized \$249 million of its FY 2011 pension bill of \$1.5 billion and paid the balance on March 1, 2011. The amounts assumed to be amortized over the Financial Plan period are \$635 million in FY 2012, \$878 million in FY 2013, \$1.1 billion in FY 2014, and \$1.2 billion in FY 2015.

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STATE SPENDING MEASURES: BEFORE AND AFTER BUDGET ACTIONS (millions of dollars)							
STATE OPERATING FUNDS	2010-11 Results	2011-12 Base	Annual Change Before Actions		2011-12 Enacted	Annual Change After Actions	
			\$	%		\$	%
Local Assistance	55,295	64,509	9,214	16.7%	57,761	2,466	4.5%
School Aid ¹	19,788	22,453	2,665	13.5%	19,686	(102)	-0.5%
Medicaid ²	<u>14,158</u>	<u>19,992</u>	<u>5,834</u>	<u>41.2%</u>	<u>17,567</u>	<u>3,409</u>	<u>24.1%</u>
Department of Health ³	15,887	17,943	2,056	12.9%	15,679	(208)	-1.3%
Enhanced FMAP (DOH Only)	(3,948)	(353)	3,595	-91.1%	(353)	3,595	-91.1%
Mental Hygiene	2,150	2,290	140	6.5%	2,130	(20)	-0.9%
Children and Family Services	69	112	43	62.3%	111	42	60.9%
Transportation	4,254	4,298	44	1.0%	4,236	(18)	-0.4%
STAR	3,234	3,418	184	5.7%	3,293	59	1.8%
Social Services (Non-Medicaid)	2,800	3,302	502	17.9%	3,018	218	7.8%
Higher Education	2,469	2,711	242	9.8%	2,594	125	5.1%
Public Health/Aging	2,015	2,412	397	19.7%	2,121	106	5.3%
Other Education Aid	1,474	1,830	356	24.2%	1,743	269	18.2%
Mental Hygiene (Non-Medicaid)	1,428	1,661	233	16.3%	1,470	42	2.9%
Local Government Assistance	775	1,070	295	38.1%	767	(8)	-1.0%
All Other ⁴	2,900	1,362	(1,538)	-53.0%	1,266	(1,634)	-56.3%
State Operations	17,387	17,908	521	3.0%	16,728	(659)	-3.8%
Personal Service:	<u>12,422</u>	<u>12,485</u>	<u>63</u>	<u>0.5%</u>	<u>11,677</u>	<u>(745)</u>	<u>-6.0%</u>
Executive Agencies	7,163	7,054	(109)	-1.5%	6,511	(652)	-9.1%
University System	3,338	3,457	119	3.6%	3,316	(22)	-0.7%
Judiciary	1,525	1,568	43	2.8%	1,469	(56)	-3.7%
Legislature	174	165	(9)	-5.2%	165	(9)	-5.2%
Department of Law	112	117	5	4.5%	109	(3)	-2.7%
Audit & Control	110	124	14	12.7%	107	(3)	-2.7%
Non-Personal Service	4,965	5,423	458	9.2%	5,051	86	1.7%
Fringe Benefits/Fixed Costs	6,102	6,598	496	8.1%	6,530	428	7.0%
Pensions	1,470	1,672	202	13.7%	1,670	200	13.6%
Health Insurance	3,055	3,409	354	11.6%	3,429	374	12.2%
All Other Fringe Benefits	1,227	1,189	(38)	-3.1%	1,103	(124)	-10.1%
Fixed Costs	350	328	(22)	-6.3%	328	(22)	-6.3%
Debt Service	5,615	6,030	415	7.4%	5,855	240	4.3%
Capital Projects	18	2	(16)	-88.9%	5	(13)	-72.2%
TOTAL STATE OPERATING FUNDS	84,417	95,047	10,630	12.6%	86,879	2,462	2.9%
Capital Projects (State Funded)	5,701	6,264	563	9.9%	5,925	224	3.9%
TOTAL STATE FUNDS	90,118	101,311	11,193	12.4%	92,804	2,686	3.0%
Federal Spending (Including Capital Grants)	44,707	42,282	(2,425)	-5.4%	38,894	(5,813)	-13.0%
TOTAL ALL GOVERNMENTAL FUNDS	134,825	143,593	8,768	6.5%	131,698	(3,127)	-2.3%

¹ Excludes payment deferral. Includes Medicaid spending for School Supportive Health Services in FY2011.

² An additional \$3.6 billion in Medicaid spending for mental hygiene agencies is included in state operations and fringe benefits spending totals.

³ Includes operational costs that support contracts related to the management of the Medicaid program and various activities to ensure appropriate utilization.

⁴ All other includes school aid deferral, local aid spending in a number of other programs, including parks and the environment, economic development, and public safety, and reclassification of money between Financial Plan categories.

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Beginning with the Third Quarterly Update to the FY 2011 AIS, DOB changed its classification of State and Federal special revenue funds to conform to the accounting classifications used by OSC. This means that certain special revenue accounts formerly reported in the State's Financial Plan as Federal Operating Funds have been reclassified to State Operating Funds. This change has the effect of increasing the reported disbursements from State Operating Funds, and reducing reported disbursements from Federal Operating Funds by an equal amount. Accordingly, there is no impact on the State's reported All Governmental Funds spending totals. The impact of the reclassification on prior-year results is summarized in the following table for comparability.

STATE OPERATING FUNDS AS RESTATED (millions of dollars)			
	<u>Before</u> <u>Restatement</u>	<u>Reporting</u> <u>Adjustment</u> ¹	<u>Restated</u>
2005-06	66,240	3,065	69,305
2006-07	73,476	3,031	76,507
2007-08	76,989	3,029	80,018
2008-09	78,166	3,459	81,625
2009-10	76,873	3,786	80,659
2010-11	80,491	3,926	84,417
¹ DOB has reclassified certain special revenue accounts from Federal Operating Funds to State Operating Funds to be consistent with the methodology used by the Office of the State Comptroller.			

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FISCAL YEAR 2012 ENACTED BUDGET GAP-CLOSING PLAN

As noted above, DOB estimates that the Enacted Budget gap-closing plan eliminates the General Fund budget gap of \$10 billion in FY 2012 and reduces the budget gaps to \$2.4 billion in FY 2013, \$2.8 billion in FY 2014, and \$4.6 billion in FY 2015. The following table provides information on the actions and other changes that DOB believes will be sufficient to close the \$10.0 billion budget gap in FY 2012, and the impact these gap-closing actions are projected to have on upcoming fiscal years.

GENERAL FUND GAP-CLOSING PLAN FOR 2011-12 (millions of dollars)				
	2011-12	2012-13	2013-14	2014-15
CURRENT-SERVICES GAP ESTIMATES (BEFORE ACTIONS)	(10,001)	(14,945)	(17,429)	(20,903)
Total Enacted Budget Gap-Closing Plan	10,001	12,566	14,593	16,298
Spending Reductions/Offsets	8,537	11,967	14,302	15,908
Local Assistance	7,040	10,389	12,707	14,319
Medicaid	2,744	4,047	4,875	5,605
Public Health/Aging	52	140	147	154
School Aid	2,767	4,752	6,238	7,133
Lottery Aid	147	158	158	158
School Tax Relief	125	262	262	262
Special Education	98	0	0	0
Higher Education	47	50	51	51
Human Services/Labor/Housing	284	302	310	323
Local Government Aid	325	295	295	295
Mental Hygiene	328	327	317	280
Member Item Fund Deposit Repeal	85	0	0	0
All Other	38	56	54	58
State Agency Redesign	1,497	1,578	1,595	1,589
Revenue Enhancements	324	293	91	21
Tax Modernization/Voluntary Compliance	200	150	0	0
Abandoned Property	110	125	70	55
Prison Closure Tax Credit	0	0	(5)	(60)
All Other	14	18	26	26
Non-Recurring Resources	860	2	0	0
MTA Transaction	200	0	0	0
Debt Management/Capital Financing	200	0	0	0
HCRA Resource Reestimate	155	0	0	0
NYPA/Other Authorities	150	0	0	0
Recoveries	75	0	0	0
Fund Sweeps/Other	80	2	0	0
New Resources/Costs	380	304	200	369
Updated Receipts Forecast	387	455	460	448
Debt Service	154	0	0	0
Health Insurance Conversion	(150)	(25)	0	0
HEAL Capital Plan Reestimate	160	(94)	(160)	0
Native American Cigarette Tax Enforcement	(103)	0	0	0
All Other	(68)	(32)	(100)	(79)
Deposit to Rainy Day Reserve	(100)			
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	0	(2,379)	(2,836)	(4,605)

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The gap-closing plan authorizes actions to lower spending by approximately \$8.5 billion in FY 2012 compared to the current-services forecast. The Enacted Budget includes savings of \$2.8 billion for School Aid and \$2.7 billion for Medicaid; \$1.5 billion for State agency operations; and \$1.5 billion for a range of other programs and activities. Significant actions reflected in the Enacted Budget Financial Plan are described below.

- **Medicaid (\$2.7 billion in savings and reestimates):** The gap-closing plan includes a series of programmatic changes and cost-containment measures that are expected to generate savings in FY 2012, and restrain growth in future years. These include programmatic reforms to Medicaid payments and program structures; the elimination of annual statutory inflation factors for hospitals, nursing homes and home and personal care providers (\$185 million); a 2 percent across-the-board rate reduction or other industry-specific measures (\$345 million); the acceleration of certain payments to take advantage of additional enhanced FMAP payments (\$66 million); and an industry-led effort to generate additional savings (\$640 million). DOB believes that the imposition of an overall cap on spending and administrative flexibility to implement alternative savings will help ensure the cap is not exceeded in FY 2012. In addition, the plan recognizes the impact of slower caseload growth and changes in provider spending patterns (\$475 million). See “Other Matters Affecting the Financial Plan - Budget Risks and Uncertainties” for a discussion of potential implementation risks. The following table summarizes the most significant Medicaid savings actions included in the Enacted Budget Financial Plan.

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SUMMARY OF MEDICAID REDESIGN TEAM SAVINGS ACTIONS				
SAVINGS/(COSTS)				
(millions of dollars)				
	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Total Medicaid Savings Actions	2,744	4,047	4,875	5,605
Non-MRT Medicaid Actions	535	667	867	867
Program Growth Revision	475	650	850	850
Anti-Tobacco Spending Reduction	17	17	17	17
HEAL NY & Stem Cell Spending Reduction	43	0	0	0
Medicaid Redesign Team Savings Actions	2,209	3,380	4,008	4,738
Hospitals/Clinics	267	317	320	290
Reduce Costs by 2 Percent	66	68	68	68
Eliminate Inflationary Rate Increases (2011 and 2012)	28	61	61	61
Implement Health Homes for High-Cost/High-Need Population	33	112	119	95
All Other	140	76	72	66
Managed Care	296	329	339	341
Reduce Profit Margin from 3% to 1%	94	100	100	100
Reduce Costs by 2 Percent (Managed Care/Family Health Plus)	86	89	89	89
Reduce Premium Rate	84	86	86	86
Eliminate Marketing Funding	23	23	23	23
All Other	9	31	41	43
Home Care/Personal Care	256	212	200	196
Reduce Utilization	157	127	88	69
Reduce Costs by 2 Percent	58	60	60	60
Permanently Eliminate Inflationary Rate Increases	27	58	58	58
Establish Supportive Housing Initiative	0	(75)	(75)	(75)
All Other	14	42	69	84
Nursing Home	187	249	253	253
Provider Assessment (2 Percent Reduction Alternative)	70	73	73	73
Permanently Eliminate Inflationary Rate Increases	47	100	100	100
Restructure Reimbursement for Proprietary Homes	44	44	44	44
All Other	26	32	36	36
Pharmaceutical Savings	154	244	245	252
Reduce Costs by 2 Percent	42	43	43	43
Comprehensive Fee for Service Reform	59	92	92	92
All Other	53	109	110	117
All Other	1,049	2,029	2,651	3,406
Contingency Industry Utilization Reduction	640	1,525	2,135	2,693
Enhance Program Integrity	80	160	160	160
Payment Acceleration	66	0	0	0
Non-institutional Services - Reduce Costs by 2 Percent	19	20	20	20
Transportation - Reduce Costs by 2 Percent	4	4	4	4
All Other	240	320	332	529

- **Public Health/Aging (\$52 million):** Limits the Elderly Pharmaceutical Insurance Coverage (EPIC) only to enrollees affected by the Medicare Part D coverage gap; modifies the payment rates, eligibility standards, and operation of the EI program; eliminates reimbursement for optional services provided through the General Public Health Works Program (GPHW); and reduces certain public health and aging programs.
- **School Aid (\$2.8 billion on a State fiscal year basis):** Reduces general School Aid, with low-wealth districts receiving proportionally smaller reductions, and extends the phase-in of Foundation Aid and universal pre-kindergarten (UPK) at the FY 2011 school year levels. Additional savings are expected to be realized in future years by limiting annual School Aid increases to the rate of growth in New York personal income.
- **Lottery Aid (\$147 million):** Enhances the operation of the State's lottery games and video lottery terminal (VLT) facilities (including increased promotion of VLTs and enhancements to Quick Draw and other lottery games) to increase lottery revenues for financing School Aid.
- **STAR (\$125 million):** Caps growth in STAR exemption benefits per qualifying property at 2 percent annually.
- **Education (\$98 million):** Alters the reimbursement schedule for certain special education programs.
- **Human Services/Labor/Housing (\$284 million):**

In the area of the Office of Temporary and Disability Assistance (OTDA), delays by one year a 10 percent increase in the public assistance grant that was scheduled for July 1, 2011; eliminates State participation for New York City's shelter supplement program; and reduces reimbursement to New York City for adult homeless shelter costs. In addition, the Enacted Budget maximizes Federal Temporary Assistance for Needy Families (TANF) funds to pay the full costs for TANF-eligible households on public assistance.

In the area of the Office of Children and Family Services (OCFS), reduces Child Welfare disbursements based on improved program performance data; decreases the State share of the Adoption Subsidy Program from 73.5 to 62 percent; increases the share of Committee on Special Education program costs paid by school districts to better align costs with program responsibility; restructures funding for local detention costs; and eliminates the 1.2 percent Human Services cost of living adjustment (COLA) scheduled for FY 2012.

- **Local Government Aid (\$325 million):** Continues the State's current Aid and Incentives for Municipalities (AIM) policy that excludes payments for New York City, reduces AIM for other municipalities by 2 percent, and reduces other targeted aid provided to municipalities.
- **Mental Hygiene (\$328 million):** Eliminates the planned 1.2 percent Human Services COLA; reforms and restructures Office for Mental Health (OMH), Office for People with Developmental Disabilities (OPWDD), and the Office for Alcoholism and Substance Abuse Services (OASAS) programs; enhances billing and auditing recovery; freezes community bed development and planned program expansion; maintains existing funding levels related to the implementation of the Rockefeller-era drug law reforms and other programs; and delays funding related to pending adult home litigation.

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- **Higher Education (\$47 million):** Reduces State support for the State University of New York (SUNY) and the City University of New York (CUNY) community colleges and reduces the Tuition Assistance Program (TAP) spending by continuing changes to eligibility standards and reducing certain grant awards. Savings will be offset in part by renewal of funding for certain scholarship programs, and new funding to extend TAP awards for students attending certain institutions of higher education not supervised by the State Education Department (SED).
- **Member Item Deposit (\$85 million):** Repeals a planned deposit of \$85 million to the fund that was authorized in the FY 2010 Enacted Budget.

STATE AGENCY REDESIGN

Agency redesign savings are expected to be achieved through several means including, but not limited to, facility closures reflecting excess capacity conditions, operational efficiencies, and wage and benefit changes expected to be negotiated with the State's employee unions. In total, the reductions are expected to provide an estimated \$1.5 billion in savings compared to the current-services forecast (including \$170 million from the Office of Court Administration (OCA)). If the State is unsuccessful in negotiating wage and benefit changes, DOB expects that significant layoffs will be necessary to achieve the State agency savings contained in the Enacted Budget Financial Plan.

To achieve the overall savings target, the gap-closing plan includes year-to-year reductions to State agencies financed from the General Fund, and comparable reductions to the following: health care and mental hygiene institutions, City University Senior Colleges (for parity with SUNY), and the operations of the Department of Transportation (DOT) and the Department of Motor Vehicles (DMV). State agency operations are financed from a number of different appropriations and funds. In some instances, only a portion of an agency's operations were exempt from reduction (e.g., SUNY). Results for FY 2011, subsequent revisions to estimated disbursements in FY 2012, and the ongoing implementation of efficiencies will affect the size of the reductions among agencies. The Legislature, and activities financed with specific dedicated revenues such as tuition, are not included in the reductions.

Implementation of the savings in State agencies may be affected by, among other things, statutory or regulatory constraints, negotiations with State employee unions, and other factors. Accordingly, there can be no assurance that the actual savings will not differ materially and adversely from the Enacted Budget Financial Plan projections.

REVENUE ENHANCEMENTS

The gap-closing plan anticipates \$324 million in additional revenues associated with specific statutory changes. These changes include modernizing the State's tax system, improving voluntary compliance with tax law, and increasing the level of resources available from the Abandoned Property Fund. The Legislature authorized certain tax modernization initiatives that are scheduled to sunset on December 31, 2012.

Tax modernization initiatives are expected to increase the level of PIT returns filed electronically. Electronic filing improves data matching with existing IRS and other data sources, resulting in increased State revenue through denied refunds and more accurate final returns. In addition, the Tax Commissioner is provided discretion to require dedicated bank accounts for sales tax deposits and more frequent filing from sales tax filers who have a poor filing record.

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The Enacted Budget Financial Plan also includes law changes that reduce the dormancy periods on thirteen items that currently fall dormant at either five or six years, to three years. These dormancy periods reflect the length of time a vendor (e.g. a bank) can hold funds before they are deemed abandoned and turned over to the State. Dormancy periods are reduced for demand deposit accounts, lost property, savings accounts, time deposit accounts, and trust funds, among others. Persons are able to retrieve abandoned funds through OSC. In addition, the Enacted Budget Financial Plan assumes additional revenues based on a review of abandoned property resources.

NON-RECURRING RESOURCES

Non-recurring actions are estimated by DOB to total approximately \$860 million in FY 2012. The actions are expected to be derived from, among other things, contributions by the State's public authorities, use of fund balances, and maintaining a consistent level of PAYGO financing for eligible capital expenses (rather than increasing the level in FY 2012 as assumed in the base budget projections).

OTHER RESOURCES

Additional resources were identified during negotiations on the FY 2012 budget that were offset in part by new costs and forecast revisions. Net new resources, which are based on a review of FY 2011 results and other information, are estimated to total \$380 million in FY 2012. The resources include \$387 million in higher projected tax receipts; \$154 million in estimated lower debt service costs from the payment of certain expenses in March 2011; and \$160 million related to grants for capital construction and repair of eligible health care facilities that are expected to be disbursed more slowly than originally anticipated, resulting in lower projected disbursements in FY 2012, but increased spending in future years. New costs reflect changes in the timing of expected proceeds from the conversion of a non-profit health insurer to for-profit status and a reduction to the estimate of tax receipts in FY 2012 related to tax enforcement efforts on Native American lands due to delays related to ongoing litigation.

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OTHER MATTERS AFFECTING THE ENACTED BUDGET FINANCIAL PLAN

GENERAL

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

The Enacted Budget Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: international events in Japan, the Middle East, and elsewhere on consumer confidence, oil supplies and oil prices; Federal statutory and regulatory changes concerning financial sector activities; changes concerning the structure of financial sector bonuses, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments on bonus income and capital gains realizations; and, household deleveraging on consumer spending and State tax collections. See the section on “Economics and Demographics” in this AIS for more detailed information on specific economic risks.

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

BUDGET RISKS AND UNCERTAINTIES

There can be no assurance that the projected outyear budget gaps will not increase materially from the levels currently projected. If this were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In nearly all cases, the ability of the State to implement these actions requires the approval of the Legislature or other entities outside of the control of the Governor.

The Enacted Budget Financial Plan anticipates the use of certain statutory tools to implement the Medicaid cost controls assumed in the gap-closing plan. However, there can be no assurance that these controls will be sufficient to achieve the level of gap-closing savings anticipated in FY 2012 or limit the rate of annual growth in DOH State Funds Medicaid spending to the projected level, which is estimated at approximately 4 percent annually over the plan period. Every 1 percent variance in the annual growth rate would change spending by approximately \$150 million. In addition, savings in FY 2012 and in future years are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, and a collaborative working relationship with health care industry stakeholders.

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

CURRENT CASH-FLOW PROJECTIONS

The General Fund is authorized to borrow resources temporarily from other available funds in the State's Short-Term Investment Pool (STIP) for up to four months, or to the end of the fiscal year, whichever period is shorter. The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller. Available balances include money in the State's governmental funds (labeled "All Funds" in the following table), as well as relatively small amounts of other money belonging to the State.

The General Fund used this authorization to meet certain payment obligations in May, June, September, November, and December 2010, and April 2011. The General Fund is likely to rely on this borrowing authority at times during FY 2012.

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

The projected month-end cash balances for FY 2012 are shown in the following table. The projections assume successful implementation of the gap-closing plan. General Fund cash balances are expected to be relatively low, especially during the first half of the fiscal year.

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

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PROJECTED ALL FUNDS MONTH-END CASH BALANCES			
FISCAL YEAR 2011-12			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April	4,475	4,195	8,670
May	1,098	4,372	5,470
June	489	3,613	4,102
July	1,245	4,454	5,699
August	946	4,830	5,776
September	4,192	2,339	6,531
October	3,023	3,347	6,370
November	1,568	3,661	5,229
December	1,906	2,620	4,526
January	5,645	4,437	10,082
February	5,025	4,776	9,801
March	1,737	2,523	4,260

Source: NYS DOB

PENSION EXPENDITURES (INCLUDING AMORTIZATION)

Part TT of Chapter 57 of the Laws of 2010 (see description on page 113 of this AIS) authorized the State and local governments to elect to defer paying (or “amortize”) a portion of their pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by participating employers in a given fiscal year, but results in higher costs overall. Specifically, the amount of the difference between the actuarial contribution rate and statutory amortization thresholds in a given fiscal year (which were 9.5 percent of payroll for Employees’ Retirement System (ERS) and 17.5 percent for the Police and Fire Retirement System (PFRS) in FY 2011), may be amortized by governmental entities which elect to do so. The statutory threshold for amortization increases by 1 percentage point annually (e.g., from 9.5 percent in FY 2011 to 10.5 percent in FY 2012). Under the amortization program, if the State elects to amortize each year, the State’s minimum ERS pension contribution rate as a percentage of payroll will grow from 10.5 percent in FY 2012 to 13.5 percent in FY 2015. The PFRS minimum contribution rate under the amortization program will be 18.5 percent in FY 2012 and grow to 21.5 percent in FY 2015. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease in the same direction as the actuarial rate by no more than one percentage point for each year. Repayment of the amortized amounts will be made over a ten-year period at an interest rate comparable to taxable fixed income instruments of comparable duration as determined annually by the State Comptroller. For amounts amortized in FY 2011, the State Comptroller set an interest rate of 5 percent.

In March 2011, the State made a pension payment of \$1.078 billion for FY 2011, and amortized \$216 million. In addition, the State’s Office of Court Administration (OCA) made its pension payment of \$179 million, and amortized \$33 million. The \$249 million in total deferred payments will be repaid with interest over the next ten years, beginning in FY 2012. The Enacted Budget Financial Plan assumes that the State and OCA will amortize pension costs, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 5 percent over a 10-year period, beginning in the fiscal year following each deferred payment.

The following table, which summarizes pension contributions and projections for future fiscal years, reflects the “normal costs” of pension contributions as the amount the State would contribute to fund

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pensions before amortization, along with “new amortized amounts” assumed in upcoming years. The repayment costs associated with these amortizations are reflected as the “amortization payment.” Consistent with these amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that: a) the State make “additional contributions” in upcoming fiscal years, above the actuarially required contribution, and b) once all outstanding amortizations are paid off, that additional contributions will be set aside as “reserves for rate increases”, to be invested by the State Comptroller and used to offset future year rate increases. Projections in the table below are based on certain assumptions about actuarial factors on investment earnings and benefits to be paid, and actual results may vary from the projections provided below.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM* PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS (millions of dollars)							
Fiscal Year	Normal Costs**	New Amortized Amounts	Amortization Payment	Additional Contributions	Total	Reserves for Rate Increases	Plus Interest at 5%
2010-11 Actual	1,552.4	(249.0)	0.0	0.0	1,303.4	0.0	0.0
2011-12 Projected	2,105.9	(634.6)	32.4	0.0	1,503.7	0.0	0.0
2012-13 Projected	2,454.0	(877.8)	114.7	0.0	1,690.9	0.0	0.0
2013-14 Projected	2,832.9	(1,118.7)	228.7	0.0	1,942.9	0.0	0.0
2014-15 Projected	3,088.3	(1,221.2)	373.6	0.0	2,240.7	0.0	0.0
2015-16 Projected	2,734.1	(759.0)	532.2	0.0	2,507.3	0.0	0.0
2016-17 Projected	2,480.4	(414.0)	630.5	0.0	2,696.9	0.0	0.0
2017-18 Projected	2,393.0	(143.8)	684.1	0.0	2,933.3	0.0	0.0
2018-19 Projected	2,360.4	0.0	684.1	80.5	3,125.0	0.0	0.0
2019-20 Projected	2,082.1	0.0	656.0	321.6	3,059.8	0.0	0.0
2020-21 Projected	1,662.1	0.0	545.2	699.9	2,907.2	0.0	0.0
2021-22 Projected	1,104.1	0.0	347.2	1,182.4	2,633.7	0.0	0.0
2022-23 Projected	1,036.3	0.0	23.5	1,168.0	2,227.8	1,136.3	1,193.1
2023-24 Projected	1,005.9	0.0	0.0	1,109.4	2,115.3	2,245.7	2,417.7
2024-25 Projected	993.1	0.0	0.0	1,025.7	2,018.8	3,271.4	3,615.5
2025-26 Projected	957.0	0.0	0.0	957.8	1,914.8	4,229.2	4,802.0

Source: NYS DOB
 *Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this AIS include these costs.
 Pension contribution values include the State's Office of Court Administration (OCA)
 **Includes amortization payments from amortizations prior to FY 2011.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

Substantially all of the State's employees become eligible for post-retirement benefits if they reach retirement while working for the State. In accordance with the Governmental Accounting Standards Board Statement 45 (GASBS 45), the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2010, the Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation (after adjusting for amounts previously required).

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As reported in the State's Basic Financial Statements for FY 2010, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008, with results projected to April 1, 2009 for the fiscal year ended March 31, 2010. The valuation calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2010 at \$55.9 billion (\$46.3 billion for the State and \$9.6 billion for SUNY). This was determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The net OPEB liability for FY 2010 totaled \$3.3 billion (\$2.7 billion for the State and \$0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was \$2.1 billion (\$1.7 billion for the State and \$0.4 billion for SUNY) above the payments for retiree costs made by the State in FY 2010. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's then positive net asset condition at the end of FY 2010 by \$2.1 billion.

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs. The updated calculation shows the present value of the actuarially accrued total liability for benefits at \$60.2 billion (\$50.1 billion for the State and \$10.1 billion for SUNY). The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for FY 2011. In future updates to this calculation, DOB expects the estimate of OPEB costs to increase substantially. The causes of this anticipated increase include: higher assumed increases in the cost of health care, implementation of the Federal Patient Protection and Affordable Care Act, and decreased interest rates.

GASBS 45 does not require the additional costs to be funded on the State's budgetary basis, and no increased funding is assumed for this purpose in the Enacted Budget Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis. The following table summarizes the actual budgeted and projected payments for health insurance in the Enacted Budget Financial Plan.

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)			
Year	Active Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Actual)	1,639	1,068	2,707
2009-10 (Actual)	1,609	1,072	2,681
2010-11 (Actual)	1,834	1,221	3,055
2011-12 (Projected)	2,144	1,285	3,429
2012-13 (Projected)	2,367	1,418	3,785
2013-14 (Projected)	2,575	1,543	4,118

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

As noted, there is no provision in the Enacted Budget Financial Plan to pre-fund the OPEB liability. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations (GOER), Civil Service, and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees, and other outside parties. However, it is not expected that the State will alter its planned funding practices, in light of existing fiscal circumstances.

DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 limits outstanding State-supported debt to no greater than 4 percent of New York State personal income, and debt service on State-supported debt to no greater than 5 percent of All Governmental Funds receipts. The limits apply to all State-supported debt issued on or after April 1, 2000. The State estimates that \$32.8 billion of State-supported debt outstanding was subject to the limit as of March 31, 2011, which is equal to approximately 3.5 percent of personal income. Debt service subject to the limit will be approximately \$3.1 billion, equal to 2.4 percent of All Governmental Funds receipts.

Based on the updated forecast, debt outstanding and debt service costs over the Financial Plan period are expected to remain below the limits imposed by the Debt Reform Act. However, the available room under the debt outstanding cap is expected to decline from \$5.0 billion in FY 2011 to approximately \$1.1 billion in FY 2013 and FY 2014. The estimates do not include the potential impact of new capital spending that may be authorized in future budgets, or efforts to curtail existing bonded programs. The debt reform projections are sensitive to changes in State personal income levels. Measures to adjust capital spending and debt financing practices are expected to continue to be needed for the State to stay in compliance with the statutory limit on debt outstanding. The table below reflects the State's estimated and projected available debt capacity (after factoring in the SUNY transaction described below, which would add \$152 million to the State's outstanding debt), and other adjustments, such as changes to projected bond-financed capital spending and to estimated growth in State personal income over the plan period.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap \$	Debt Outstanding Since April 1, 2000	\$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
2010-11	946,054	4.00%	37,842	32,824	5,018	3.47%	0.53%	18,808	51,632
2011-12	990,586	4.00%	39,623	37,080	2,543	3.74%	0.26%	17,196	54,276
2012-13	1,026,944	4.00%	41,078	39,909	1,169	3.89%	0.11%	15,605	55,513
2013-14	1,079,719	4.00%	43,189	42,119	1,070	3.90%	0.10%	14,011	56,130
2014-15	1,137,630	4.00%	45,505	43,810	1,695	3.85%	0.15%	12,417	56,227
2015-16	1,197,873	4.00%	47,915	45,259	2,656	3.78%	0.22%	10,880	56,139

SUNY ACQUISITION OF LONG ISLAND COLLEGE HOSPITAL (LICH) AND ASSUMPTION OF DEBT

SUNY is expected to take possession of LICH, a 500-licensed-bed facility located in Brooklyn, New York by May 29, 2011. The operations of LICH are expected to be merged into those of SUNY's Downstate Medical Center. As part of the transaction, which has been approved by the State Comptroller, DOB, and the Attorney General, SUNY will assume outstanding LICH debt of \$152 million. Annual debt service on this debt is expected to total approximately \$17 million. Based on the structure of the transaction, once the debt is assumed by the State it will be classified as State-supported debt and subject to the State's statutory debt limits.

FINANCIAL PLAN INFORMATION

BOND MARKET

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

LITIGATION

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such litigation may not meet the materiality threshold (or a determination of materiality is not possible to make at this time) to warrant individual description in this AIS but, in the aggregate, could still adversely affect the State's Enacted Budget Financial Plan. See "Litigation and Arbitration" herein.

FEDERAL FUNDING

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. The Enacted Budget Financial Plan assumes relatively stable levels of Federal aid over the forecast period. Changes in Federal funding levels could have a materially adverse impact on the Enacted Budget Financial Plan.

The Enacted Budget Financial Plan may be adversely affected by actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. The Federal Centers for Medicare and Medicaid Services (CMS) has engaged the State regarding claims for services provided to individuals in developmental centers operated by OPWDD. Although no official audit has commenced and the rates paid for these services are established in full accordance with the methodology set forth in the approved State Plan, adverse action by CMS relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program. The State has begun the process of seeking CMS approval to proceed with the development of a new demonstration waiver to create a contemporary and sustainable system of service funding and delivery for individuals with developmental disabilities. In addition, the Enacted Budget Financial Plan assumes a Medicaid rate increase in FY 2012 to cover the cost of continuing to provide services to individuals residing in State Development Centers. This increase is primarily attributable to a volume adjustment related to the State's on-going efforts to move individuals with developmental disabilities into more individualized community-based residential settings. An adverse decision regarding this rate increase would jeopardize approximately \$150 million in Federal Financial Participation currently assumed in the Enacted Budget Financial Plan.

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a “health care conversion”), subject to a number of terms, conditions, and approvals. Under State law, the State must use the proceeds from a health care company conversion for health-care-related expenses included in the HCRA account. For planning purposes, the Enacted Budget Financial Plan assumes no proceeds from a health care conversion in FY 2012, but counts on proceeds of approximately \$250 million annually in future years of the plan, which would be deposited into HCRA. If a conversion does not occur on the timetable or at the levels assumed in the Enacted Budget Financial Plan, the State would be required to take other actions to increase available resources or to reduce planned spending to fund projected HCRA disbursements.

LABOR SETTLEMENTS

The Enacted Budget Financial Plan for FY 2012 includes a reserve of \$346 million to cover the costs of a pattern settlement with all unions that have not agreed to contracts for FY 2008 through FY 2011. The pattern is based on the terms agreed to by the State’s largest unions for this period. There can be no assurance that actual settlements, some of which are subject to binding arbitration, will not exceed the amounts included in the Enacted Budget Financial Plan. An additional risk is the potential cost of salary increases for judges which could occur in FY 2013 and beyond as a result of the actions of a statutorily authorized judicial compensation commission. The Enacted Budget Financial Plan does not include any costs for potential general wage increases after the current labor agreements expire or for salary increases for judges.

FINANCIAL PLAN PROJECTIONS

FISCAL YEARS 2012 THROUGH 2015

INTRODUCTION

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2012 Enacted Budget actions. The projections cover the period for FYs 2012 through 2015, with an emphasis on the FY 2012 projections.

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

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The latter perspective reflects overall estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends and forecast assumptions, by factoring out the distorting effects of earmarking.
- **Disbursements:** Over 40 percent of projected State-financed spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, School Aid, higher education, transportation and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis. The projections for School Aid and Medicaid reflect the FY 2012 Enacted Budget spending limitations, as described earlier.

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

SUMMARY

DOB estimates that the Enacted Budget provides for a balanced General Fund Financial Plan in FY 2012 and leaves projected gaps that total approximately \$2.4 billion in FY 2013, \$2.8 billion in FY 2014, and \$4.6 billion in FY 2015. The projected net operating shortfalls in State Operating Funds are projected at \$1.8 billion in FY 2013, \$2.1 billion in FY 2014, and \$3.8 billion in FY 2015.

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

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

GENERAL FUND PROJECTIONS

MULTI-YEAR GENERAL FUND PROJECTIONS					
(millions of dollars)					
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Receipts					
Taxes (After Debt Service)	49,529	53,137	53,893	56,705	58,201
Miscellaneous Receipts/Federal Grants	3,149	3,158	2,977	2,556	2,126
Other Transfers	1,769	998	772	615	610
Total Receipts	<u>54,447</u>	<u>57,293</u>	<u>57,642</u>	<u>59,876</u>	<u>60,937</u>
Disbursements					
Local Assistance Grants	37,206	38,888	40,115	41,996	43,734
School Aid	16,645	16,802	17,197	18,030	18,876
Other Education Aid	1,459	1,732	1,904	1,993	2,060
Higher Education	2,448	2,578	2,715	2,804	2,891
Medicaid (incl. administration)	7,478	10,236	10,456	11,009	11,458
Public Health/Aging	765	852	891	881	886
Mental Hygiene	2,239	1,881	1,978	2,161	2,280
Social Services	2,859	3,117	3,441	3,721	3,885
Local Government Assistance	776	767	797	787	787
All Other ¹	2,537	923	736	610	611
State Operations	7,973	7,356	7,951	7,915	8,210
Personal Service	6,151	5,560	5,773	5,879	6,047
Non-Personal Service	1,822	1,796	2,178	2,036	2,163
General State Charges	4,187	4,668	5,126	5,499	5,660
Pensions	1,470	1,670	1,857	2,113	2,411
Health Insurance (Active Employees)	1,834	2,144	2,367	2,575	2,592
Health Insurance (Retired Employees)	1,221	1,285	1,418	1,543	1,553
All Other	(338)	(431)	(516)	(732)	(896)
Transfers to Other Funds	6,007	6,020	6,738	7,160	7,796
State Share Medicaid	2,497	3,032	3,119	3,082	3,082
Debt Service	1,737	1,449	1,712	1,658	1,566
Capital Projects	932	800	1,168	1,361	1,456
SUNY- Hospital Medicaid	207	200	200	200	200
Judiciary Funds	131	119	119	121	123
Banking Services	74	55	55	55	55
Financial Management System	5	42	55	55	55
Indigent Legal Services	45	40	40	40	40
Mental Hygiene	0	0	0	317	869
All Other	379	283	270	271	350
Total Disbursements	<u>55,373</u>	<u>56,932</u>	<u>59,930</u>	<u>62,570</u>	<u>65,400</u>
Change in Reserves					
Prior-Year Labor Agreements (2007-11)	(926)	361	91	142	142
Community Projects Fund	0	346	142	142	142
Rainy Day Fund	40	(85)	(51)		
Rainy Day Fund	0	100			
Reserved for Deferred Payments	(906)				
Reserved for Debt Management	(60)				
Budget Surplus/(Gap) Before Actions	<u>0</u>	<u>0</u>	<u>(2,379)</u>	<u>(2,836)</u>	<u>(4,605)</u>

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts:					
Taxes	59,532	63,615	64,901	68,139	70,093
Personal Income Tax	36,209	39,059	39,210	41,440	43,189
User Taxes and Fees	13,608	14,059	14,510	14,976	15,464
Business Taxes	6,657	7,544	8,024	8,338	7,828
Other Taxes	3,058	2,953	3,157	3,385	3,612
Miscellaneous Receipts/Federal Grants	19,260	19,399	20,126	20,135	19,982
Total Receipts	78,792	83,014	85,027	88,274	90,075
Disbursements:					
Local Assistance Grants	55,295	57,761	59,893	62,387	64,750
School Aid	19,788	19,686	20,250	21,151	22,018
STAR	3,234	3,293	3,322	3,510	3,693
Other Education Aid	1,474	1,744	1,912	2,000	2,067
Higher Education	2,470	2,594	2,715	2,804	2,891
Medicaid (DOH incl. administration)	11,915	15,280	15,894	16,531	17,192
Public Health/Aging	2,015	2,121	2,139	2,174	2,216
Mental Hygiene	3,578	3,601	3,853	4,169	4,370
Social Services	2,869	3,129	3,452	3,722	3,886
Transportation	4,254	4,236	4,325	4,405	4,495
Local Government Assistance	776	767	797	787	787
All Other ¹	2,922	1,310	1,234	1,134	1,135
State Operations	17,387	16,728	17,545	17,708	18,194
Personal Service	12,422	11,677	11,971	12,174	12,468
Non-Personal Service	4,965	5,051	5,574	5,534	5,726
General State Charges	6,102	6,530	7,125	7,644	7,990
Pensions	1,470	1,670	1,857	2,113	2,411
Health Insurance (Active Employees)	1,834	2,144	2,367	2,575	2,592
Health Insurance (Retired Employees)	1,221	1,285	1,418	1,543	1,553
All Other	1,577	1,431	1,483	1,413	1,434
Debt Service	5,615	5,855	6,332	6,498	6,551
Capital Projects	18	5	5	5	5
Total Disbursements	84,417	86,879	90,900	94,242	97,490
Net Other Financing Sources/(Uses)	4,784	4,431	4,091	3,892	3,581
Net Operating Surplus/(Deficit)	(841)	566	(1,782)	(2,076)	(3,834)
Reconciliation to General Fund Gap:					
Designated Fund Balances	841	(566)	(597)	(760)	(771)
General Fund	926	(361)	(91)	(142)	(142)
Special Revenue Funds	(42)	(85)	(404)	(512)	(483)
Debt Service Funds	(43)	(120)	(102)	(106)	(146)
General Fund Budget Gap	0	0	(2,379)	(2,836)	(4,605)

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

FISCAL YEAR 2012 OVERVIEW

RECEIPTS

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

Tax receipts are expected to grow at an average annual rate of approximately 4.2 percent over the multi-year Financial Plan. The tax forecast reflects the sunset of the PIT surcharge after tax year 2011, and an expected continuation of modest economic growth in the New York State economy.

OVERVIEW OF THE RECEIPTS FORECAST

- During the first calendar quarter of 2011 New York's recovery continued to gather momentum, with employment and wages registering their fourth and fifth consecutive quarters of growth, respectively. As a result of this growth and accompanying changes in consumer spending and corporate profits, receipts are expected to grow for the second consecutive year in FY 2012.
- After declining 12.3 percent in FY 2010, base receipts adjusted for tax law changes, grew by 2.1 percent in FY 2011 and are expected to increase by 7.5 percent in FY 2012.
- Corporate profits are expected to record a second consecutive year of growth in calendar year 2011, albeit at a reduced rate compared to 2010. This is expected to translate into continued growth in business tax receipts in FY 2012.
- Both the PIT settlement for tax year 2010 and first quarter 2011 financial sector bonus payments surpassed expectations (compared to the State's last public Financial Plan) and provide the basis for 2011 PIT liability growth of 7.2 percent. A portion of the PIT settlement appears related to the impact of capital gains realized during late 2010 in anticipation of the end of preferential Federal tax rates. This is likely a one-time benefit to revenue results. These lower rates were ultimately extended, but not until December 7, 2010.
- After a decline of 1.6 percent in FY 2010, consumer spending on taxable goods and services rose 7.5 percent in FY 2011 and is estimated to rise 5.4 percent in FY 2012.
- The volatility in oil prices due to the situation in some oil-exporting countries presents a downside risk to the receipts forecast. The uncertainty surrounding fuel prices over the near-term horizon could result in slower receipts growth than anticipated.
- While receipts growth has improved, results to date reflect growth compared to the weak receipts base of the past three fiscal years.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

The table below summarizes the receipts projections for FY 2012 and FY 2013.

TOTAL RECEIPTS (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund	54,448	57,293	2,845	5.2%	57,642	349	0.6%
Taxes	39,205	42,237	3,032	7.7%	43,009	772	1.8%
Miscellaneous Receipts	3,095	3,098	3	0.1%	2,917	(181)	-5.8%
Federal Grants	55	60	5	9.1%	60	0	0.0%
Transfers	12,093	11,898	(195)	-1.6%	11,656	(242)	-2.0%
State Funds	83,981	88,396	4,415	5.3%	90,109	1,713	1.9%
Taxes	60,870	64,976	4,106	6.7%	66,293	1,317	2.0%
Miscellaneous Receipts	22,993	23,275	282	1.2%	23,671	396	1.7%
Federal Grants	118	145	27	22.9%	145	0	0.0%
All Funds	133,322	131,688	(1,634)	-1.2%	129,768	(1,920)	-1.5%
Taxes	60,870	64,976	4,106	6.7%	66,293	1,317	2.0%
Miscellaneous Receipts	23,147	23,407	260	1.1%	23,802	395	1.7%
Federal Grants	49,305	43,305	(6,000)	-12.2%	39,673	(3,632)	-8.4%

Base growth in tax receipts of 7.5 percent is estimated for FY 2012, after adjusting for law changes, and is projected to be 7.2 percent in FY 2013. These projected increases in overall base growth in tax receipts are dependent on many factors, including: continued growth in a broad range of economic activities; improving profitability and compensation gains, particularly among financial services companies; recovery in the overall real estate market, particularly the residential market; and increases in consumer spending as a result of wage and employment gains.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund¹	23,894	26,001	2,107	8.8%	26,085	84	0.3%
Gross Collections	44,002	46,901	2,899	6.6%	47,417	516	1.1%
Refunds/Offsets	(7,793)	(7,842)	(49)	0.6%	(8,207)	(365)	4.7%
STAR	(3,263)	(3,292)	(29)	0.9%	(3,322)	(30)	0.9%
RBTF	(9,052)	(9,766)	(714)	7.9%	(9,803)	(37)	0.4%
State Funds	36,209	39,059	2,850	7.9%	39,210	151	0.4%
Gross Collections	44,002	46,901	2,899	6.6%	47,417	516	1.1%
Refunds/Offsets	(7,793)	(7,842)	(49)	0.6%	(8,207)	(365)	4.7%

¹ Excludes Transfers.

PIT receipts for FY 2012 are projected to be \$39.1 billion, an increase of \$2.9 billion, or 7.9 percent above FY 2011. This increase reflects stronger growth in extension payments for tax year 2010 (\$1.2 billion), stronger growth in estimated payments for tax year 2011 (\$944 million) and higher FY 2011 refunds caused by the deferral of \$500 million of planned FY 2010 refunds into FY 2011. Withholding, the largest component of PIT is also projected to be 1.8 percent (\$562 million) higher than FY 2011, reflecting a combination of moderate underlying wage growth of 4.0 percent and the expiration of the temporary rate increase at the end of December 2011.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund^{1,2}	8,795	9,105	310	3.5%	9,382	277	3.0%
Sales Tax	8,085	8,380	295	3.6%	8,626	246	2.9%
Cigarette and Tobacco Taxes	480	492	12	2.5%	518	26	5.3%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
State Funds	14,205	14,672	467	3.3%	15,129	457	3.1%
Sales Tax	11,538	11,915	377	3.3%	12,272	357	3.0%
Cigarette and Tobacco Taxes	1,616	1,686	70	4.3%	1,772	86	5.1%
Motor Fuel	516	511	(5)	-1.0%	515	4	0.8%
Highway Use Tax	129	144	15	11.6%	144	0	0.0%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
Taxicab Surcharge	81	81	0	0.0%	81	0	0.0%
Auto Rental Tax	95	102	7	7.4%	107	5	4.9%

¹ Excludes Transfers.

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

User taxes and fees receipts for FY 2012 are estimated to be \$14.7 billion, an increase of \$467 million or 3.3 percent from FY 2011. Sales tax receipts are expected to increase by \$377 million due to base growth of 5.4 percent (\$543 million) and incremental law changes (\$43 million). This increase is offset in part by the sunset of a provision that temporarily eliminated the exemption on the per-item price of clothing (\$120 million) and other adjustments (\$89 million). The exemption on clothing will be \$55 in FY 2012, increasing to \$110 in FY 2013. Non-sales tax user taxes and fees are estimated to increase by \$90 million from FY 2011, mainly due to the full implementation of the cigarette and tobacco tax rate increases as well as assumed part-year enforcement of provisions enacted in FY 2011. Highway use tax receipts are estimated to increase by \$15 million due to additional enforcement efforts, including carrier decal requirements. User taxes and fees receipts for FY 2013 are projected to be \$15.1 billion, an increase of \$457 million, or 3.1 percent from FY 2012. This increase largely reflects an increase in sales tax receipts (\$357 million) and cigarette tax collections (\$86 million).

General Fund user taxes and fees receipts are expected to total \$9.1 billion in FY 2012, an increase of \$310 million or 3.5 percent from FY 2011. The increase largely reflects an increase in sales tax receipts (\$295 million) and cigarette and tobacco tax collections (\$12 million).

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund	5,278	6,101	823	15.6%	6,456	355	5.8%
Corporate Franchise Tax	2,472	3,047	575	23.3%	3,178	131	4.3%
Corporation & Utilities Tax	616	681	65	10.6%	750	69	10.1%
Insurance Tax	1,217	1,266	49	4.0%	1,318	52	4.1%
Bank Tax	973	1,107	134	13.8%	1,210	103	9.3%
State Funds	7,278	8,173	895	12.3%	8,677	504	6.2%
Corporate Franchise Tax	2,846	3,463	617	21.7%	3,698	235	6.8%
Corporation & Utilities Tax	813	892	79	9.7%	964	72	8.1%
Insurance Tax	1,351	1,395	44	3.3%	1,451	56	4.0%
Bank Tax	1,178	1,317	139	11.8%	1,414	97	7.4%
Petroleum Business Tax	1,090	1,106	16	1.5%	1,150	44	4.0%

Business tax receipts for FY 2012 are estimated at \$8.2 billion, an increase of \$895 million, or 12.3 percent from the prior year. The estimates reflect base growth across all taxes from an improving economy as well as an incremental increase of \$323 million from the deferral of certain tax credits that was part of the FY 2011 Enacted Budget. Adjusted for this deferral, growth is 7.8 percent.

The annual increase in the corporate franchise tax of \$617 million is attributable to the incremental increase of \$323 million from the tax credit deferral as well as continued growth in corporate profits. Corporate profits are expected to grow 7.0 percent in calendar year 2011. Higher audit receipts and lower refunds also contribute to growth in FY 2012. Corporate franchise tax growth adjusted for the credit deferral is 10.3 percent for FY 2012. Both the corporation and utilities tax and the insurance tax are expected to return to trend growth in FY 2012 after declines of 14.7 percent and 9.4 percent, respectively, in FY 2011. The economic downturn and several unusual items in the corporation and utilities tax in FY 2011 (e.g. a Tax Tribunal decision that resulted in a FY 2011 refund of \$37 million) contributed to the year-over-year decline in these two taxes. The bank tax is estimated to grow 11.8 percent in FY 2012, consistent with the expected improvement in economic conditions and the credit markets.

Business tax receipts for FY 2013 of \$8.7 billion are projected to increase \$504 million, or 6.2 percent over the prior year reflecting growth across all business taxes.

General Fund business tax receipts for FY 2012 of \$6.1 billion are estimated to increase by \$823 million, or 15.6 percent above FY 2011 results. Business tax receipts deposited to the General Fund reflect the All Funds trends, and policy changes discussed above. General Fund business tax receipts for FY 2013 of \$6.5 billion are projected to increase \$355 million, or 5.8 percent from the prior year.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

OTHER TAXES

OTHER TAXES (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund¹	1,237	1,030	(207)	-16.7%	1,085	55	5.3%
Estate Tax	1,218	1,015	(203)	-16.7%	1,070	55	5.4%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Pari-Mutuel Taxes	17	14	(3)	-17.6%	14	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State Funds	1,817	1,650	(167)	-9.2%	1,775	125	7.6%
Estate Tax	1,218	1,015	(203)	-16.7%	1,070	55	5.4%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Real Estate Transfer Tax	580	620	40	6.9%	690	70	11.3%
Pari-Mutuel Taxes	17	14	(3)	-17.6%	14	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

¹ Excludes Transfers.

Other tax receipts for FY 2012 are estimated to be \$1.7 billion, a decrease of \$167 million or 9.2 percent from FY 2011. This reflects a decline of \$203 million (16.7 percent) in estate tax receipts and \$3 million (17.6 percent) in the pari-mutuel tax as a result of atypically large estate payments in FY 2011 and the closure of NYC Off Track Betting in December 2010, respectively. This decline is partially offset by growth of \$40 million (6.9 percent) in the real estate transfer tax as a result of strong commercial activity and improving vacancy rates in New York City. Other tax receipts for FY 2013 are projected to be nearly \$1.8 billion, an increase of \$125 million or 7.6 percent from FY 2012. This reflects modest growth in the real estate transfer tax and estate tax receipts.

Other tax receipts in the General Fund are expected to be \$1.0 billion in FY 2012, a decrease of \$207 million or 16.7 percent from FY 2011. This reflects the declines in the estate tax and pari-mutuel taxes noted above. In FY 2013, other tax receipts in the General Fund are expected to total approximately \$1.1 billion. This reflects an increase of \$55 million in estate tax receipts due to a forecast increase in household net worth.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund	3,150	3,158	8	0.3%	2,977	(181)	-5.7%
Miscellaneous Receipts ¹	3,095	3,098	3	0.1%	2,917	(181)	-5.8%
Federal Grants	55	60	5	9.1%	60	0	0.0%
State Funds	23,111	23,420	309	1.3%	23,816	396	1.7%
Miscellaneous Receipts ¹	22,993	23,275	282	1.2%	23,671	396	1.7%
Federal Grants	118	145	27	22.9%	145	0	0.0%
All Funds	72,452	66,712	(5,740)	-7.9%	63,475	(3,237)	-4.9%
Miscellaneous Receipts ¹	23,147	23,407	260	1.1%	23,802	395	1.7%
Federal Grants	49,305	43,305	(6,000)	-12.2%	39,673	(3,632)	-8.4%

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

Miscellaneous receipts include monies received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total \$23.4 billion in FY 2012, an increase of \$260 million from FY 2011, largely driven by growth in SUNY Income Fund revenues (\$375 million), which includes the anticipated acquisition of LICH and the incorporation of its financial activities within SUNY, partially offset by the decline or non-recurrence in other sources of miscellaneous receipts.

All Funds miscellaneous receipts are projected to increase by \$395 million in FY 2013 driven by increases in HCRA resources (\$544 million), SUNY Income Fund revenues (\$238 million) and lottery receipts (\$169 million), partially offset by a projected decline in programs financed with authority bond proceeds, including economic development and health projects (\$331 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, School Aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans for Federal reimbursement to be received in the State fiscal year in which spending occurs. All Funds Federal grants are projected to total \$43.3 billion in FY 2012, a decline of \$6.0 billion from FY 2011, reflecting the phase-out of extraordinary Federal stimulus aid, including enhanced FMAP. The expiration of Federal ARRA aid is the primary contributor to the All Funds Federal grant decline of \$3.6 billion in FY 2013.

General Fund miscellaneous receipts and Federal grants collections are estimated to be nearly \$3.2 billion in FY 2012, on par with FY 2011 results.

General Fund miscellaneous receipts for FY 2013 are projected to decline by \$181 million from the current year, and primarily reflect the loss of certain one-time sweeps and payments expected in FY 2012.

DISBURSEMENTS

General Fund disbursements in FY 2012 are estimated to total \$56.9 billion, an increase of \$1.6 billion (2.8 percent) over preliminary FY 2011 results. With State Operating Funds disbursements for FY 2012 are estimated to total \$86.9 billion, an increase of \$2.5 billion (2.9 percent) over preliminary FY 2011 results.

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

Over the multi-year Financial Plan, spending is expected to increase by an average annual rate of 4.3 percent in the General Fund and 3.7 percent in State Operating Funds. The projections reflect spending at the target growth rates for Medicaid and School Aid, and include a preliminary estimate of the effect of national health care reform on State health care costs. The growth in spending projections reflect an expected return to a lower Federal matching rate for Medicaid expenditures after June 30, 2011, which will increase the share of Medicaid costs that must be financed by State resources, and the expected loss of temporary Federal aid for education.

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

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES					
	Results	Forecast ²			
	2010-11	2011-12	2012-13	2013-14	2014-15
Medicaid					
Medicaid Coverage	4,437,840	4,667,275	4,939,712	5,238,126	5,558,859
Family Health Plus Coverage	400,534	412,958	428,096	443,235	458,374
Child Health Plus Coverage	402,892	420,892	438,892	456,892	474,892
State Takeover of County/NYC Costs (\$ millions) ¹	<u>\$1,839</u>	<u>\$2,386</u>	<u>\$2,930</u>	<u>\$3,513</u>	<u>\$4,186</u>
- Family Health Plus	\$403	\$441	\$481	\$525	\$573
- Medicaid	\$1,436	\$1,945	\$2,449	\$2,988	\$3,613
Education					
School Aid (School Year) (\$000)	\$20,924	\$19,641	\$20,446	\$21,386	\$22,220
Personal Income Growth Index	N/A	N/A	4.1%	4.6%	3.9%
Higher Education					
Public Higher Education Enrollment (FTEs)	574,350	585,837	585,837	591,695	597,612
Tuition Assistance Program Recipients	325,870	329,177	332,011	331,659	331,659
Welfare					
Family Assistance Caseload	374,338	368,666	364,255	360,860	357,728
Single Adult/No Children Caseload	164,832	163,057	160,692	158,866	157,438
Mental Hygiene					
Total: Mental Hygiene Community Beds	<u>86,017</u>	<u>91,361</u>	<u>95,064</u>	<u>96,959</u>	<u>97,837</u>
- OMH Community Beds	34,832	39,399	42,235	43,251	43,371
- OPWDD Community Beds	38,408	39,101	39,857	40,640	41,313
- OASAS Community Beds	12,777	12,861	12,972	13,068	13,153
Prison Population (Corrections)	56,144	56,300	56,300	56,300	56,300
1 Does not reflect 2010-11 results.					
2 Projected by DOB.					

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS					
	Results	Forecast ²			
	2010-11	2011-12	2012-13	2013-14	2014-15
ERS Pension Contribution Rate: ³					
Before Amortization	12.1%	16.7%	18.0%	20.0%	20.9%
After Amortization	9.5%	10.5%	11.5%	12.5%	13.5%
PFRS Pension Contribution Rate:					
Before Amortization	18.3%	22.1%	24.2%	26.4%	27.1%
After Amortization	17.5%	18.5%	19.5%	20.5%	21.5%
Employee/Retiree Health Insurance Growth Rates	13.3%	11.4%	8.5%	8.5%	8.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.9%	14.8%	15.8%	15.7%	15.4%
1 As percent of salary.					
2 Projected by DOB.					

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at \$57.8 billion in FY 2012 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

EDUCATION

SCHOOL AID

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

School Year (July 1 — June 30)

The FY 2012 Enacted Budget provides \$19.6 billion in School Aid for the FY 2012 school year, which results in an annual State aid reduction of nearly \$1.3 billion, or 6.1 percent. Total school spending is primarily financed through a combination of State and local funding and thus, the reduction in State aid represents 2.4 percent of total general fund operating expenditures projected to be made by school districts statewide in the current (FY 2011) school year. Without consideration of Federal Education Jobs Fund allocations made available to school districts in FY 2011, the year-to-year reduction in School Aid is \$675 million or 3.3 percent. This amount represents 1.3 percent of total expenditures by school districts.

The Enacted Budget also includes a two-year appropriation and makes statutory changes to limit future School Aid increases to the rate of growth in New York state personal income. This allowable growth includes spending for new competitive grant programs to reward school districts that demonstrate significant student performance improvements or that undertake long-term structural changes to reduce costs and improve efficiency. Allowable growth also includes increases in expense-based aid programs (e.g., Building Aid, Transportation Aid) under existing statutory provisions. Any remaining amount of allowable growth can be allocated pursuant to a chapter of law for purposes including, but not limited to, additional spending for competitive grants, increases in Foundation Aid or restoration of the Gap Elimination Adjustment.

Under this growth cap, School Aid is projected to increase by an additional \$805 million in FY 2013, and \$940 million in FY 2014. School Aid is projected to reach an annual total of \$22.2 billion in FY 2015.

FOUR-YEAR SCHOOL AID PROJECTION - SCHOOL YEAR BASIS									
(millions of dollars)									
	2010-11	2011-12	Annual \$ Change	2012-13	Annual \$ Change	2013-14	Annual \$ Change	2014-15	Annual \$ Change
Total School Aid	20,924	19,641	(1,283)	20,446	805	21,386	940	22,220	834
Percent Change			-6.1%		4.1%		4.6%		3.9%

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

State Fiscal Year

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

The table below summarizes the multi-year projected funding levels for School Aid on a State fiscal year basis. The total for FY 2011 is restated to exclude a \$2.0 billion aid payment that was deferred from FY 2010.

SCHOOL AID - FISCAL YEAR BASIS (ADJUSTED)									
STATE OPERATING FUNDS									
(millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Total State Funds	19,788	19,686	-1%	20,250	3%	21,151	4%	22,018	4%
General Fund Local Assistance ¹	16,645	16,802	1%	17,197	2%	18,029	5%	18,876	5%
Core Lottery Aid	2,108	2,200	4%	2,217	1%	2,224	0%	2,234	0%
VLT Lottery Aid	912	684	-25%	836	22%	898	7%	908	1%
General Fund Lottery Aid Guarantee	123	0	-100%	0	0%	0	0%	0	0%

¹ General Fund spending in FY 2011 is adjusted to exclude a \$2.06B school aid payment deferred from FY 2010.

State spending for School Aid is projected to total \$19.7 billion in FY 2012. In future years, receipts available to finance School Aid from lottery sales are expected to increase nominally. Increasing receipts from VLTs in FY 2013 and FY 2014 reflect the anticipated opening of a VLT facility at Aqueduct Racetrack by October 2011. In addition to State aid, school districts receive billions of dollars in Federal categorical aid.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2012 are: the basic school property tax exemption for homeowners with income under \$500,000 (59 percent), the enhanced school property tax exemption for senior citizen homeowners with income under \$79,050 (24 percent), and a flat refundable credit and rate reduction for New York City resident personal income taxpayers (17 percent).

STAR									
STATE OPERATING FUNDS SPENDING PROJECTIONS									
(millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
STAR	3,234	3,293	2%	3,322	1%	3,510	6%	3,693	5%
Basic Exemption	1,875	1,933	3%	1,937	0%	2,046	6%	2,162	6%
Enhanced (Seniors)	760	790	4%	792	0%	836	6%	883	6%
New York City PIT	599	570	-5%	593	4%	628	6%	648	3%

The STAR program exempts the first \$30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens receive a \$60,100 exemption. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

The Enacted Budget Financial Plan limits the overall annual increase in a qualifying homeowner's STAR exemption benefit to 2 percent. The multi-year Financial Plan also reflects annual savings from the implementation of an income limitation on STAR benefits, which excludes all homeowners who earn more than \$500,000 a year from receiving the STAR property tax exemption, and reduces the benefit for New York City resident personal income taxpayers with annual income over \$500,000.

OTHER EDUCATION AID

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

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

EDUCATION STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Special Education	924	1,197	30%	1,373	15%	1,456	6%	1,529	5%
Pre-School Special Education	939	870	-7%	922	6%	978	6%	1,036	6%
ARRA Fiscal Stabilization (327)	0	0	-100%	0	0%	0	0%	0	0%
Summer School Programs	208	292	40%	322	10%	343	7%	352	3%
Blind and Deaf	104	35	-66%	129	269%	135	5%	141	4%
All Other Education	550	547	-1%	539	-1%	544	1%	538	-1%
Higher Education Programs	100	86	-14%	86	0%	86	0%	86	0%
Non-Public School Aid	112	107	-4%	104	-3%	104	0%	104	0%
Cultural Education Programs	92	93	1%	93	0%	93	0%	93	0%
Vocational Rehabilitation	91	82	-10%	82	0%	82	0%	82	0%
School Nutrition	35	36	3%	37	3%	37	0%	38	3%
Other Education Programs	120	143	19%	137	-4%	142	4%	135	-5%

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

HIGHER EDUCATION

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

The State also provides a sizeable benefit to SUNY and CUNY through the debt service it pays on bond-financed capital projects at the universities. This is not reflected in the annual spending totals for the universities. State debt service payments for higher education are expected to total over \$1 billion in FY 2012.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

HESC administers the TAP program that provides awards to income-eligible students, and the New York Higher Education Loan Program (NYHELPS). It also provides centralized processing for other student financial aid programs, and offers prospective students information and guidance on how to finance a college education. The financial aid programs that HESC administers are funded by the State and the Federal government.

HIGHER EDUCATION STATE OPERATING FUNDS LOCAL ASSISTANCE SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
City University:	1,183	1,205	2%	1,299	8%	1,389	7%	1,477	6%
Community College Aid	187	178	-5%	179	1%	179	0%	179	0%
ARRA Fiscal Stabilization	(32)	0	-100%	0	0%	0	0%	0	0%
Operating Aid to NYC (Senior Colleques) ¹	1,028	1,025	0%	1,118	9%	1,208	8%	1,296	7%
Community Projects	0	2	0%	2	0%	2	0%	2	0%
Higher Education Services:	814	906	11%	967	7%	966	0%	965	0%
Tuition Assistance Program	801	831	4%	911	10%	910	0%	909	0%
ARRA Fiscal Stabilization	(50)	0	-100%	0	0%	0	0%	0	0%
Aid for Part Time Study	11	12	9%	12	0%	12	0%	12	0%
Scholarships/Awards	29	47	62%	44	-6%	44	0%	44	0%
Other	23	16	-30%	0	-100%	0	0%	0	0%
State University:	473	483	2%	449	-7%	449	0%	449	0%
Community College Aid	451	441	-2%	439	0%	439	0%	439	0%
ARRA Fiscal Stabilization	(83)	0	-100%	0	0%	0	0%	0	0%
Hospital Subsidy ²	96	32	-67%	0	-100%	0	0%	0	0%
Other	9	10	11%	10	0%	10	0%	10	0%

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

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

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

HEALTH CARE

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

In addition, health care-related spending appears in State Operations and GSCs for purposes such as health insurance premiums for State employees and retirees, services delivered to inmates, and services provided in State-operated facilities.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately \$52.6 billion in FY 2012, including the local contribution.⁵

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS ¹ (millions of dollars)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Department of Health	11,915	15,280	15,894	16,531	17,192
State Share Without FMAP	15,863	15,633	15,640	16,531	17,192
Enhanced FMAP	(3,948)	(353)	254	0	0
Mental Hygiene	5,677	5,752	5,979	6,297	6,568
Education	29	0	0	0	0
Foster Care	69	111	121	132	138
State Operations - Contractual Expenses ²	23	46	46	46	46
State Share Total	17,713	21,189	22,040	23,006	23,944
Annual \$ Change - Total State Share		3,476	851	966	938
Annual % Change - Total State Share		19.6%	4.0%	4.4%	4.1%
Annual \$ Change - DOH Only		3,365	614	637	661
Annual % Change - DOH Only		28.2%	4.0%	4.0%	4.0%
¹ To conform the Financial Plan classification of State Operating Funds spending to the classification followed by the State Comptroller, approximately \$3 billion in Medicaid spending supported by a transfer from Federal Funds to the State Mental Hygiene Patient Income Account is now classified as State spending.					
² Includes operational costs that support contracts related to the management of the Medicaid program and various activities to ensure appropriate utilization.					

The Financial Plan projections assume that spending growth is limited to 4 percent annually for DOH State Medicaid spending beginning annually in State FY 2013. This reflects the target growth rate for Medicaid proposed in the Enacted Budget, which is the ten-year average change in the medical component of the CPI. Statutory changes adopted with the budget grant the Executive certain statutory powers to hold Medicaid spending to this rate. This statutory authority expires after two years; however, the cap remains in place and the Financial Plan assumes that statutory authority will be extended in subsequent years.

DOH Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services (particularly in managed care), and higher levels of utilization, as well as the expiration of enhanced levels of Federal aid.⁶ The number of Medicaid recipients, including FHP, is expected to exceed 6.0 million at the end of FY 2015, an increase of 24.4 percent from the FY 2011 caseload of 4.8 million. The expiration of the enhanced FMAP is expected to result in an increase of State-share spending of over \$600 million from FY 2012 to FY 2013, primarily due to the reconciliation of costs between the State and counties related to the Medicaid cap.

⁵ The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for counties. In accordance with these statutory indexing provisions, local fiscal year 2011 Medicaid payments by local governments will be held to approximately 3.0 percent over local fiscal year 2010 levels. County and New York City savings from these two local fiscal relief initiatives are expected to total approximately \$2.4 billion during State FY 2012, an annual increase in local savings of \$547 million over State FY 2011 levels.

⁶ In August 2010, the U.S. Congress approved a six-month extension of the enhanced FMAP benefit through June 30, 2011. Under enhanced FMAP (which now covers the period from October 2008 through June 30, 2011), the base Federal match rate increases from 50 percent to approximately 57 percent during the period April through June 2011, which results in a concomitant decrease in the State and local share.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

The table below summarizes the benefit of enhanced FMAP since it began in 2008-09.

DOH MEDICAID SPENDING - STATE OPERATING FUNDS WITH AND WITHOUT FMAP IMPACT ¹					
TOTAL DISBURSEMENTS					
(millions of dollars)					
	2008-09	2009-10	2010-11	2011-12	2012-13
DOH Medicaid - Without FMAP	12,668	14,523	15,887	15,680	15,686
Enhanced FMAP	(1,092)	(3,041)	(3,948)	(353)	254
DOH Medicaid - With FMAP	11,576	11,482	11,939	15,327	15,940

¹ Additional Federal aid from enhanced FMAP in mental hygiene agencies brings the total cumulative State benefit to \$9.6 billion.

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

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (DOH ONLY) -- LOCAL ASSISTANCE								
(millions of dollars)								
	2011-12	2012-13	Annual \$ Change	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
State Operating Funds (Before FMAP)¹	15,633	15,640	7	0.0%	16,531	5.7%	17,192	4.0%
Enhanced FMAP -- State Share²	(353)	254	607	-172.0%	0	-100.0%	0	0.0%
State Operating Funds (After FMAP)	15,280	15,894	614	4.0%	16,531	4.0%	17,192	4.0%
Other State Funds Support	(5,044)	(5,438)	(394)	7.8%	(5,522)	1.5%	(5,734)	3.8%
HCRA Financing	(3,383)	(3,815)	(432)	12.8%	(3,907)	2.4%	(4,119)	5.4%
Provider Assessment Revenue	(869)	(831)	38	-4.4%	(823)	-1.0%	(823)	0.0%
Indigent Care Revenue	(792)	(792)	0	0.0%	(792)	0.0%	(792)	0.0%
Total General Fund	10,236	10,456	220	2.1%	11,009	5.3%	11,458	4.1%

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

² Excludes benefits in other State agencies. Costs in 2012-13 reflect the reconciliation of the local share benefit for 2011-12 that will occur in 2012-13.

PUBLIC HEALTH/AGING PROGRAMS

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

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

PUBLIC HEALTH STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Public Health	1,898	2,011	6%	2,027	1%	2,062	2%	2,104	2%
General Public Health Works	201	319	59%	322	1%	308	-4%	308	0%
Early Intervention	230	167	-27%	165	-1%	169	2%	173	2%
Child Health Plus	341	325	-5%	346	6%	371	7%	397	7%
EPIC	322	232	-28%	166	-28%	174	5%	182	5%
HCRA Program Account	304	498	64%	473	-5%	486	3%	488	0%
All Other	500	470	-6%	555	18%	554	0%	556	0%
Aging	117	110	-6%	112	2%	112	0%	112	0%

Year-to-year growth in the GPHW program reflects lower spending in FY 2011 due to delays in planned payments instituted by the DOH that are not expected to continue. A projected increase in enrollment in the CHP program and inflationary costs are expected to drive growth in the outyears of the plan. Growth in the GPHW and CHP programs is partly offset by a decline in spending for the EI program, which primarily reflects the impact of savings actions implemented in prior year enacted budgets.

EPIC spending is projected to decline through FY 2013, resulting from budgetary actions to provide EPIC coverage to Medicare Part D enrollees only when they are in the coverage gap. After FY 2013, spending is projected to increase slightly as a reflection of the rising costs of prescription medication.

HCRA

HCRA was established in 1996 to help finance a portion of State health care activities in various areas of the budget: Medicaid, Public Health, SOFA, and the Insurance Department. Extensions and modifications to HCRA have financed new health care programs, including FHP, and provided additional funding for the expansion of existing programs such as CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the Health Care Equity and Affordability Law for New Yorkers (HEAL NY) capital program. The FY 2012 Enacted Budget extends the HCRA authorization three years to March 31, 2014.

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

HCRA spending partially finances Medicaid, EPIC, CHP, FHP, and Indigent Care payments, which provide funds to hospitals that serve a disproportionate share of individuals without health insurance; as well as funds Workforce Recruitment and Retention grants and rate adjustments to health facilities; physician excess medical malpractice; and, HEAL NY funds for capital improvement to health care facilities.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

HCRA FINANCIAL PLAN 2010-11 THROUGH 2014-15					
(millions of dollars)					
	2010-11	2011-12	2012-13	2013-14	2014-15
	Results	Enacted	Projected	Projected	Projected
Opening Balance	26	159	0	0	0
Total Receipts	<u>5,286</u>	<u>5,482</u>	<u>6,086</u>	<u>6,220</u>	<u>6,317</u>
Surcharges	2,743	2,810	3,089	3,173	3,266
Covered Lives Assessment	1,021	1,050	1,045	1,045	1,045
Cigarette Tax Revenue	1,136	1,194	1,254	1,232	1,210
Conversion Proceeds	0	0	250	300	300
Hospital Assessment (1 percent)	317	373	394	417	444
NYC Cigarette Tax Transfer/Other	69	55	54	53	52
Total Disbursements	<u>5,153</u>	<u>5,641</u>	<u>6,086</u>	<u>6,220</u>	<u>6,317</u>
Medicaid Assistance Account	<u>2,843</u>	<u>3,390</u>	<u>3,822</u>	<u>3,914</u>	<u>4,127</u>
<i>Medicaid Costs</i>	1,600	2,091	2,500	2,593	2,805
<i>Family Health Plus</i>	597	635	657	657	657
<i>Workforce Recruitment & Retention</i>	196	197	197	197	197
<i>All Other</i>	450	467	468	467	468
HCRA Program Account	326	522	496	509	511
Hospital Indigent Care	871	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	195	165	166	174	182
Child Health Plus	348	332	354	379	405
Public Health Programs	111	120	120	120	120
All Other	459	320	336	332	180
Annual Operating Surplus/(Deficit)	133	(159)	0	0	0
Closing Balance	159	0	0	0	0

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of four independent agencies, OMH, OPWDD, OASAS, and the Developmental Disabilities Planning Council (DDPC) as well as one oversight agency, the Commission on Quality Care and Advocacy for Persons with Disabilities (CQCAPD). Services are administered to adults with serious and persistent mental illness; children with serious emotional disturbances; individuals with developmental disabilities, and their families; and persons with chemical dependence. These agencies provide services directly to their patients through State-operated facilities and indirectly through community service providers. The cost of providing services and agency operations are funded by reimbursement from Medicaid, Medicare, third-party insurance, and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, with the remaining revenue deposited to the Patient Income Account, which supports State costs of providing services.

MENTAL HYGIENE STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Office for People with Devel. Disabilities:	2,175	2,158	-1%	2,271	5%	2,466	9%	2,577	5%
Residential Services	1,537	1,496	-3%	1,578	5%	1,717	9%	1,797	5%
Day Programs	555	581	5%	607	5%	655	8%	681	4%
Clinic	22	22	0%	23	6%	25	9%	27	8%
Other	61	59	-3%	63	6%	69	9%	72	5%
CQCAPD	1	1	0%	1	0%	1	0%	1	0%
Mental Health:	1,106	1,126	2%	1,247	11%	1,350	8%	1,441	7%
Adult Local Services	885	901	2%	998	11%	1,080	8%	1,153	7%
OMH Children Local Services	221	225	2%	249	11%	270	8%	288	7%
Alcohol and Substance Abuse:	295	316	7%	334	6%	351	5%	351	0%
Prevention	37	40	8%	42	5%	44	5%	44	0%
Program Support	9	10	11%	10	0%	11	10%	11	0%
Residential	96	103	7%	109	6%	114	5%	114	0%
Outpatient/Methadone	142	152	7%	161	6%	169	5%	169	0%
Crisis	11	11	0%	12	9%	13	8%	13	0%

Local assistance spending in mental hygiene accounts for approximately half of total mental hygiene State spending and is projected to grow by an average rate of 5.2 percent over the plan. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including: increases primarily associated with the OPWDD New York State - Creating Alternatives in Residential Environments and Services (NYS-CARES) program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline, as well as funds for additional supported housing beds and associated support services for individuals leaving certain New York city adult homes, pursuant to a Federal district court order; and several chemical dependence treatment and prevention initiatives in OASAS.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

SOCIAL SERVICES

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

TEMPORARY AND DISABILITY ASSISTANCE STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Temporary and Disability Assistance	1,202	1,412	17%	1,549	10%	1,599	3%	1,612	1%
Public Assistance Benefits	309	485	57%	622	28%	658	6%	658	0%
SSI	722	740	2%	753	2%	766	2%	779	2%
Welfare Initiatives	13	23	77%	7	-70%	7	0%	7	0%
All Other	158	164	4%	167	2%	168	1%	168	0%

The State share of OTDA spending is expected to grow primarily due to the loss of Federal TANF Contingency Funds, resulting in costs reverting back to State funding. The average public assistance caseload is projected to total 531,723 recipients in FY 2012, a decrease of 1.4 percent from FY 2011 levels. Approximately 252,353 families are expected to receive benefits through the Family Assistance program, a decrease of 1.3 percent from the current year. In the Safety Net program, an average of 116,313 families are expected to be helped in FY 2012, a decrease of 2.1 percent. The caseload for single adults/childless couples supported through the Safety Net program is projected at 163,057, a decrease of 1.1 percent. Despite the decreases in projected caseload, the State share of public assistance benefits increases in FY 2012 due to the loss of Federal funding described above.

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

CHILDREN AND FAMILY SERVICES STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Children and Family Services	1,667	1,717	3%	1,903	11%	2,123	12%	2,274	7%
Child Welfare Service	490	499	2%	634	27%	827	30%	947	15%
Foster Care Block Grant	433	436	1%	464	6%	493	6%	493	0%
Adoption	196	185	-6%	198	7%	212	7%	219	3%
Day Care	134	145	8%	143	-1%	139	-3%	139	0%
C.S.E.	65	38	-42%	43	13%	50	16%	57	14%
Adult Protective/Domestic Violence	42	44	5%	53	20%	63	19%	74	17%
Youth Programs	113	137	21%	127	-7%	111	-13%	111	0%
Medicaid	69	111	61%	121	9%	132	9%	138	5%
All Other	125	122	-2%	120	-2%	96	-20%	96	0%

OCFS spending is projected to increase, driven primarily by expected growth in claims-based programs. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding. Growth in Foster Care Block Grant is attributable to the Human Services cost-of-living adjustment. Projected growth in Medicaid from FY 2011 to FY 2012 is primarily attributable to the annualization of costs related to the Bridges to Health Medicaid Waiver program.

TRANSPORTATION

In FY 2012, the State will provide \$4.2 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. Due to the size and scope of its transit system, the Metropolitan Transportation Authority (MTA) receives the majority of the statewide mass transit operating aid. Additionally, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Spending from this fund is projected to grow modestly in FY 2013 and later years, commensurate with the forecasted growth in receipts.

TRANSPORTATION STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Transportation	4,254	4,236	0%	4,325	2%	4,405	2%	4,495	2%
Mass Transit Operating Aid:	<u>1,894</u>	<u>1,772</u>		<u>1,772</u>		<u>1,772</u>		<u>1,772</u>	
Metro Mass Transit Aid	1,750	1,633	-7%	1,633	0%	1,633	0%	1,633	0%
Public Transit Aid	92	87	-5%	87	0%	87	0%	87	0%
18-B General Fund Aid	27	27	0%	27	0%	27	0%	27	0%
School Fare	25	25	0%	25	0%	25	0%	25	0%
Mobility Tax and MTA Aid Trust	1,662	1,756	6%	1,841	5%	1,927	5%	2,017	5%
Dedicated Mass Transit	653	661	1%	665	1%	659	-1%	659	0%
AMTAP	43	45	5%	45	0%	45	0%	45	0%
All Other	2	2	0%	2	0%	2	0%	2	0%

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments primarily includes the AIM program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams. Along with AIM, the State provides incentive grants to local governments to promote local efforts to increase efficiency and performance through consolidation or shared services. Other direct aid to local governments includes VLT impact aid, Small Government Assistance and Miscellaneous Financial Assistance.

LOCAL GOVERNMENT ASSISTANCE STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Local Government Assistance	776	767	-1%	797	4%	787	-1%	787	0%
AIM:									
Big Four Cities	438	429	-2%	429	0%	429	0%	429	0%
Other Cities	222	218	-2%	218	0%	218	0%	218	0%
Towns and Villages	69	68	-1%	68	0%	68	0%	68	0%
Efficiency Incentives	10	15	50%	45	200%	44	-2%	44	0%
All Other Local Aid	37	37	0%	37	0%	28	-24%	28	0%

AGENCY OPERATIONS

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

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

Growth in State Operations spending over the multi-year Financial Plan is concentrated in agencies that operate large facilities, such as the State University, the Mental Hygiene agencies, Corrections and Community Supervision, and Children and Family Services. The main causes of growth include inflationary increases in operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities.

Agency redesign savings over the Plan period are expected to be achieved through several means including, but not limited to, facility closures reflecting excess capacity conditions, operational efficiencies, and wage and benefit changes negotiated with the State's employee unions. If the State is unsuccessful in negotiating changes, DOB expects that significant layoffs would be necessary to achieve the State agency savings expected in the Financial Plan.

The Spending and Government Efficiency (SAGE) Commission is charged with making recommendations to reduce the number of State agencies, authorities, and commissions by 20 percent over the next four years. The Financial Plan does not currently include specific savings from the SAGE Commission, but the Commission is expected to aid in achieving the aggressive savings targets for State agencies.

GENERAL STATE CHARGES

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

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

GENERAL STATE CHARGES									
STATE OPERATING FUNDS SPENDING PROJECTIONS									
(millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Fringe Benefits:									
Health Insurance	3,055	3,429	12.2%	3,785	10.4%	4,118	8.8%	4,145	0.7%
Employee Health Insurance	1,834	2,144	16.9%	2,367	10.4%	2,575	8.8%	2,592	0.7%
Retiree Health Insurance	1,221	1,285	5.2%	1,418	10.4%	1,543	8.8%	1,553	0.6%
Pensions	1,470	1,670	13.6%	1,857	11.2%	2,113	13.8%	2,411	14.1%
Social Security	970	972	0.2%	964	-0.8%	974	1.0%	973	-0.1%
All Other Fringe	257	131	-49.0%	187	42.7%	102	-45.5%	119	16.7%
Fixed Costs	350	328	-6.3%	332	1.2%	337	1.5%	342	1.5%
Total State Operating Funds	6,102	6,530	7.0%	7,125	9.1%	7,644	7.3%	7,990	4.5%

GSCs are projected to grow at an average annual rate of 7 percent over the plan period. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees. The projections assume the amortization of pension costs. See "Other Matters Affecting the Enacted Budget Financial Plan — Pension Expenditures (Including Amortization)" herein.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

DEBT SERVICE

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

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)				
	2010-11 Results	2011-12 Enacted	Annual Change	Percent Change
General Fund	1,737	1,449	(288)	-16.6%
Other State Support	3,878	4,406	528	13.6%
State Operating Funds	5,615	5,855	240	4.3%
Total All Funds	5,615	5,855	240	4.3%

Total debt service is projected at \$5.9 billion in FY 2012, of which \$1.4 billion is paid from the General Fund through transfers and \$4.4 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including, but not limited to, PIT bonds, DHBTF bonds, and mental health facilities bonds.

Enacted budget projections for debt service spending have been revised to reflect the pre-payment of \$154 million of SUNY debt service in March 2011. Otherwise, FY 2012 debt service estimates are relatively unchanged, with minor revisions for Dedicated Highway, general obligation, and PIT bonding programs.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	2010-2011 Year-End	2011-2012 Enacted	Annual \$ Change	Annual % Change
Opening Fund Balance	<u>2,302</u>	<u>1,376</u>	<u>(926)</u>	<u>-40.2%</u>
Receipts:				
Taxes:				
Personal Income Tax	23,894	26,001	2,107	8.8%
User Taxes and Fees	8,795	9,105	310	3.5%
Business Taxes	5,279	6,101	822	15.6%
Other Taxes	1,237	1,030	(207)	-16.7%
Miscellaneous Receipts	3,095	3,098	3	0.1%
Federal Receipts	54	60	6	11.1%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	7,625	8,096	471	6.2%
Sales Tax in Excess of LGAC Debt Service	2,351	2,409	58	2.5%
Real Estate Taxes in Excess of CW/CA Debt Service	348	395	47	13.5%
All Other Transfers	1,769	998	(771)	-43.6%
Total Receipts	<u>54,447</u>	<u>57,293</u>	<u>2,846</u>	<u>5.2%</u>
Disbursements:				
Local Assistance Grants	37,206	38,888	1,682	4.5%
Departmental Operations:				
Personal Service	6,151	5,560	(591)	-9.6%
Non-Personal Service	1,822	1,796	(26)	-1.4%
General State Charges	4,187	4,668	481	11.5%
Transfers to Other Funds:				
Debt Service	1,737	1,449	(288)	-16.6%
Capital Projects	932	800	(132)	-14.2%
State Share Medicaid	2,497	3,032	535	21.4%
Other Purposes	841	739	(102)	-12.1%
Total Disbursements	<u>55,373</u>	<u>56,932</u>	<u>1,559</u>	<u>2.8%</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>(926)</u>	<u>361</u>	<u>1,287</u>	<u>-139.0%</u>
Closing Fund Balance	<u>1,376</u>	<u>1,737</u>	<u>361</u>	<u>26.2%</u>
Statutory Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	275	100	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	136	51	(85)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	0	346	346	
Debt Management	13	13	0	

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

**CASH FINANCIAL PLAN
GENERAL FUND
2011-2012 through 2014-2015
(millions of dollars)**

	<u>2011-2012 Enacted</u>	<u>2012-2013 Projected</u>	<u>2013-2014 Projected</u>	<u>2014-2015 Projected</u>
Receipts:				
Taxes:				
Personal Income Tax	26,001	26,085	27,569	28,698
User Taxes and Fees	9,105	9,383	9,723	10,082
Business Taxes	6,101	6,456	6,721	6,141
Other Taxes	1,030	1,085	1,145	1,210
Miscellaneous Receipts	3,098	2,917	2,496	2,066
Federal Receipts	60	60	60	60
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,096	7,923	8,374	8,707
Sales Tax in Excess of LGAC Debt Service	2,409	2,492	2,617	2,729
Real Estate Taxes in Excess of CW/CA Debt Service	395	469	556	634
All Other Transfers	998	772	615	610
Total Receipts	<u>57,293</u>	<u>57,642</u>	<u>59,876</u>	<u>60,937</u>
Disbursements:				
Local Assistance Grants	38,888	40,115	41,996	43,734
Departmental Operations:				
Personal Service	5,560	5,773	5,879	6,047
Non-personal Service	1,796	2,178	2,036	2,163
General State Charges	4,668	5,126	5,499	5,660
Transfers to Other Funds:				
Debt Service	1,449	1,712	1,658	1,566
Capital Projects	800	1,168	1,361	1,456
State Share Medicaid	3,032	3,119	3,082	3,082
Other Purposes	739	739	1,059	1,692
Total Disbursements	<u>56,932</u>	<u>59,930</u>	<u>62,570</u>	<u>65,400</u>
Reserves:				
Community Projects Fund	(85)	(51)	0	0
Rainy Day Reserve Fund	100	0	0	0
Prior-Year Labor Agreements (2007-2011)	346	142	142	142
Increase (Decrease) in Reserves	<u>361</u>	<u>91</u>	<u>142</u>	<u>142</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>0</u>	<u>(2,379)</u>	<u>(2,836)</u>	<u>(4,605)</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
2011-2012 THROUGH 2014-2015
(millions of dollars)

	2011-2012 Enacted	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected
Taxes:				
Withholdings	31,802	32,356	34,535	36,383
Estimated Payments	11,900	11,728	11,910	12,575
Final Payments	2,110	2,199	2,154	2,151
Other Payments	1,089	1,134	1,210	1,312
Gross Collections	46,901	47,417	49,809	52,421
State/City Offset	(148)	(148)	(98)	(98)
Refunds	(7,694)	(8,059)	(8,272)	(9,136)
Reported Tax Collections	39,059	39,210	41,439	43,187
STAR (Dedicated Deposits)	(3,292)	(3,322)	(3,510)	(3,692)
RBTF (Dedicated Transfers)	(9,766)	(9,803)	(10,360)	(10,797)
Personal Income Tax	26,001	26,085	27,569	28,698
Sales and Use Tax	11,173	11,503	11,960	12,440
Cigarette and Tobacco Taxes	492	518	511	505
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	233	238	242	247
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	11,898	12,259	12,713	13,192
LGAC Sales Tax (Dedicated Transfers)	(2,793)	(2,876)	(2,990)	(3,110)
User Taxes and Fees	9,105	9,383	9,723	10,082
Corporation Franchise Tax	3,047	3,178	3,284	2,527
Corporation and Utilities Tax	681	750	780	813
Insurance Taxes	1,266	1,318	1,376	1,438
Bank Tax	1,107	1,210	1,281	1,363
Petroleum Business Tax	0	0	0	0
Business Taxes	6,101	6,456	6,721	6,141
Estate Tax	1,015	1,070	1,130	1,195
Real Estate Transfer Tax	620	690	770	840
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	14	14	14	14
Other Taxes	1	1	1	1
Gross Other Taxes	1,650	1,775	1,915	2,050
Real Estate Transfer Tax (Dedicated)	(620)	(690)	(770)	(840)
Other Taxes	1,030	1,085	1,145	1,210
Payroll Tax	0	0	0	0
Total Taxes	42,237	43,009	45,158	46,131
Licenses, Fees, Etc.	455	525	486	506
Abandoned Property	755	735	670	655
Motor Vehicle Fees	132	109	36	36
ABC License Fee	49	51	50	50
Reimbursements	202	202	197	197
Investment Income	10	10	10	10
Other Transactions	1,495	1,285	1,047	612
Miscellaneous Receipts	3,098	2,917	2,496	2,066
Federal Grants	60	60	60	60
Total	45,395	45,986	47,714	48,257

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,376	2,141	453	3,970
Receipts:				
Taxes	42,237	8,319	13,059	63,615
Miscellaneous Receipts	3,098	15,212	949	19,259
Federal Receipts	60	1	79	140
Total Receipts	45,395	23,532	14,087	83,014
Disbursements:				
Local Assistance Grants	38,888	18,873	0	57,761
Departmental Operations:				
Personal Service	5,560	6,117	0	11,677
Non-Personal Service	1,796	3,193	62	5,051
General State Charges	4,668	1,862	0	6,530
Debt Service	0	0	5,855	5,855
Capital Projects	0	5	0	5
Total Disbursements	50,912	30,050	5,917	86,879
Other Financing Sources (Uses):				
Transfers from Other Funds	11,898	7,322	6,524	25,744
Transfers to Other Funds	(6,020)	(719)	(14,574)	(21,313)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,878	6,603	(8,050)	4,431
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	361	85	120	566
Closing Fund Balance	1,737	2,226	573	4,536

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	43,009	8,643	13,249	64,901
Miscellaneous Receipts	2,917	16,072	997	19,986
Federal Receipts	60	1	79	140
Total Receipts	45,986	24,716	14,325	85,027
Disbursements:				
Local Assistance Grants	40,115	19,778	0	59,893
Departmental Operations:				
Personal Service	5,773	6,198	0	11,971
Non-Personal Service	2,178	3,334	62	5,574
General State Charges	5,126	1,999	0	7,125
Debt Service	0	0	6,332	6,332
Capital Projects	0	5	0	5
Total Disbursements	53,192	31,314	6,394	90,900
Other Financing Sources (Uses):				
Transfers from Other Funds	11,656	7,285	6,607	25,548
Transfers to Other Funds	(6,738)	(283)	(14,436)	(21,457)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,918	7,002	(7,829)	4,091
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Reserve for Community Projects Fund	51	0	0	51
Net Designated General Fund Reserves	(91)	0	0	(91)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	(2,379)	404	102	(1,873)

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Receipts:				
Taxes	45,158	8,980	14,001	68,139
Miscellaneous Receipts	2,496	16,456	1,043	19,995
Federal Receipts	60	1	79	140
Total Receipts	<u>47,714</u>	<u>25,437</u>	<u>15,123</u>	<u>88,274</u>
Disbursements:				
Local Assistance Grants	41,996	20,391	0	62,387
Departmental Operations:				
Personal Service	5,879	6,295	0	12,174
Non-Personal Service	2,036	3,436	62	5,534
General State Charges	5,499	2,145	0	7,644
Debt Service	0	0	6,498	6,498
Capital Projects	0	5	0	5
Total Disbursements	<u>55,410</u>	<u>32,272</u>	<u>6,560</u>	<u>94,242</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	12,162	7,477	6,552	26,191
Transfers to Other Funds	(7,160)	(130)	(15,009)	(22,299)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>5,002</u>	<u>7,347</u>	<u>(8,457)</u>	<u>3,892</u>
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Net Designated General Fund Reserves	<u>(142)</u>	<u>0</u>	<u>0</u>	<u>(142)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>(2,836)</u>	<u>512</u>	<u>106</u>	<u>(2,218)</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2014-2015
(millions of dollars)**

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,131	9,334	14,628	70,093
Miscellaneous Receipts	2,066	16,712	1,064	19,842
Federal Receipts	60	1	79	140
Total Receipts	48,257	26,047	15,771	90,075
Disbursements:				
Local Assistance Grants	43,734	21,016	0	64,750
Departmental Operations:				
Personal Service	6,047	6,421	0	12,468
Non-Personal Service	2,163	3,501	62	5,726
General State Charges	5,660	2,330	0	7,990
Debt Service	0	0	6,551	6,551
Capital Projects	0	5	0	5
Total Disbursements	57,604	33,273	6,613	97,490
Other Financing Sources (Uses):				
Transfers from Other Funds	12,680	7,683	6,185	26,548
Transfers to Other Funds	(7,796)	26	(15,197)	(22,967)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,884	7,709	(9,012)	3,581
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	(4,605)	483	146	(3,976)

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Opening Fund Balance	1,376	2,150	(168)	453	3,811
Receipts:					
Taxes	42,237	8,319	1,361	13,059	64,976
Miscellaneous Receipts	3,098	15,344	4,016	949	23,407
Federal Receipts	60	40,872	2,294	79	43,305
Total Receipts	<u>45,395</u>	<u>64,535</u>	<u>7,671</u>	<u>14,087</u>	<u>131,688</u>
Disbursements:					
Local Assistance Grants	38,888	53,805	2,711	0	95,404
Departmental Operations:					
Personal Service	5,560	6,803	0	0	12,363
Non-Personal Service	1,796	4,203	0	62	6,061
General State Charges	4,668	2,165	0	0	6,833
Debt Service	0	0	0	5,855	5,855
Capital Projects	0	5	5,177	0	5,182
Total Disbursements	<u>50,912</u>	<u>66,981</u>	<u>7,888</u>	<u>5,917</u>	<u>131,698</u>
Other financing sources (Uses):					
Transfers from Other Funds	11,898	7,323	1,060	6,524	26,805
Transfers to Other Funds	(6,020)	(4,791)	(1,445)	(14,574)	(26,830)
Bond and Note Proceeds	0	0	484	0	484
Net Other Financing Sources (Uses)	<u>5,878</u>	<u>2,532</u>	<u>99</u>	<u>(8,050)</u>	<u>459</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>361</u>	<u>86</u>	<u>(118)</u>	<u>120</u>	<u>449</u>
Closing Fund Balance	<u>1,737</u>	<u>2,236</u>	<u>(286)</u>	<u>573</u>	<u>4,260</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	43,009	8,643	1,392	13,249	66,293
Miscellaneous Receipts	2,917	16,203	3,685	997	23,802
Federal Receipts	60	37,687	1,847	79	39,673
Total Receipts	45,986	62,533	6,924	14,325	129,768
Disbursements:					
Local Assistance Grants	40,115	51,669	2,010	0	93,794
Departmental Operations:					
Personal Service	5,773	6,879	0	0	12,652
Non-Personal Service	2,178	4,243	0	62	6,483
General State Charges	5,126	2,331	0	0	7,457
Debt Service	0	0	0	6,332	6,332
Capital Projects	0	5	5,276	0	5,281
Total Disbursements	53,192	65,127	7,286	6,394	131,999
Other Financing Sources (Uses):					
Transfers from Other Funds	11,656	7,286	1,410	6,607	26,959
Transfers to Other Funds	(6,738)	(4,288)	(1,505)	(14,436)	(26,967)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	4,918	2,998	305	(7,829)	392
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Reserve for Community Projects Fund	51	0	0	0	51
Net Designated General Fund Reserves	(91)	0	0	0	(91)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	(2,379)	404	(57)	102	(1,930)

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Receipts:					
Taxes	45,158	8,980	1,397	14,001	69,536
Miscellaneous Receipts	2,496	16,587	3,516	1,043	23,642
Federal Receipts	60	39,731	1,811	79	41,681
Total Receipts	<u>47,714</u>	<u>65,298</u>	<u>6,724</u>	<u>15,123</u>	<u>134,859</u>
Disbursements:					
Local Assistance Grants	41,996	54,433	2,001	0	98,430
Departmental Operations:					
Personal Service	5,879	6,966	0	0	12,845
Non-Personal Service	2,036	4,324	0	62	6,422
General State Charges	5,499	2,483	0	0	7,982
Debt Service	0	0	0	6,498	6,498
Capital Projects	0	5	5,067	0	5,072
Total Disbursements	<u>55,410</u>	<u>68,211</u>	<u>7,068</u>	<u>6,560</u>	<u>137,249</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	12,162	7,478	1,582	6,552	27,774
Transfers to Other Funds	(7,160)	(4,052)	(1,554)	(15,009)	(27,775)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	<u>5,002</u>	<u>3,426</u>	<u>366</u>	<u>(8,457)</u>	<u>337</u>
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Net Designated General Fund Reserves	<u>(142)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(142)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(2,836)</u>	<u>513</u>	<u>22</u>	<u>106</u>	<u>(2,195)</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2014-2015
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,131	9,334	1,408	14,628	71,501
Miscellaneous Receipts	2,066	16,843	3,244	1,064	23,217
Federal Receipts	60	45,067	1,809	79	47,015
Total Receipts	48,257	71,244	6,461	15,771	141,733
Disbursements:					
Local Assistance Grants	43,734	60,763	1,730	0	106,227
Departmental Operations:					
Personal Service	6,047	7,095	0	0	13,142
Non-Personal Service	2,163	4,384	0	62	6,609
General State Charges	5,660	2,674	0	0	8,334
Debt Service	0	0	0	6,551	6,551
Capital Projects	0	5	4,995	0	5,000
Total Disbursements	57,604	74,921	6,725	6,613	145,863
Other Financing Sources (Uses):					
Transfers from Other Funds	12,680	7,684	1,519	6,185	28,068
Transfers to Other Funds	(7,796)	(3,524)	(1,528)	(15,197)	(28,045)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	4,884	4,160	297	(9,012)	329
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	(4,605)	483	33	146	(3,943)

Source: NYS DOB

**CASHFLOW
GENERAL FUND
2011-2012
(dollars in millions)**

	2011 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2012 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,376	4,475	1,098	489	1,245	946	4,192	3,023	1,568	1,906	5,645	5,025	1,376
RECEIPTS:													
Personal Income Tax	4,127	846	2,496	1,720	1,837	2,712	1,693	1,324	441	5,165	1,800	1,840	26,001
User Taxes and Fees	685	669	878	703	717	933	685	689	865	730	625	926	9,105
Business Taxes	151	55	925	74	104	1,063	124	87	1,317	105	122	1,974	6,101
Other Taxes	75	87	87	87	88	88	87	86	86	87	86	86	1,030
Total Taxes	5,038	1,657	4,386	2,584	2,746	4,796	2,589	2,186	2,709	6,087	2,633	4,826	42,237
Licenses, Fees, etc.	46	32	33	31	35	40	41	39	41	39	39	39	455
Abandoned Property	1	0	30	16	10	92	23	127	42	73	56	285	755
ABC License Fee	5	4	4	5	4	5	3	3	3	4	5	4	49
Motor vehicle fees	0	0	0	0	0	7	21	21	21	21	21	20	132
Reimbursements	12	12	25	9	12	24	12	12	27	10	10	37	202
Investment Income	1	1	0	2	0	0	1	0	0	1	1	3	10
Other Transactions	20	51	98	97	55	371	52	48	96	47	76	484	1,495
Total Miscellaneous Receipts	85	100	190	160	116	539	153	250	230	195	208	872	3,098
Federal Grants	2	0	14	0	0	15	0	0	15	0	0	14	60
PTI in Excess of Revenue Bond Debt	1,375	135	964	525	258	1,067	304	171	1,044	1,018	328	907	8,096
Sales Tax in Excess of LGAC Debt S	205	35	443	214	220	224	212	213	263	230	3	147	2,409
Real Estate Taxes in Excess of CW/C	39	36	38	33	41	34	38	25	32	30	26	23	395
All Other	96	14	44	77	9	14	42	22	27	6	(48)	695	998
Total Transfers from Other Funds	1,715	220	1,489	849	528	1,339	596	431	1,366	1,284	309	1,772	11,898
TOTAL RECEIPTS	6,840	1,977	6,079	3,593	3,390	6,689	3,338	2,867	4,320	7,566	3,150	7,484	57,293
DISBURSEMENTS:													
School Aid	232	2,615	2,169	100	540	1,300	500	1,000	1,520	530	500	5,796	16,802
Higher Education	32	25	624	43	198	72	443	32	247	78	321	463	2,578
All Other Education	23	100	306	75	55	70	223	157	62	227	97	337	1,732
Medicaid - DOH	971	927	1,384	480	1,053	156	1,271	1,424	460	810	862	438	10,236
Public Health	15	87	107	79	34	129	29	19	102	16	17	108	742
Mental Hygiene	19	8	352	1	1	533	1	1	349	137	113	366	1,881
Children and Families	8	162	192	117	93	206	88	116	194	78	75	386	1,715
Temporary & Disability Assistance	326	131	136	104	81	122	75	75	89	75	18	170	1,402
Transportation	0	24	0	0	24	0	0	24	15	0	10	3	100
Unrestricted Aid	1	13	295	2	2	92	11	2	205	2	2	140	767
All Other	(23)	25	207	36	50	58	(42)	33	28	33	484	44	933
Total Local Assistance Grants	1,604	4,117	5,772	1,037	2,131	2,738	2,599	2,883	3,271	1,986	2,499	8,251	38,888
Personal Service	602	464	544	512	626	378	348	489	394	373	505	325	5,560
Non-Personal Service	199	149	135	172	166	145	131	112	114	160	157	156	1,796
Total State Operations	801	613	679	684	792	523	479	601	508	533	662	481	7,356
General State Charges	404	338	102	405	416	52	378	440	60	446	282	1,345	4,668
Debt Service	520	0	(99)	375	(4)	(107)	565	0	(84)	445	(18)	(144)	1,449
Capital Projects	(23)	43	(21)	54	59	(42)	87	80	(48)	130	67	414	800
State Share Medicaid	273	209	240	248	257	257	257	257	257	257	257	263	3,032
Other Purposes	162	34	15	34	38	22	142	61	18	30	21	162	739
Total Transfers to Other Funds	932	286	135	711	350	130	1,051	398	143	862	327	695	6,020
TOTAL DISBURSEMENTS	3,741	5,354	6,688	2,837	3,689	3,443	4,507	4,322	3,982	3,827	3,770	10,772	56,932
Excess/(Deficiency) of Receipts over D	3,099	(3,377)	(609)	756	(299)	3,246	(1,169)	(1,455)	338	3,739	(620)	(3,288)	361
CLOSING BALANCE	4,475	1,098	489	1,245	946	4,192	3,023	1,568	1,906	5,645	5,025	1,737	1,737

Source: NYS DOB

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2011A Bonds in definitive form, Harris Beach PLLC, 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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of \$445,000,000 aggregate principal amount of Second General Highway and Bridge Trust Fund Bonds, Series 2011A (the “Series 2011A Bonds”) of the New York State Thruway Authority (the “Authority”), a body corporate and politic constituting a public benefit corporation of the State of New York (the “State”). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions set forth below.

The Series 2011A Bonds are issued under and pursuant to (i) 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 (the “Act”), (ii) the Second General Highway and Bridge Trust Fund Bond Resolution of the Authority adopted on February 27, 2003, as supplemented and amended (the “Second General Resolution”), (iii) the Fifteenth Supplemental Bond Resolution authorizing the issuance of Second General Highway and Bridge Trust Fund Bonds, Series 2011A, adopted by the Authority in accordance with the Second General Resolution on January 19, 2011 (the “Supplemental Resolution”), and (iv) a Certificate of Determination (the “Series Certificate”) delivered by an Authorized Officer of the Authority pursuant to the Supplemental Resolution, dated the date hereof, setting forth certain terms of the Series 2011A Bonds. The Second General Resolution, the Supplemental Resolution and the Series Certificate are hereinafter referred to, collectively, as the “Resolutions”. The Series 2011A Bonds are being issued for the purposes set forth in the Resolutions. Capitalized terms used herein and not otherwise defined have the meanings set forth in the Resolutions.

To provide for the payment of the Trust Fund Bonds, including the Series 2004A Bonds, the Department of Transportation and the Authority have entered into a Master Dedicated Highway and Bridge Trust Fund Cooperative Agreement dated as of July 15, 1994, as amended (the “Trust Fund Cooperative Agreement”), which provides for payments (the “Cooperative Agreement Payments”) to be made by the State of New York (the “State”), subject to legislative appropriation, from amounts on deposit in the Special Obligation Reserve and Payment Account. In connection with the Trust Fund Cooperative Agreement, the Authority and the State, acting by and through the Director of the Division of the Budget (the “Director of the Budget”), have entered into a Payment Agreement dated as of July 15, 1994 (the “Payment Agreement”), which provides for the specific manner, timing and amount of Cooperative Agreement Payments.

The Series 2011A Bonds are dated, bear interest, mature, are subject to redemption prior to maturity and are secured as set forth in the Resolutions. The Series 2011A Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. The Series 2011A Bonds shall be lettered and numbered as provided in the Resolutions. The Series 2011A Bonds are not secured by a debt service reserve fund.

Under the provisions of the Resolutions, the Series 2011A Bonds will rank equally as to security and payment with the Series of Bonds previously issued by the Authority under the Second General Resolution and with certain additional Series of Bonds which may be issued in the future upon the terms and conditions and for the purposes set forth in the Second General Resolution. The Series 2011A Bonds are subordinate to the outstanding bonds issued pursuant to the Authority’s General Highway and Bridge Trust Fund Bond Resolution adopted by the Authority on May 19, 1994, as supplemented and amended.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at the time of, and subsequent to, the issuance and delivery of the Series 2011A Bonds in order that interest on the Series 2011A Bonds be and remain excluded from gross income for federal income tax purposes. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of bond proceeds and other moneys or properties, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2011A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2011A Bonds irrespective of the date on which such noncompliance occurs. The Resolutions, the Arbitrage and Use of Proceeds Certificate dated the date hereof of the Authority, together with the accompanying letters dated the date hereof from the Director of the Division of the Budget of the State (the “Director of the Budget”) and the Commissioner of Transportation of the State (the “Commissioner of Transportation”) (collectively, the “Tax Certificate”), contain certain factual certifications, covenants, representations and warranties as to compliance with the requirements of the Code. In rendering the opinions set forth in paragraph 8 herein, we have assumed the accuracy of certain factual certifications of, and continuing compliance by the Authority, the Director of the Budget and the Commissioner of Transportation with the covenants, representations, warranties, provisions and procedures set forth in the Resolutions and the Tax Certificate.

Based upon the foregoing, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public corporation, duly created and validly existing under the Act.
2. The Authority has the right and power under the Act to adopt the Resolutions and to issue the Series 2011A Bonds. The Resolutions have been duly and lawfully adopted by the Authority, are presently in full force and effect, are valid and binding upon the Authority and are enforceable against the Authority in accordance with their terms, and no other authorization is required therefor.
3. The Resolutions create the valid pledge they purport to create of the Pledged Property and all Funds and accounts (except the Administrative Fund and the Rebate Fund) established by the Second General Resolution, and all other moneys and securities referred to therein, subject only to the provisions of the Resolutions permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolutions.
4. The Series 2011A Bonds are valid and binding special obligations of the Authority payable as provided in and enforceable against the Authority in accordance with, their terms and the terms of the Resolutions and are entitled to the benefits of the Act and of the Resolutions. Such Series 2011A Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Act, and in accordance with the Resolutions.
5. The Series 2011A Bonds are payable solely from the sources described in the Resolutions and do not constitute a debt or liability of the State.
6. The Authority, the holders of the Series 2011A Bonds, or the holders of any evidence of indebtedness of the Authority do not and will not have a pledge of or a lien on the Dedicated Highway and Bridge Trust Fund established by Section 89-b of the State Finance Law, or of the taxes or fees deposited therein.
7. The Payment Agreement and the Trust Fund Cooperative Agreement have each been duly authorized, executed and delivered by the Authority, and, assuming their due and valid authorization, execution and delivery by the State, each constitutes a valid and binding agreement of the Authority, enforceable against the Authority in accordance with its terms.
8. Under existing statutes, regulations, administrative interpretations and court decisions, interest on the Series 2011A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2011A Bonds is included in adjusted current earnings for purposes of calculating the Federal alternative minimum tax imposed on certain corporations.

The difference between the principal amount of the Series 2011A Bonds maturing April 1, 2031 and bearing interest at a rate of 4.25% per annum (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that an owner's adjusted basis of a Discount Bond acquired at such initial offering price for purposes of determining gain or loss on the disposition of such Discount Bond will be increased by the amount of such accrued original issue discount. 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 such corporation's federal alternative minimum tax liability. Consequently, a corporate owner of any Discount Bond should be aware that the accrual of original issue discount in each year may result in a federal alternative minimum tax liability, even though the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

All of the Series 2011A Bonds other than the Discount Bonds (collectively, the "Premium Bonds"), are initially offered to the public at prices greater than the amounts payable thereon at maturity. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner's original cost of acquiring such Premium Bonds. Owners of Premium Bonds are advised that they should consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

9. Under existing statutes, including the Act, interest on the Series 2011A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

10. The Series 2011A Bonds are legal investments under present provisions of New York law for the Comptroller and for insurance companies, banks and trust companies, savings banks and associations, administrators, guardians, executors, trustees and other fiduciaries.

We have examined a fully executed Series 2011A Bond and, in our opinion, the form of said Series 2011A Bond and its execution are regular and proper.

Except as stated in paragraphs 8 and 9 above, we express no opinion as to federal, state and local tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds. Furthermore, we express no opinion as to any federal, state or local tax consequences with respect to the Series 2011A Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Resolutions or the Tax Certificate or under any other relevant documents upon the advice or approval of any bond counsel other than, Harris Beach PLLC. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2011A Bonds may affect the tax status of interest on the Series 2011A Bonds. Further, although interest on the Series 2011A Bonds is not included in gross income for purposes of federal income taxation, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2011A Bond depending upon the tax status of such holder and such holder's other items of income and deduction.

The foregoing opinions are qualified only to the extent that the enforceability of the Resolutions, the Payment Agreement, the Trust Fund Cooperative Agreement and the Series 2011A Bonds may be limited by bankruptcy, moratorium, insolvency, reorganization or other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2011A Bonds.

Our opinion is rendered only with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or any other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. This opinion is issued as of the date hereof, and

we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

Respectfully submitted,

APPENDIX E

LIST OF REFUNDED BONDS

The following table provides information regarding the Refunded Bonds. Except as otherwise indicated, all of the Outstanding Bonds of each maturity shown below are being refunded. The refunding is contingent upon the delivery of the Series 2011A Bonds.

Series	Dated Date	Par Amount	Maturity (April 1,)	Interest Rate	Redemption Date	Redemption Price
2001A	March 1, 2001	\$ 4,935,000	2012	4.50%	July 25, 2011	101%
2001B	October 1, 2001	9,750,000	2012	4.00	October 1, 2011	100
2002A	March 1, 2002	12,760,000	2013	4.25	April 1, 2012	100
2002A	March 1, 2002	4,250,000	2014	4.40	April 1, 2012	100
2002A	March 1, 2002	2,200,000	2015	4.50	April 1, 2012	100
2002A	March 1, 2002	3,635,000	2016	4.60	April 1, 2012	100
2002A	March 1, 2002	2,010,000	2017	4.70	April 1, 2012	100
2002A	March 1, 2002	690,000	2018	4.80	April 1, 2012	100
2002B	June 15, 2002	<u>3,495,000</u>	2013	4.15	April 1, 2012	100
Total		<u>\$43,725,000</u>				

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