NEW ISSUE – BOOK-ENTRY ONLY

$1,208,795,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS
(GENERAL PURPOSE)

$812,835,000	**$395,960,000**
SERIES 2013E	**SERIES 2013F**
	(Federally Taxable)
Dated: Date of Delivery	**Due: As shown on the inside cover**

The New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2013E (the "Series 2013E Bonds") and the New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2013F (Federally Taxable) (the "Series 2013F Bonds" and, collectively with the Series 2013E Bonds, the "Series 2013 Bonds") are special obligations of the New York State Urban Development Corporation (the "Corporation"), doing business as Empire State Development. The Series 2013 Bonds are secured solely by a pledge of certain payments (the "Financing Agreement Payments") to be made to the Trustee on behalf of the Corporation by the State of New York (the "State") under a financing agreement (the "Financing Agreement") between the Corporation and the State, acting by and through the Director of the Division of the Budget (the "Director of the Budget"). Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund (as hereinafter defined) to provide for the payment of the Series 2013 Bonds and all other State Personal Income Tax Revenue Bonds (as hereinafter defined). The Revenue Bond Tax Fund receives a statutory allocation of 25 percent of State of New York personal income tax receipts imposed by Article 22 of the Tax Law (the "New York State Personal Income Tax Receipts") as more fully described herein.

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

The Series 2013 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2013 Bonds be payable out of any funds other than those of the Corporation pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2013 Bonds. The Corporation has no taxing power.

The Series 2013 Bonds will be issued as fixed rate obligations, fully registered, in denominations of $5,000 or any integral multiple thereof. The Series 2013 Bonds will bear interest at the rates and mature at the times shown on the inside cover page hereof. Interest on the Series 2013 Bonds is payable on each March 15 and September 15, commencing March 15, 2014.

The Series 2013 Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See "PART 7 — BOOK-ENTRY ONLY SYSTEM" herein. So long as Cede & Co., as nominee for DTC, is the registered owner of the Series 2013 Bonds, payments of principal or redemption price of and interest on the Series 2013 Bonds will be made by The Bank of New York Mellon, as Trustee and Paying Agent, to Cede & Co.

The Series 2013 Bonds are subject to redemption prior to maturity as more fully described herein.

In the opinion of each of Orrick, Herrington & Sutcliffe LLP and the Hardwick Law Firm LLC, co-bond counsel to the Corporation (collectively, "Co-Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2013E Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Co-Bond Counsel, interest on the Series 2013E Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Co-Bond Counsel, interest on the Series 2013F Bonds is not excludible from gross income under Section 103 of the Code. Co-Bond Counsel is also of the opinion that interest on the Series 2013 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2013 Bonds. See "PART 12 — TAX MATTERS" herein regarding certain other tax considerations.

Each of the Series 2013E Bonds and Series 2013F Bonds are offered, when, as and if issued and delivered to the Initial Purchasers. The Series 2013 Bonds are subject to approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, and the Hardwick Law Firm LLC, New York, New York, and to certain other conditions. It is expected that the Series 2013 Bonds will be delivered in definitive form in New York, New York, on or about December 19, 2013.

December 12, 2013

$1,208,795,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS
(GENERAL PURPOSE)

Maturity Schedule

$812,835,000
SERIES 2013E

MATURITY MARCH 15	AMOUNT	INTEREST RATE	YIELD	CUSIP NUMBER*	MATURITY MARCH 15	AMOUNT	INTEREST RATE	PRICE OR YIELD	CUSIP NUMBER*
2015	$23,450,000	2.00%	0.21%	650035E53	2030	$47,345,000	5.00%	3.95†%	650035G44
2016	23,930,000	5.00	0.42	650035E61	2031	49,730,000	5.00	4.04†	650035G51
2017	25,115,000	5.00	0.67	650035E79	2032	52,195,000	5.00	4.11†	650035G69
2018	26,365,000	5.00	1.02	650035E87	2033	54,815,000	5.00	4.17†	650035G77
2019	27,700,000	5.00	1.40	650035E95	2034	9,265,000	5.00	4.23†	650035G85
2020	29,070,000	5.00	1.90	650035F29	2035	9,725,000	5.00	4.29†	650035G93
2021	30,530,000	5.00	2.29	650035F37	2036	10,210,000	5.00	4.34†	650035H27
2022	32,055,000	5.00	2.60	650035F45	2037	10,725,000	5.00	4.39†	650035H35
2023	33,660,000	5.00	2.82	650035F52	2038	11,260,000	5.00	4.42†	650035H43
2024	35,325,000	5.00	3.07†	650035F60	2039	11,825,000	5.00	4.45†	650035H50
2025	37,110,000	5.00	3.24†	650035F78	2040	12,415,000	5.00	4.47†	650035H68
2026	38,960,000	5.00	3.37†	650035F86	2041	13,035,000	5.00	4.49†	650035H76
2027	40,905,000	5.00	3.56†	650035F94	2042	13,690,000	5.00	4.50†	650035H84
2028	42,950,000	5.00	3.70†	650035G28	2043	14,375,000	5.00	4.50†	650035H92
2029	45,100,000	5.00	3.84†	650035G36					

$395,960,000
SERIES 2013F (FEDERALLY TAXABLE)

MATURITY MARCH 15	AMOUNT	INTEREST RATE	PRICE OR YIELD	CUSIP NUMBER*
2015	$41,800,000	0.25%	100%	650035J25
2016	41,905,000	0.58	100	650035J33
2017	42,150,000	1.00	1.03	650035J41
2018	42,575,000	1.65	1.73	650035J58
2019	43,280,000	2.00	2.08	650035J66
2020	44,140,000	2.70	2.79	650035J74
2021	45,330,000	2.90	2.99	650035J82
2022	46,645,000	3.20	3.28	650035J90
2023	48,135,000	3.45	3.53	650035K23

† Priced at the stated yield to the March 15, 2023 optional redemption date at a redemption price of 100%.

*CUSIP numbers herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Corporation and are included solely for the convenience of the holders of the Series 2013 Bonds. Neither the Corporation nor the State is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2013 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2013 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 2013 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 State, the Corporation, and other sources which are believed to be reliable by the Corporation and with respect to the information supplied or authorized by the State, is not to be construed as a representation by the Corporation. 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 State or the Corporation. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2013 BONDS, THE INITIAL PURCHASERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

IN CONNECTION WITH OFFERS AND SALES OF SERIES 2013 BONDS, NO ACTION HAS BEEN TAKEN BY THE CORPORATION THAT WOULD PERMIT A PUBLIC OFFERING OF THE SERIES 2013 BONDS, OR POSSESSION OR DISTRIBUTION OF ANY INFORMATION RELATING TO THE PRICING OF THE SERIES 2013 BONDS, THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2013 BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE INITIAL PURCHASER(S) OF THE SERIES 2013 BONDS ARE OBLIGATED TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION IN WHICH THEY PURCHASE, OFFER OR SELL SERIES 2013 BONDS OR POSSESS OR DISTRIBUTE THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2013 BONDS AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY THEM FOR THE PURCHASE, OFFER OR SALE BY THEM OF SERIES 2013 BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION TO WHICH THEY ARE SUBJECT OR IN WHICH THEY MAKE SUCH PURCHASES, OFFERS OR SALES AND THE CORPORATION SHALL HAVE NO RESPONSIBILITY THEREFOR.

TABLE OF CONTENTS

PAGE

PART 1 — SUMMARY STATEMENT i
PART 2 — INTRODUCTION 1
PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS 3
The Revenue Bond Tax Fund 3
Series 2013 Bonds 3
Certification of Payments To Be Set Aside in Revenue Bond Tax Fund 4
Set Aside of Revenue Bond Tax Fund Receipts 5
Flow Of Revenue Bond Tax Fund Receipts 6
Moneys Held In The Revenue Bond Tax Fund 7
Flow Of Revenues 8
Appropriation By The State Legislature 8
Additional Bonds 9
Parity Reimbursement Obligations 10
Certain Covenants Of The State..... 10
Reservation Of State's Right To Substitute Credit..... 11
PART 4 — SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND.....11
General History Of The State Personal Income Tax 11
Personal Income Tax Rates..... 12
Components Of The Personal Income Tax 14
Revenue Bond Tax Fund Receipts..... 14
Debt Service Coverage 17
Projected Debt Service Coverage 17
PART 5 — DESCRIPTION OF THE SERIES 2013 BONDS 17
General..... 17
Redemption..... 18
Selection Of Series 2013 Bonds To Be Redeemed; Notice Of Redemption..... 18
PART 6 — THE PROJECTS.....20
PART 7 — BOOK-ENTRY ONLY SYSTEM.....20
PART 8 — DEBT SERVICE REQUIREMENTS.....24
PART 9 — ESTIMATED SOURCES AND USES OF FUNDS.....25
PART 10 — THE CORPORATION.....25
General..... 25
Economic Development Programs..... 26
Consolidation..... 26
Directors; Corporate Management..... 26
Directors 27
Senior Officers..... 27
Financial Advisor 27
PART 11 — AGREEMENT OF THE STATE 27
PART 12 — TAX MATTERS 28
General 28
Tax Exempt Obligations..... 28
Federally Taxable Bonds..... 29
U.S. Holders 30
Non-U.S. Holders..... 31
Circular 230..... 32
PART 13 — LITIGATION..... 33
PART 14 — CERTAIN LEGAL MATTERS..... 33
PART 15 — COMPETITIVE BID AWARD 33
PART 16 — LEGALITY OF INVESTMENT..... 33
PART 17 — RATINGS 34
PART 18 — CONTINUING DISCLOSURE 34
PART 19 — MISCELLANEOUS..... 35

APPENDIX A INFORMATION CONCERNING THE STATE OF NEW YORK..... A-1
APPENDIX B SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION..... B-1
APPENDIX C FINANCING AGREEMENT..... C-1
APPENDIX D MASTER CONTINUING DISCLOSURE AGREEMENT D-1
APPENDIX E PROPOSED FORM OF CO-BOND COUNSEL OPINIONS E-1

PART 1 — SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2013 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms elsewhere in this Official Statement.

State Personal Income Tax Revenue Bond Financing Program	Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds") by establishing the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund") held separate and apart from all other moneys of the State in the joint custody of the State Commissioner of Taxation and Finance (the "Commissioner") and the Comptroller of the State (the "State Comptroller"). The Enabling Act authorizes the New York State Urban Development Corporation (the "Corporation"), the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency and the New York State Thruway Authority (collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain Authorized Purposes (as hereinafter defined). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Budget pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Corporation. State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon, which together constitute the pledged property under the applicable general resolution.
Purpose of Issue	The Series 2013 Bonds are being issued for the purpose of financing Authorized Purposes. For a more complete description of the expected application of proceeds of the Series 2013 Bonds, see "PART 6 — THE PROJECTS" herein.
Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts	The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax, which exclude refunds owed to taxpayers (the "New York State Personal Income Tax Receipts"), shall be deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the School Tax Relief Fund (the "STAR Fund"). Prior to such date, New York State Personal Income Tax Receipts were also net of STAR Fund deposits. The State Comptroller is required by the Enabling Act to deposit in the Revenue Bond Tax Fund all of the receipts collected from payroll withholding taxes (the "Withholding Component") until an amount equal to 25 percent of the estimated monthly New York State Personal Income Tax Receipts has been deposited into the

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

Revenue Bond Tax Fund (the "Revenue Bond Tax Fund Receipts").

New York State Personal Income Tax Receipts, the Withholding Component and the Revenue Bond Tax Fund Receipts for State Fiscal Years State Fiscal Years 2011-12 through 2013-14 are as follows:

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Revenue Bond Tax Fund Receipts
		($ in billions)	
2011-12	$38.8	$31.2	$ 9.7
2012-13	40.2	32.0	10.1
2013-14*	42.5	33.1	10.6

* As estimated in the Mid-Year Update to the FY 2014 Financial Plan.

The Series 2013 Bonds are special obligations of the Corporation, being secured by, among other things, a pledge of Financing Agreement Payments to be made by the State Comptroller to the Trustee on behalf of the Corporation and certain funds held by the Trustee under the Corporation's State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (the "General Resolution").

The Series 2013 Bonds are issued on a parity with all other Bonds which may be issued under the General Resolution. All State Personal Income Tax Revenue Bonds (of which $28.2 billion were outstanding as of November 15, 2013) are on a parity with each other as to payments from the Revenue Bond Tax Fund subject to annual appropriation by the State.

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

The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax. For additional information, see "PART 3 – SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS" and "PART 4 – SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND".

Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts (continued)	**The Series 2013 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2013 Bonds be payable out of any funds other than those of the Corporation pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, the premium, if any, or interest on the Series 2013 Bonds. The Corporation has no taxing power.** **The Series 2013 Bonds are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes authorized to be financed by the application of the proceeds of Series 2013 Bonds.**
Set Aside for Purpose of Making Financing Agreement Payments	The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature. The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Revenue Bond Tax Fund Receipts anticipated to be deposited to the Revenue Bond Tax Fund and the amount of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for State Fiscal Year 2013-14. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS."
Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts	If at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all certified financing agreement payments on all State Personal Income Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without appropriation, to immediately transfer amounts from the General Fund of the State (the "General Fund") to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers.
Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts	In the event that: (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars ($6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees, on behalf of each Authorized Issuer, including the Corporation. After the required appropriations and financing agreement payments have been made, excess moneys in the Revenue Bond Tax Fund are to be paid over and distributed to the credit of the General Fund. See "PART 3 — SECURITY AND SOURCES OF

Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts (continued)	PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Moneys Held in the Revenue Bond Tax Fund."
Additional Bonds and Debt Service Coverage	The Enabling Act and each of the general resolutions permit the Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to (a) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for particular Authorized Purposes and (b) the additional bonds test described below and included in each general resolution authorizing State Personal Income Tax Revenue Bonds. As provided in the General Resolution, and in each of the general resolutions of the other Authorized Issuers, additional State Personal Income Tax Revenue Bonds may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Revenue Bonds, the additional State Personal Income Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations. In accordance with the additional bonds debt service coverage test described above, Revenue Bond Tax Fund Receipts of approximately $10.6 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 4.0 times the maximum annual Debt Service for all outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2013 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. While additional State Personal Income Tax Revenue Bonds are expected to be issued by Authorized Issuers as appropriate for Authorized Purposes as noted herein, in no event may any additional State Personal Income Tax Revenue Bonds (other than certain refunding bonds) be issued unless the additional bonds test under the respective general resolution has been satisfied. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS — Additional Bonds" and "PART 4 — SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND — Estimated Debt Service Coverage." As of November 15, 2013, approximately $28.2 billion of State Personal Income Tax Revenue Bonds were outstanding.
Appropriation by State Legislature	The State Legislature is expected to make appropriations annually from amounts on deposit in the Revenue Bond Tax Fund sufficient to pay annual financing agreement payments when due. Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. Such an appropriation has been enacted for State Fiscal Year 2013-14. Pursuant to Article VII Section 16 of the State Constitution, if at any time the State Legislature fails to make an appropriation for State general obligation debt service, the State Comptroller is required to set apart from the first revenues thereafter received, applicable to the General Fund, sums sufficient to pay debt service on such general obligation bonds. In the event that such revenues and other amounts in the General Fund are insufficient to pay State general obligation bondholders, the State may also use amounts on deposit in the Revenue Bond Tax Fund as well as other funds to pay

Appropriation by State Legislature (continued)	debt service on State general obligation bonds. The Division of the Budget is not aware of any existing circumstances that would cause Revenue Bond Tax Fund Receipts to be used to pay debt service on State general obligation bonds in the future. The Director of the Budget believes that any failure by the State Legislature to make annual appropriations as contemplated would have a serious impact on the ability of the State and the Authorized Issuers to issue State-supported bonds to raise funds in the public credit markets.
Continuing Disclosure	In order to assist the Initial Purchasers of the Series 2013 Bonds in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC"), all Authorized Issuers, the State and each applicable trustee, including the Trustee, have entered into a Master Continuing Disclosure Agreement. See "PART 18 — CONTINUING DISCLOSURE" and "APPENDIX D — MASTER CONTINUING DISCLOSURE AGREEMENT."

[THIS PAGE INTENTIONALLY LEFT BLANK]

$1,208,795,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS
(GENERAL PURPOSE)

$812,835,000	**$395,960,000**
Series 2013E	**Series 2013F (Federally Taxable)**

PART 2 — INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page, Summary Statement and appendices, is to set forth certain information concerning the State and the Corporation, a body corporate and politic constituting a public benefit corporation of the State, doing business as Empire State Development ("ESD"), in connection with the offering by the Corporation of its State Personal Income Tax Revenue Bonds (General Purpose), Series 2013E (the "Series 2013E Bonds") and Series 2013F (Federally Taxable) (the "Series 2013F Bonds" and, collectively with the Series 2013E Bonds, the "Series 2013 Bonds"). The interest rates, maturity dates, and prices or yields of the Series 2013 Bonds being offered hereby are set forth on the inside cover page of this Official Statement.

This Official Statement also summarizes certain information concerning the provisions of the State Finance Law with respect to the issuance of State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds"), including the Series 2013 Bonds, and the statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law ("Tax Law") which, pursuant to Section 171-a of the Tax Law (the "New York State Personal Income Tax Receipts") are required to be deposited in the Revenue Bond Tax Fund to provide for the payment of State Personal Income Tax Revenue Bonds. Under current law, such New York State Personal Income Tax Receipts exclude refunds owed to taxpayers. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS — The Revenue Bond Tax Fund."

The State expects that State Personal Income Tax Revenue Bonds together with the State Sales Tax Revenue Bonds will be the primary financing vehicles for financing State-supported programs over the current financial plan period. State Sales Tax Revenue Bonds are authorized to be issued for certain authorized purposes pursuant to Article 5-F and Article 6 (Section 92-h) of the State Finance Law by the Corporation, the Dormitory Authority of the State of New York and the New York State Thruway Authority.

The Series 2013 Bonds are authorized to be issued pursuant to the Enabling Act, and the New York State Urban Development Corporation Act, Chapter 174 of the Laws of New York of 1968, as amended and supplemented (the "UDC Act"), and other provisions of State law. The Enabling Act authorizes the Authorized Issuers to issue State Personal Income Tax Revenue Bonds for certain purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued (the "Authorized Purposes"). The issuance of State-supported Debt is limited in the State Finance Law to the financing of capital works or purposes only, which include the acquisition, construction, demolition or replacement of fixed assets, the major repair or renovation thereof, or the planning or design of the acquisition, construction, demolition, replacement, repair or renovation of fixed assets. The Enabling Act, together with the UDC Act, constitute the "Authorizing Legislation."

The Series 2013 Bonds are additionally authorized under (i) the Corporation's State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution, adopted by the Corporation on November 16, 2009 (the "General Resolution"), (ii) the Corporation's Supplemental Resolution Authorizing State Personal Income Tax Revenue Bonds (General Purpose), Series 2013E and Series 2013F (Federally Taxable), adopted by the Corporation on December 9, 2013 (the "Series 2013 Supplemental Resolution"), and (iii) the Corporation's Bond Financing Committee Resolution Concerning the Sale and Issuance of State Personal Income Tax Revenue Bonds (General Purpose), Series 2013E and Series 2013F (Federally Taxable), adopted by the Corporation on December

9, 2013 (the "Series 2013 Bond Financing Committee Resolution", and together with the General Resolution and the Series 2013 Supplemental Resolution being herein, except as the context otherwise indicates, called the "Resolution" and any bonds issued pursuant to the General Resolution, including the Series 2013 Bonds, being herein referred to as the "Bonds").

The Series 2013 Bonds, and any additional series of Bonds which have heretofore been issued or may hereafter be issued under the General Resolution, will be equally and ratably secured thereunder. The Series 2013 Bonds and all other State Personal Income Tax Revenue Bonds which have heretofore been issued or may be issued by an Authorized Issuer are secured by a pledge of: (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under the applicable general resolution and the investment earnings thereon ((i) and (ii) being collectively referred to herein as the "Pledged Property" with respect to each such Authorized Issuer, including the Corporation). The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds adopted by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are required to equal to the amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

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

All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State Legislature. As of November 15, 2013, approximately $28.2 billion of State Personal Income Tax Revenue Bonds were outstanding. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS — Series 2013 Bonds" and "— Additional Bonds."

The Series 2013 Bonds are being issued for the purpose of financing Authorized Purposes. For a more complete description of the expected application of proceeds of the Series 2013 Bonds, see "PART 6—THE PROJECTS" herein. **The Series 2013 Bonds are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes authorized to be financed with proceeds of the Series 2013 Bonds.**

Pursuant to the Authorizing Legislation, the Corporation and the State entered into a financing agreement dated as of December 1, 2009 (the "Financing Agreement"). See "APPENDIX C — FINANCING AGREEMENT." **The Series 2013 Bonds are not secured by the Projects or any interest therein.**

The revenues, facilities, properties and any and all other assets of the Corporation of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding or otherwise applied to, the payment of State Personal Income Tax Revenue Bonds, any redemption premium therefor or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes. See "PART 10 — THE CORPORATION" for a further description of the Corporation.

The Series 2013 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2013 Bonds be payable out of any funds other than those of the Corporation pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2013 Bonds. The Corporation has no taxing power.

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

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

The Revenue Bond Tax Fund

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

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

Series 2013 Bonds

The Series 2013 Bonds are special obligations of the Corporation, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to The Bank of New York Mellon, as Trustee and Paying Agent (the "Trustee" or "Paying Agent") on behalf of the Corporation in accordance with the terms and provisions of a Financing Agreement by and between the Corporation and the Director of the Budget, subject to annual appropriation by the State Legislature, and the Funds and accounts established under the General Resolution (other than the Rebate Fund and other Funds as provided in the Resolution). A copy of the Financing Agreement relating to the Series 2013 Bonds is included as Appendix C hereto. The Series 2013 Bonds are entitled to a lien, created by a pledge under the General Resolution, on the Pledged Property. The Pledged Property with respect to the Series 2013 Bonds consists of (i) the payments made pursuant to the Financing Agreement and (ii) the Funds and accounts established under the General Resolution (other than the Rebate Fund and the Administrative Fund as provided in the Resolution) and the investment earnings thereon.

The Enabling Act and each of the general resolutions permit the Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test described herein, Revenue Bond Tax Fund Receipts of approximately $10.6 billion are available to pay financing agreement payments on a pro-forma basis, which amount represents approximately 4.0 times the maximum annual Debt Service for all

outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2013 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been satisfied. See "–Additional Bonds" below and "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND—Estimated Debt Service Coverage."

The revenues, facilities, properties and any and all other assets of the Corporation of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding, otherwise applied to, the payment of State Personal Income Tax Revenue Bonds, any redemption premium therefor or the interest thereon or any other obligations under the General Resolution, and under no circumstances shall these be available for such purposes. See "PART 10 – THE CORPORATION" for a further description of the Corporation.

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

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

The Enabling Act provides that:

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

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

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

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

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

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

In addition, the general resolutions and the financing agreements require the State Comptroller to set aside, monthly, in the Revenue Bond Tax Fund, amounts such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue Bond Tax Fund as

provided in 2(a) above, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of the Authorized Issuers in the following month.

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

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

Set Aside of Revenue Bond Tax Fund Receipts

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

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

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

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

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

The State Comptroller shall from time to time, but in no event later than the fifteenth day of each month (other than the last month of the fiscal year) and no later than the thirty-first day of the last month of each fiscal year, pay over and distribute to the credit of the General Fund all moneys in the Revenue Bond Tax Fund, if any, in excess of the aggregate amount required to be set aside for the payment of cash requirements as described above.

Flow of Revenue Bond Tax Fund Receipts

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

On or before October 1

Authorized issuers submit to the Division of the Budget the schedule of anticipated cash requirements (which include financing agreement payments) due with respect to State Personal Income Tax Revenue Bonds for the next State Fiscal Year and for the four subsequent State Fiscal Years

↓

No later than 30 Days after Budget Submission (Mid February)

Director of the Budget submits a certificate to the State Comptroller which estimates for the following State Fiscal Year:*

- 25% of monthly State Personal Income Tax Receipts to be deposited in the Revenue Bond Tax Fund
- Monthly set asides for financing agreement payments and other cash requirements (for outstanding bonds and projected issuances)

↓

Beginning on the First Day of Each Month

100% of daily receipts from the Withholding Component flow to Revenue Bond Tax Fund until 25% of estimated monthly New York State Personal Income Tax Receipts has been deposited**

State Personal Income Tax Receipts, which have been set aside to make financing agreement payments and meet other cash requirements, are required to remain in the Revenue Bond Tax Fund until appropriated and paid to the Trustee on behalf of the Authorized Issuers

↓

After the monthly amounts necessary to make financing agreement payments and meet other cash requirements have been set aside, and assuming appropriations have been enacted and any required payments have been made by the state comptroller, excess moneys in the Revenue Bond Tax Fund flow to the General Fund

↓

12th Day of the following Month

The Commissioner certifies to the State Comptroller 25% of actual New York State Personal Income Tax Receipts for the prior month and the State Comptroller adjusts deposits to the Revenue Bond Tax Fund accordingly

---

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

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

Moneys Held in the Revenue Bond Tax Fund

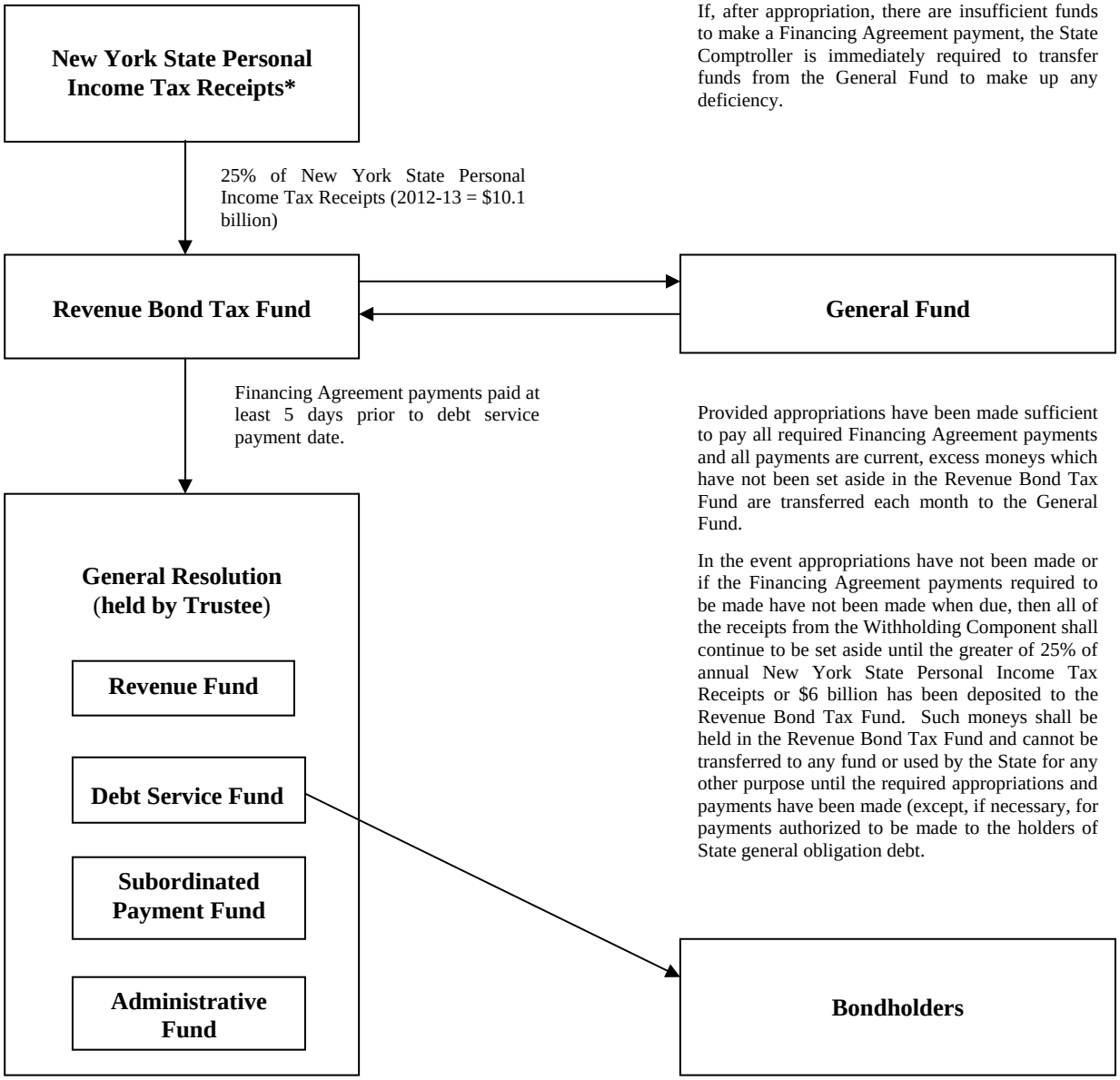
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Corporation and other Authorized Issuers (which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

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

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

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

Flow of Revenues



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

Appropriation by the State Legislature

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

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

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

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

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

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

Additional Bonds

As provided in each general resolution, except as provided in the next paragraph with respect to certain refunding bonds, additional State Personal Income Tax Revenue Bonds may be issued by the related Authorized Issuer, provided that the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the

Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all Outstanding State Personal Income Tax Revenue Bonds, the State Personal Income Tax Revenue Bonds proposed to be issued, and any additional amounts payable with respect to parity reimbursement obligations.

Each general resolution also provides that additional State Personal Income Tax Revenue Bonds may be issued to refund outstanding State Personal Income Tax Revenue Bonds either by meeting the debt service coverage test described above, or, in the alternative, by demonstrating that maximum annual debt service on all outstanding State Personal Income Tax Revenue Bonds will not increase as a result of such refunding.

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

Parity Reimbursement Obligations

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

Certain Covenants of the State

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

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

Reservation of State's Right to Substitute Credit

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

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

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

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

General History of the State Personal Income Tax

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

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

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

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

Personal Income Tax Rates

Taxable income equals New York adjusted gross income ("AGI") less deductions and exemptions. The tax provides separate rate schedules for married couples, single individuals and heads of households. For the 1989 through 1994 tax years, the State income tax was imposed at rates ranging from 4.0 percent to 7.875 percent on the taxable income of individuals, estates and trusts. For taxpayers with $100,000 or more of AGI, the savings from graduated marginal tax rates is recaptured through a supplementary mechanism in effect since 1991. Beginning in 1995, a major personal income tax cut program was phased in over three years which cut the top State personal income tax rate from 7.875 to 6.85 percent. For tax years 1997 through 2002, New York imposed a graduated income tax with rates ranging between 4.0 and 6.85 percent of taxable income. Legislation enacted with the 2003-04 Budget temporarily added two additional top brackets for the 2003 through 2005 tax years. For tax years 2006 through 2008, the rate schedules reverted to the rate schedule in effect for the 2002 tax year. For tax years 2009 through 2011, a temporary tax rate increase applied, which added two additional rates and brackets. The following tables set forth the rate schedules for tax years 2013 through 2017 and for tax years after 2017 which revert to the rate schedule in effect for the 2008 tax year except that the tax brackets are permanently indexed for cost of living adjustments starting in tax year 2013.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

New York State Personal Income Tax Rates for Tax Years 2013 through 2017*

Married Filing Jointly and Qualified Widow(er)	Tax†
Taxable Income:	
Not over $16,450	4% of taxable income
Over $16,450 but not over $22,600	$658 plus 4.50% of excess over $16,450
Over $22,600 but not over $26,750	$935 plus 5.25% of excess over $22,600
Over $26,750 but not over $41,150	$1,153 plus 5.90% of excess over $26,750
Over $41,150 but not over $154,350	$2,002 plus 6.45% of excess over $41,150
Over $154,350 but not over $308,750	$9,304 plus 6.65% of excess over $154,350
Over $308,750 but not over $2,058,550	$19,571 plus 6.85% of excess over $308,750
Over $2,058,550	$139,433 plus 8.82% of excess over $2,058,550
Single, Married Filing Separately, Estates and Trusts	
Taxable Income:	
Not over $8,200	4% of taxable income
Over $8,200 but not over $11,300	$328 plus 4.50% of excess over $8,200
Over $11,300 but not over $13,350	$468 plus 5.25% of excess over $11,300
Over $13,350 but not over $20,550	$575 plus 5.90% of excess over $13,350
Over $20,550 but not over $77,150	$1,000 plus 6.45% of excess over $20,550
Over $77,150 but not over $205,850	$4,651 plus 6.65% of excess over $77,150
Over $205,850 but not over $1,029,250	$13,209 plus 6.85% of excess over $205,850
Over $1,029,250	$69,612 plus 8.82% of excess over $1,029,250
Head of Household	
Taxable Income:	
Not over $12,350	4% of taxable income
Over $12,350 but not over $16,950	$494 plus 4.50% of excess over $12,350
Over $16,950 but not over $20,050	$701 plus 5.25% of excess over $16,950
Over $20,050 but not over $30,850	$864 plus 5.90% of excess over $20,050
Over $30,850 but not over $102,900	$1,501 plus 6.45% of excess over $30,850
Over $102,900 but not over $257,300	$6,148 plus 6.65% of excess over $102,900
Over $257,300 but not over $1,543,900	$16,416 plus 6.85% of excess over $257,300
Over $1,543,900	$104,548 plus 8.82% of excess over $1,543,900

* Tax year 2013 marks the first year of tax bracket inflation adjustment, based on tax year 2012 brackets. Income and tax amounts for tax years 2014 and beyond may change due to cost of living adjustments.

† A supplemental income tax recaptures the savings due to graduated marginal tax rates such that, for example, when a taxpayer's AGI exceeds $2,108,550 for married filing jointly taxpayers in 2013, all taxable income becomes effectively subject to a flat 8.82 percent tax rate.

New York State Personal Income Tax Rates for Tax Years After 2017*

Married Filing Jointly	Tax†
Taxable Income:	
Not over $16,450	4% of taxable income
Over $16,450 but not over $22,600	$658 plus 4.50% of excess over $16,450
Over $22,600 but not over $26,750	$935 plus 5.25% of excess over $22,600
Over $26,750 but not over $41,150	$1,153 plus 5.90% of excess over $26,750
Over $41,150	$2,002 plus 6.85% of excess over $41,150
Single, Married Filing Separately, Estates and Trusts	
Taxable Income:	
Not over $8,200	4% of taxable income
Over $8,200 but not over $11,300	$328 plus 4.50% of excess over $8,200
Over $11,300 but not over $13,350	$468 plus 5.25% of excess over $11,300
Over $13,350 but not over $20,550	$575 plus 5.90% of excess over $13,350
Over $20,550	$1,000 plus 6.85% of excess over $20,550
Head of Household	
Taxable Income:	
Not over $12,350	4% of taxable income
Over $12,350 but not over $16,950	$494 plus 4.50% of excess over $12,350
Over $16,950 but not over $20,050	$701 plus 5.25% of excess over $16,950
Over $20,050 but not over $30,850	$864 plus 5.90% of excess over $20,050
Over $30,850	$1,501 plus 6.85% of excess over $30,850

* Tax year 2013 marks the first year of tax bracket inflation adjustment, based on tax year 2012 brackets. Income and tax amounts for tax years from 2014 through 2017 may change due to cost of living adjustments.

† A supplemental income tax recaptures the savings due to graduated marginal tax rates such that when a taxpayer's AGI exceeds $152,900 plus a cost of living adjustment covering the period from 2013 through 2017, all taxable income becomes effectively subject to a flat 6.85 percent tax rate.

Components of the Personal Income Tax

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

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

Revenue Bond Tax Fund Receipts

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

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

In State Fiscal Year 2012-13, New York State Personal Income Tax Receipts were approximately $40.2 billion and accounted for approximately 61 percent of State tax receipts in all State Funds. The Mid-Year Update to the 2013-14 Financial Plan estimates New York State Personal Income Tax Receipts at $42.5 billion for State Fiscal Year 2013-14.

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund from State Fiscal Years 2003-04 through 2013-14. The Withholding Component can exceed New York State Personal Income Tax Receipts since such Receipts equal total personal income tax collections less (i) refunds and (ii) through State Fiscal Year 2006-07, deposits into the STAR Fund. For example, in State Fiscal Year 2003-04, refunds and STAR Fund deposits were greater than the aggregate personal income tax collections from components other than the Withholding Component.

NYS Personal Income Tax Receipts, Withholding Components and State Revenue Bonds Tax Fund Receipts State Fiscal Years 2003-04 through 2013-14

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Withholding/State Personal Income Tax Receipts	Revenue Bond Tax Fund Receipts
2003-04	$21,827,770,700	$21,985,657,770	100.7%	$5,456,942,675
2004-05	25,040,965,404	23,374,513,925	93.3	6,260,241,351
2005-06	27,599,721,585	24,760,667,777	89.7	6,899,930,396
2006-07	30,586,021,803	26,802,005,019	87.6	7,646,505,451
2007-08	36,563,948,528*	28,440,134,437	77.8	9,140,987,132*
2008-09	36,840,019,400*	27,686,157,203	75.2	9,210,004,850*
2009-10	34,751,381,665*	29,443,180,489	84.7	8,687,845,416*
2010-11	36,209,215,560*	31,240,169,745	86.3	9,052,303,890*
2011-12	38,767,826,942*	31,198,971,588	80.5	9,691,956,736*
2012-13	40,226,617,515*	31,957,626,911	79.4	10,056,654,379*
2013-14 (est.)	42,543,000,000*	33,066,000,000	77.7	10,635,800,000*

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

In State Fiscal Year 2012-13, New York State Personal Income Tax Receipts totaled approximately $40.2 billion. The Mid-Year Update to the 2013-14 Financial Plan estimates that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 5.8% to $42.5 billion in State Fiscal Year 2013-14.

Total State personal income tax receipts (as distinguished from New York State Personal Income Tax Receipts as defined herein and presented in the table above) estimates are based on the State personal income tax liability estimated by the Division of the Budget for each of the relevant tax years and the patterns of receipts and refunds for each tax year. Such tax year liability estimates are, in turn, based largely on forecasts of State adjusted gross income, with adjustments made for legislative changes (see "– General History of the State Personal Income Tax" above) that will affect each year's tax liability.

The level of total State personal income tax receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to total State personal income tax receipts will be indicative of future receipts. Since the institution of the modern income tax in New York in 1960, total personal income tax receipts have fallen six times on a year-over-year basis, in 1964-65, 1971-72, 1977-78, 1990-91, 2002-03, and 2009-10.

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

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for 2005 through 2014.

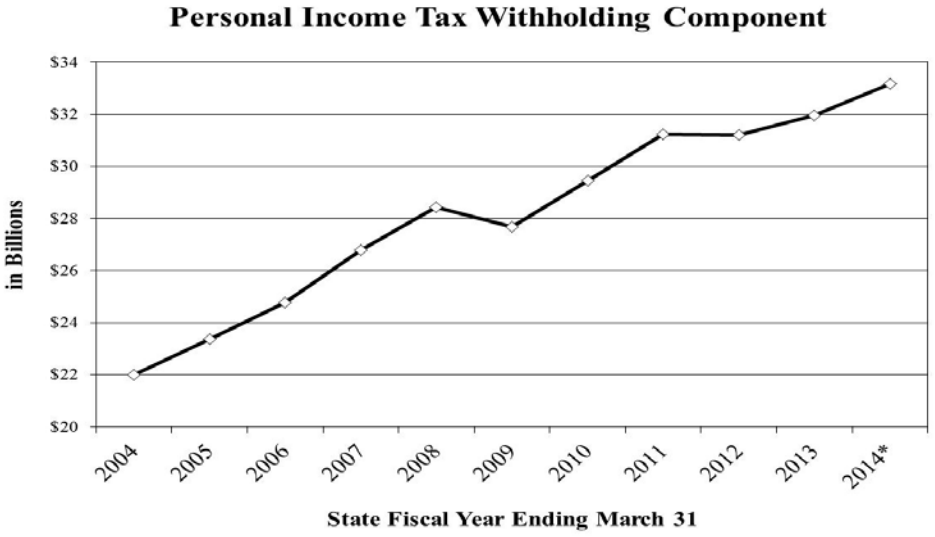
NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 2005 to 2014*

Tax Year	NYS AGI	Percent Change	Personal Income Tax Liability	Percent Change
		($ in millions)		
2005	571,916	8.7	28,484	10.5
2006	632,601	10.6	29,605	3.9
2007	725,245	14.6	35,215	19.0
2008	662,053	(8.7)	31,621	(10.2)
2009	596,471	(9.9)	31,162	(1.5)
2010	638,855	7.1	34,834	11.8
2011	657,298	2.9	36,296	4.2
2012 (est.)	722,952	10.0	38,776	6.8
2013 (proj.)	716,890	(0.8)	37,448	(3.4)
2014 (proj.)	767,269	7.0	40,345	7.7

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

The table indicates that under the State's progressive income tax structure with graduated tax rates, tax liability generally changes at a faster percentage rate than adjusted gross income, absent major law changes or economic events. Tax liability and adjusted gross income grew for five consecutive years, as the State economy recovered and entered a robust period of expansion. With the onset of the national recession and the financial crisis, adjusted gross income and tax liability fell in 2008 and 2009 and tax liability is projected to fall in 2013. The 2009 decline in liability is significantly smaller than that in adjusted gross income due to the enactment of a temporary tax rate increase for wealthier taxpayers that was in effect from 2009 to 2011. In December 2011, tax reform legislation was enacted for the period from 2012 through 2014, lowering tax rates for millions of taxpayers. These rates were subsequently extended through 2017 in the 2013-14 Enacted Budget.

The following graph shows the history of withholding receipts since State Fiscal Year 2003-04. Like overall adjusted gross incomes and tax liabilities, withholding steadily increased each year through State Fiscal Year 2010-11 except the recession-related State Fiscal Year 2008-09, due to overall growth in employment and wages, as well as the temporary tax surcharge which applied during State Fiscal Years 2003-04 through 2005-06 and for State Fiscal Years 2009-10 through 2010-11. Withholding receipts for State Fiscal Year 2013-14 are estimated to be $1.1 billion (3.5 percent) higher compared to State Fiscal Year 2012-13.



* Estimated.

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

Debt Service Coverage

The following table sets forth (1) Revenue Bond Tax Fund Receipts for a twelve consecutive calendar month period ended not more than six months prior to the date of such calculation, (2) maximum Calculated Debt Service on the outstanding State Personal Income Tax Revenue Bonds and (3) resulting debt service coverage. There can be no assurance that actual Revenue Bond Tax Fund Receipts will not be less than the amounts collected during the calculation period, as a result of numerous factors affecting Personal Income Tax Receipts that cannot be predicted at this time.

Debt Service Coverage on State Personal Income Tax Revenue Bonds
(Dollars in Thousands)

Revenue Bond Tax Fund Receipts	$10,631,400
Maximum Calculated Debt Service	$2,640,801
Debt Service Coverage	4.0

Projected Debt Service Coverage

Based upon the assumptions used in preparing the following table (also included in the Fiscal Year 2014 Enacted Budget Capital Program and Financing Plan), including assumed average State Personal Income Tax Revenue Bond issuances of approximately $3.5 billion annually over the next four years, State Personal Income Tax Revenue Bond debt service coverage based only upon the Revenue Bond Fund's receipt of the New York State Personal Income Tax Receipts is expected to decline from 3.8 times in State Fiscal Year 2013-14 to 3.5 times in State Fiscal Year 2016-17.

Projected Debt Service Coverage on State Personal Income Tax Revenue Bonds
State Fiscal Years 2013-14 Through 2016-17
(Dollars in Thousands)

	FY 2014	FY 2015	FY 2016	FY 2017
Projected Revenue Bond Tax Fund Receipts	$10,635,875	$11,008,550	$11,748,550	$12,475,225
Projected New State Personal Income Tax Revenue Bonds Issuances	3,636,850	3,684,049	3,994,235	2,870,472
Projected Total State Personal Income Tax Revenue Bonds Outstanding	30,009,625	33,511,525	37,165,632	39,550,268
Projected Maximum Annual Debt Service	2,779,384	2,994,821	3,324,091	3,561,431
Projected Debt Service Coverage	3.8x	3.7x	3.5x	3.5x

Additional State Personal Income Tax Revenue Bonds may be issued, subject to satisfaction of a 2.0 times debt service coverage test. All State Personal Income Tax Revenue Bonds issued by any Authorized Issuer will be on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State Legislature. See "PART 3 – SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS – Additional Bonds."

PART 5 — DESCRIPTION OF THE SERIES 2013 BONDS

General

The Series 2013 Bonds will bear interest, computed on the basis of a 360-day year and 30-day month, from their date of delivery payable March 15, 2014, and on each September 15 and March 15 thereafter at the rates set forth on the inside cover page of this Official Statement.

The Series 2013 Bonds will be issued only as fully registered bonds in the principal denomination of $5,000 or any integral multiple thereof.

The Series 2013 Bonds will be issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as bond depository for the Series 2013 Bonds. Principal or redemption price of and interest on each series of the Series 2013 Bonds are payable by The Bank of New York Mellon, New York, New York, as Trustee and Paying Agent, to Cede & Co., so long as Cede & Co. is the registered owner of each series of the Series 2013 Bonds, as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (See "PART 7 – BOOK-ENTRY ONLY SYSTEM" below).

Redemption

Optional Redemption

The Series 2013E Bonds maturing on or before March 15, 2023 are not subject to redemption at the option of the Corporation.

The Series 2013E Bonds maturing on or after March 15, 2024 are subject to redemption at the option of the Corporation at any time on or after March 15, 2023, either as a whole or in part in such order of maturity as the Corporation may determine (and if less than all of a maturity is to be redeemed, in such manner as the Trustee may determine), at par plus accrued interest to the date of redemption.

Make-Whole Optional Redemption of the Series 2013F Bonds

The Series 2013F Bonds are subject to redemption prior to their respective maturities at the option of the Corporation, in whole or in part, on any Business Day, at the Make-Whole Redemption Price. The "Make-Whole Redemption Price" is the greater of (i) the issue price(s) as shown on the inside cover page of this Official Statement (but not less than 100% of the principal amount of the Series 2013F Bonds to be redeemed), or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2013F Bonds to be redeemed (taking into account any mandatory sinking fund redemptions), not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2013F Bonds are to be redeemed, discounted to the date on which such Series 2013F Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus 25 basis points, plus, in each case, accrued and unpaid interest on the Series 2013F Bonds to be redeemed on the redemption date.

For purpose of determining the Make-Whole Redemption Price:

"Treasury Rate" means, with respect to any redemption date for a particular Series 2013F Bond, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (5 19) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed, provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year will be used.

Selection of Series 2013 Bonds to be Redeemed; Notice of Redemption

In the case of redemptions of Series 2013 Bonds at the option of the Corporation, the Corporation will select the Series and maturities of the Series 2013 Bonds to be redeemed.

If less than all of the Series 2013E Bonds of a maturity bearing the same interest rate are to be redeemed, the Trustee shall assign to each Outstanding Series 2013E Bond of such maturity and interest rate to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which such series of Series 2013E Bonds are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Series 2013E Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which the Series 2013E Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2013E Bonds to be redeemed.

If the Series 2013F Bonds are registered in book-entry form, and so long as DTC or a successor securities depository is the sole registered owner of such Series 2013F Bonds and if fewer than all of any maturity of the Series 2013F Bonds bearing the same interest rate are to be redeemed, the particular Series 2013F Bonds to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that the selection for redemption of such Series 2013F Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2013F Bonds will be selected for redemption, in accordance with DTC procedures, by lot; provided, however, that any such redemption must be performed such that all Series 2013F Bonds, as applicable, remaining outstanding will be in authorized denominations. See "PART 7 – BOOK ENTRY ONLY SYSTEM."

In connection with any redemption of Series 2013F Bonds, the Trustee will direct DTC to make a pass-through distribution of principal to the owners of the Series 2013F Bonds. To enable the Trustee to make such direction, the Corporation shall provide or cause to be provided to the Trustee a form of Pro Rata Pass-Through Distribution of Principal Notice that includes a table of factors reflecting the relevant redemption payment, in sufficient time to permit the Trustee to direct DTC to make the distribution in accordance with DTC's then-applicable procedures.

It is the Corporation's intent that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, the Corporation cannot provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Series 2013F Bonds on such basis.

If the Series 2013F Bonds are not registered in book-entry form and if fewer than all of a maturity of the Series 2013F Bonds bearing the same interest rate are to be redeemed, the particular Series 2013F Bonds to be redeemed will be selected on a pro rata basis, such that the principal amount of each registered owner's Series 2013F Bonds of such maturity and interest rate selected for redemption will be calculated according to the formula: (total principal amount to be redeemed) X (outstanding principal amount of registered owner's Series 2013F Bonds of such maturity and interest rate) / (outstanding principal amount of all Series 2013F Bonds of such maturity and interest rate); provided, however, that any such redemption must be performed such that all Series 2013F Bonds remaining outstanding will be in authorized denominations.

Notice of Redemption

Any notice of optional redemption of the Series 2013 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2013 Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs; provided, however, that with respect to any conditional notice given to Bondholders in connection with a redemption of all or a portion of the Series 2013F Bonds as described under "– Make-Whole Optional Redemption of Series 2013F Bonds" above, such redemption shall only be conditioned upon the issuance of refunding bonds pursuant to a contract of purchase that has been executed in connection therewith. Under the Resolutions, the Trustee is required to provide (i) notice of any rescission or failure to meet any such condition or other

such event as promptly as practicable after the failure of such condition or the occurrence of such other event, and (ii) notice of the Make-Whole Redemption Price as promptly as practicable after its determination.

When the Trustee shall have received notice from the Corporation that Series 2013 Bonds are to be redeemed at the option of the Corporation, and regardless of any such notice in the case of mandatory sinking fund redemption, the Trustee shall give notice, in the name of the Corporation, of the redemption of such Series 2013 Bonds, which notice shall specify the Series 2013 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2013 Bonds of a Series of any like maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2013 Bonds to be redeemed, and in the case of Series 2013 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed.

Such notice shall further state that on the redemption date there shall become due and payable upon each Series 2013 Bond or portion thereof to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on the Series 2013 Bonds or portions thereof to be redeemed.

Notice of any redemption shall be mailed by the Trustee, postage prepaid, no more than 45 days and no less than 20 days before the redemption date, to the Owners of any Series 2013 Bonds or portions of Series 2013 Bonds which are to be redeemed, at their last address, if any appearing upon the registry books.

For a more complete description of the redemption and other provisions relating to the Series 2013 Bonds, see "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

PART 6 — THE PROJECTS

The Series 2013 Bonds are being issued for the purposes of financing Authorized Purposes. Proceeds of the Series 2013 Bonds are expected to be used to finance or reimburse all or a portion of the costs of programs and projects throughout the State, including highway and bridge capital projects, correctional and youth facilities projects, housing projects, economic development projects and State facilities projects. In addition, proceeds of the Series 2013 Bonds will be used to pay all or part of the cost of issuance of the Series 2013 Bonds.

The Series 2013 Bonds are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes authorized to be financed by such application of the proceeds of Series 2013 Bonds.

PART 7 — BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2013 Bonds. References to the Series 2013 Bonds under this caption "Book-Entry Only System" shall mean all Series 2013 Bonds, the beneficial interests in which are owned in the United States. The Series 2013 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2013 Bond certificate will be issued for each maturity of each series of the Series 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency"

registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the related Series 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013 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 2013 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 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of any series of the Series 2013 Bonds within a stated maturity are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2013 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 Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2013 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 Corporation or the Trustee on a payable date in accordance with their respective holdings shown on DTC's records.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Corporation, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Corporation and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2013 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2013 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2013 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Corporation and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2013 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Corporation (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2013 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Corporation; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of the Series 2013 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2013 Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for any series of the Series 2013 Bonds. In that event, Series 2013 Bond certificates will be printed and delivered to DTC.

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

Each person for whom a Participant acquires an interest in the Series 2013 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2013 BONDS.

So long as Cede & Co. is the registered owner of the Series 2013 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2013 Bonds (other than under the caption "PART 12 — TAX MATTERS" and "PART 18 — CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2013 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2013 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

NEITHER THE CORPORATION NOR THE INITIAL PURCHASERS SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2013 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2013 BONDHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2013 BONDHOLDER; (5) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2013 BONDS; OR (6) ANY OTHER MATTER.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

PART 8 — DEBT SERVICE REQUIREMENTS

The following schedule sets forth, for each 12-month period ending March 31 of the years shown, the amounts required for the payment of debt service on the Series 2013 Bonds, for the payment of debt service on outstanding State Personal Income Tax Revenue Bonds and the aggregate total during each such period.

12-Month Period Ending March 31	Series 2013 Bonds			Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service[(1)(2)(3)]	Aggregate Debt Service[(3)]
	Principal Payments	Interest Payments	Total		
2014	-	$11,451,147	$ 11,451,147	$2,505,719,096	$2,517,170,242
2015	$ 65,250,000	47,935,034	113,185,034	2,527,615,831	2,640,800,864
2016	65,835,000	47,361,534	113,196,534	2,497,545,352	2,610,741,886
2017	67,265,000	45,921,985	113,186,985	2,471,586,102	2,584,773,087
2018	68,940,000	44,244,735	113,184,735	2,452,325,151	2,565,509,887
2019	70,980,000	42,223,998	113,203,998	2,435,448,522	2,548,652,520
2020	73,210,000	39,973,398	113,183,398	2,418,762,780	2,531,946,178
2021	75,860,000	37,328,118	113,188,118	2,330,205,932	2,443,394,050
2022	78,700,000	34,487,048	113,187,048	2,223,886,299	2,337,073,347
2023	81,795,000	31,391,658	113,186,658	2,148,863,236	2,262,049,893
2024	35,325,000	28,048,000	63,373,000	2,039,509,599	2,102,882,599
2025	37,110,000	26,281,750	63,391,750	2,001,274,434	2,064,666,184
2026	38,960,000	24,426,250	63,386,250	2,009,530,405	2,072,916,655
2027	40,905,000	22,478,250	63,383,250	1,856,450,143	1,919,833,393
2028	42,950,000	20,433,000	63,383,000	1,869,513,487	1,932,896,487
2029	45,100,000	18,285,500	63,385,500	1,587,227,804	1,650,613,304
2030	47,345,000	16,030,500	63,375,500	1,406,807,867	1,470,183,367
2031	49,730,000	13,663,250	63,393,250	1,312,337,380	1,375,730,630
2032	52,195,000	11,176,750	63,371,750	1,186,230,299	1,249,602,049
2033	54,815,000	8,567,000	63,382,000	1,015,287,575	1,078,669,575
2034	9,265,000	5,826,250	15,091,250	891,210,483	906,301,733
2035	9,725,000	5,363,000	15,088,000	835,889,182	850,977,182
2036	10,210,000	4,876,750	15,086,750	759,201,792	774,288,542
2037	10,725,000	4,366,250	15,091,250	647,697,309	662,788,559
2038	11,260,000	3,830,000	15,090,000	571,255,225	586,345,225
2039	11,825,000	3,267,000	15,092,000	483,779,233	498,871,233
2040	12,415,000	2,675,750	15,090,750	353,081,139	368,171,889
2041	13,035,000	2,055,000	15,090,000	249,431,813	264,521,813
2042	13,690,000	1,403,250	15,093,250	160,651,688	175,744,938
2043	14,375,000	718,750	15,093,750	56,337,700	71,431,450
TOTAL	$1,208,795,000	$606,090,903	$1,814,885,903	$45,304,662,858	$47,119,548,760

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

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

(3) Totals may not add due to rounding.

PART 9 — ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Series 2013 Bonds:

Sources of Funds	Series 2013E	Series 2013F	Total
Principal Amount of Series 2013 Bonds	$812,835,000	$395,960,000	$1,208,795,000
Net Original Issue Premium/(Discount)	86,290,945	(1,416,400)	84,874,545
Total Sources	$899,125,945	$394,543,600	$1,293,669,545
Uses of Funds			
Deposit to Bond Proceeds Fund	$891,041,525	$389,634,879	$1,280,676,404
Costs of Issuance*	7,032,341	3,428,722	10,461,063
Initial Purchaser's Discount	1,052,079	1,479,999	2,532,078
Total Uses	$899,125,945	$394,543,600	$1,293,669,545

*Includes New York State Bond Issuance Charge.

PART 10 — THE CORPORATION

General

The Corporation is a corporate governmental agency of the State constituting a political subdivision and a public benefit corporation. The Corporation's principal office is located at 633 Third Avenue, New York, New York 10017.

The UDC Act provides that the Corporation's existence shall continue until terminated by law, but that no such law may take effect so long as the Corporation has bonds, notes or other obligations outstanding unless adequate provision is made for the payment thereof in the documents securing the same.

The Corporation was originally created to facilitate the development of affordable housing for low, moderate and middle income persons and families among other purposes. Corporation residential projects are located throughout the State, concentrated in central city areas. All Corporation residential projects are subject to and governed by the State's Private Housing Finance Law.

During 1974, the Corporation experienced difficulty in meeting its commitments for financing the completion of certain primarily residential projects for which the Corporation would receive, upon completion, substantial federal mortgage subsidy payments. In February 1975 the State, in response, created the New York State Project Finance Agency ("PFA") to assist in the completion of such projects. PFA received funds from State appropriations, issued bonds and notes and made the proceeds thereof, together with revenues in excess of debt service requirements, available to the Corporation. Supervisory jurisdiction over the Corporation's residential projects being financed with PFA's assistance was transferred to the Division of Housing and Community Renewal of the State of New York. In 1979, the New York State Mortgage Loan Enforcement and Administration Corporation ("MLC") was organized as a Corporation subsidiary to service, administer and enforce the rights of the Corporation and PFA related to residential interest subsidies and certain other real estate investments. MLC is substantially inactive. All PFA bonds have been paid and on February 27, 2005 PFA's corporate existence was terminated by operation of law. The Corporation's mortgage housing portfolio securing its residential projects and the associated federal mortgage subsidy payments were transferred to the New York State Housing Finance Agency on June 5, 2013. The Corporation does not presently contemplate making mortgages to any new residential projects.

Economic Development Programs

The Corporation has redirected its efforts to promote economic development on the local and Statewide levels. The Corporation's goal is to create and retain jobs, particularly in economically distressed areas throughout the State from the largest urban centers to the smallest rural communities.

The Corporation, on behalf of the State, undertakes projects which would not be financially or organizationally feasible for the private sector alone. The State Legislature has provided the Corporation with various statutory powers, including the powers to condemn real property, invest in property at below-market interest rates, issue tax-exempt bonds, offer tax benefits to developers, and waive compliance, where appropriate, with local codes and laws.

In addition to the use of these extraordinary powers, the Corporation provides financial assistance through grants, low cost project financing, including loans and interest subsidy grants; and technical assistance in management, finance and project design.

In the past 30 years, the Corporation has undertaken, developed and constructed many significant projects, including the Jacob K. Javits Convention Center, South Street Seaport and other numerous large scale development projects. Today, the Corporation's large ongoing projects include the Barclays Center, Jacob K. Javits Convention Center expansion, Queens West and Moynihan Station redevelopment projects in New York City.

The Corporation has also formed the Lower Manhattan Development Corporation, a subsidiary responsible for the distribution of available relief and other funds and the rebuilding of lower Manhattan.

The Corporation also administers an array of less prominent, but significant economic development programs throughout the State, such as the RESTORE NY program, which is a $300 million program to revitalize urban areas and stabilize neighborhoods as a means to attract residents and businesses. RESTORE NY funds municipally sponsored projects for the demolition, deconstruction, rehabilitation, or reconstruction of vacant, obsolete or surplus structures.

Since January 1, 1997, over 7,700 projects have been approved, totaling more than $6.859 billion in grants and $268.5 million in loans. More than 500,000 jobs have been created and 260,000 jobs retained by these projects.

Through its Finance Division, the Corporation has issued approximately $14.3 billion in State-supported bonds to help finance economic development and special State purpose projects. These include correctional facilities, youth centers, State facilities, sports facilities, university-based technology centers and community enhancement facilities.

Consolidation

In order to increase efficiency, reduce administrative overhead and enhance the delivery of New York State's economic development initiatives, various economic development functions and staff have been consolidated. The staff and functions of the Corporation, MLC and the Job Development Authority ("JDA") have been combined. While each of these entities retains a separate corporate existence, they operate in a consolidated manner. ESD and the Department of Economic Development are responsible for providing and coordinating all of the State's economic development initiatives.

The legal corporate entities of the Corporation and JDA will remain intact for the purpose of issuing bonds and/or notes pursuant to legislative powers. The consolidation will have no legal impact on any of the outstanding Corporation or JDA bonds.

Directors; Corporate Management

The membership of the Corporation as constituted under the UDC Act consists of nine directors, as follows: two ex-officio directors and seven directors appointed by the Governor with the advice and consent of the Senate. From the seven directors appointed by him, the Governor designates a Chairman and two other directors who serve at the pleasure of the Governor. The four remaining directors appointed by the Governor serve for four-

year terms which expire in successive years. Directors continue to serve in office until their successors have been appointed and qualified.

The Corporation's present directors and senior officers include the following:

Directors

Vacant, Chairperson, the Corporation

Kenneth Adams, President and Chief Executive Officer, the Corporation

Derrick D. Cephas, Esq., Partner, Weil, Gotshal & Manges LLP

Paul F. Ciminelli, Chief Executive Officer and President, Ciminelli Development Corporation, Inc.

Joyce L. Miller, Chief Executive Officer, Tier One Public Strategies

Robert R. Dyson, Chairman and Chief Executive Officer, The Dyson-Kissner Moran Corporation

Benjamin Lawsky, Superintendent, New York State Department of Financial Services

Senior Officers

Kenneth Adams, President and Chief Executive Officer

Frances A. Walton, Chief Financial and Administrative Officer

Maria Cassidy, Deputy General Counsel

Eileen McEvoy, Corporate Secretary

Kathleen Mize, Deputy Chief Financial Officer and Controller

Robert M. Godley, Treasurer

The Corporation's staff includes experienced business executives, financial analysts, accountants, lawyers, urban planners, project managers, architects, engineers, construction supervisors, and specialists in industrial and commercial development. The Corporation consults with local governments, local private organizations and community groups. The Corporation also utilizes the professional services of architects, engineers, planners, lawyers, accountants and specialists in real estate finance, development and marketing, construction technology, urban research and other relevant technical fields. In addition to the Corporation's principal office in New York City, the Corporation has established regional offices in principal development centers throughout the State.

Financial Advisor

Public Financial Management, Inc. is acting as financial advisor to the Corporation in connection with the issuance of the Series 2013 Bonds.

PART 11 — AGREEMENT OF THE STATE

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

imposed pursuant to Article 22 of the Tax Law. An Event of Default under the General Resolution would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes and fees.

PART 12 — TAX MATTERS

General

In the opinion of each of Orrick, Herrington & Sutcliffe LLP and the Hardwick Law Firm LLC, Co-Bond Counsel to the Corporation, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2013E Bonds (the "Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes under Section 103 of the Code. In the further opinion of Co-Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Co-Bond Counsel, interest on the Series 2013F Bonds is not excludible from gross income under Section 103 of the Code. Co-Bond Counsel is also of the opinion that interest on the Series 2013 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). A complete copy of the proposed form of opinion of each Co-Bond Counsel is set forth in Appendix E hereto.

Although Co-Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and that interest on the Series 2013 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Series 2013 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Co-Bond Counsel expresses no opinion regarding any such other tax consequences.

Tax Exempt Obligations

Tax-Exempt Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Tax-Exempt Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Tax-Exempt Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Tax-Exempt Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Tax-Exempt Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

To the extent the issue price of any maturity of the Tax-Exempt Bonds is less than the amount to be paid at maturity of such Tax-Exempt Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Obligations), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Tax-Exempt Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of such maturity of the Tax-Exempt Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Tax-Exempt Bonds accrues daily over the term to maturity of such Tax-Exempt Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Tax-Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bonds. Beneficial Owners of the Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Tax-Exempt Bonds in the original offering to the public at the first price at which a substantial amount of such Tax-Exempt Bonds is sold to the public.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt Bonds. The Corporation has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax-Exempt Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Tax-Exempt Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax-Exempt Bonds. The opinion of Co-Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Co-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), or any other matters coming to Co-Bond Counsel's attention after the date of issuance of the Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt Bonds. Accordingly, the opinion of Co-Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisers regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel is expected to express no opinion.

The opinion of Co-Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Co-Bond Counsel's judgment as to the proper treatment of the Tax-Exempt Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Co-Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. Contemporaneously with the issuance of the Tax-Exempt Bonds, the Corporation will covenant, however, to comply with the requirements of the Code.

Co-Bond Counsel's engagement with respect to the Tax-Exempt Bonds ends with the issuance of the Tax-Exempt Bonds, and, unless separately engaged, Co-Bond Counsel is not obligated to defend the Corporation or the Beneficial Owners regarding the tax-exempt status of the Tax-Exempt Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Corporation and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of Tax-Exempt Bonds is difficult, obtaining an independent review of IRS positions with which the Corporation legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt Bonds, and may cause the Corporation or the Beneficial Owners to incur significant expense.

Federally Taxable Bonds

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series F Bonds (the "Taxable Bonds") that acquire their Taxable Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect, and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Taxable Bonds as part of a hedge, straddle or an integrated or conversion

transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Taxable Bonds pursuant to this offering for the issue price that is applicable to such Taxable Bonds (i.e., the price at which a substantial amount of the Taxable Bonds are sold to the public) and who will hold their Taxable Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest. Interest on the Taxable Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. Federal income tax purposes.

The Taxable Bonds are not expected to be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes because the stated redemption price at maturity of the Taxable Bonds is not expected to exceed their issue price by more than a de minimis amount (as determined for tax purposes).

Disposition of the Taxable Bonds. Unless a non-recognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Corporation) or other disposition of a Taxable Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable Bonds and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Taxable Bond (generally, the purchase price paid by the Taxable Bond decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Tax on Net Investment Income. For tax years beginning after December 31, 2012, certain non-corporate U.S. Holders of Taxable Bonds will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (in the case of individuals) or "undistributed net investment income" (in the case of estates and certain trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's "modified adjusted gross income" (in the case of individuals) or "adjusted gross income" (in the case of estates and certain trusts) for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's calculation of net investment income generally will include its interest income on the Taxable Bonds and its net gains from the disposition of the Taxable Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of this tax to your income and gains in respect of your investment in the Taxable Bonds.

Information Reporting and Backup Withholding. Payments on the Taxable Bonds generally will be subject to U.S. information reporting and "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," payments of principal of, and interest on, any Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the Corporation through stock ownership and (2) a bank which acquires such Taxable Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Taxable Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Taxable Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Corporation) or other disposition of a Taxable Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Corporation) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Taxable Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Taxable Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payment of principal and interest on any Taxable Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Taxable Bond or a financial institution holding the Taxable Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Taxable Bonds that are not United States

persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28%.

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury regulations pays the proceeds of the sale of a Taxable Bond to the seller of the Taxable Bond, backup withholding and information reporting requirements will not apply to such payments provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-(c)(2) or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Taxable Bond will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. Office of a broker of the proceeds of a sale of a Taxable Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

FATCA. Sections 1471 through 1474 of the Code (the "Foreign Account Tax Compliance Act" or "FATCA"), impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of U.S. source interest (including OID) and sales proceeds of debt obligations held by or through a foreign entity. Withholding under FATCA generally will apply to (i) payments of U.S. source interest (including OID) made after June 30, 2014, (ii) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (iii) certain foreign "pass-thru" payments no earlier than January 1, 2017, but exempt from withholding any payments made on and proceeds realized from the disposition of obligations that are outstanding on July 1, 2014 and are not substantially modified after that date, which exemption should exclude the Taxable Bonds from the withholding provisions of FATCA. Prospective investors should nonetheless consult their own tax advisors regarding FATCA and its effect on them.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the Corporation and its tax advisors are (or may be) required to inform prospective investors that:

i. any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;

ii. any such advice is written to support the promotion or marketing of the Taxable Bonds and the transactions described herein; and

iii. each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

PART 13 — LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of the Corporation, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Series 2013 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2013 Bonds are to be issued, (ii) the pledge effected under the General Resolution, or (iii) the validity of any provision of the Enabling Act, the Series 2013 Bonds, the General Resolution or the Financing Agreement. See "APPENDIX A" under the heading "Litigation" for a description of certain litigation relating to the State generally.

PART 14 — CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2013 Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, New York, New York and the Hardwick Law Firm LLC, New York, New York, Co-Bond Counsel to the Corporation, and to certain other conditions. The approving opinions of Co-Bond Counsel will be delivered with the Series 2013 Bonds. The proposed form of such opinions is included in this Official Statement as Appendix E.

PART 15 — COMPETITIVE BID AWARD

The Series 2013E Bonds were awarded, pursuant to two separate competitive bidding processes, on December 12, 2013. The Series 2013E Group A Bonds comprised of the Series 2013E Bonds maturing in the years 2015 to 2023, inclusive, were sold to J.P. Morgan Securities LLC (the "Series 2013E Group A Initial Purchaser"). The Series 2013E Group A Bonds will be purchased at a price of $289,599,630.91, which reflects an original issue premium of $38,165,263.55 and a Series 2013E Group A Initial Purchaser's discount of $440,632.64. The Series 2013E Group B Bonds comprised of the Series 2013E Bonds maturing in the years 2024 to 2043, inclusive, were sold to Merrill Lynch, Pierce Fenner & Smith Incorporated (the "Series 2013E Group B Initial Purchaser"). The Series 2013E Group B Bonds will be purchased at a price of $608,474,234.80, which reflects an original issue premium of $48,125,681.20 and a Series 2013E Group B Initial Purchaser's discount of $611,446.40.

The Series 2013F Bonds were awarded, pursuant to a competitive bidding process, on December 12, 2013, to J.P. Morgan Securities LLC (the "Series 2013F Initial Purchaser"). The Series 2013F Bonds will be purchased at a price of $393,063,601.01, which reflects an original issue discount of $1,416,399.50 and a Series 2013F Initial Purchaser's discount of $1,479,999.49.

The respective Initial Purchasers have supplied the information as to the initial public offering prices of the Series 2013 Bonds as set forth on the inside cover of this Official Statement with respect to the Series 2013 Bonds purchased by each such Initial Purchaser. The Series 2013 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Initial Purchasers.

PART 16 — LEGALITY OF INVESTMENT

The UDC Act provides that the Series 2013 Bonds constitute securities in which all public officers and bodies of the State and all its municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees, and other fiduciaries, and all other persons whatsoever, who are now or may hereafter be authorized to invest in bonds or

other obligations of the State, to the extent that the legality of their investments is governed by the laws of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

PART 17 — RATINGS

The Series 2013 Bonds are rated "AA" (outlook positive) by Fitch and "AAA" (outlook stable) by Standard & Poor's. Each rating reflects only the view of the rating agency issuing such rating and an explanation of the significance of such rating may be obtained from the rating agency furnishing the same. The Corporation furnished to such rating agencies certain materials and information in addition to that provided here. There is no assurance that such credit ratings will continue for any given period of time or that either or both will not be revised downward or withdrawn entirely by either or both of such rating agencies, if, in the judgment of either or both of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Series 2013 Bonds. A securities rating is not a recommendation to buy, sell or hold securities.

PART 18 — CONTINUING DISCLOSURE

In order to assist the Initial Purchasers of the Series 2013 Bonds to comply with Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, each of the Authorized Issuers, the State, and each of the trustees under the general resolutions have entered into a written agreement (the "Master Disclosure Agreement") for the benefit of all holders of State Personal Income Tax Revenue Bonds, including the holders of the Series 2013 Bonds, to provide continuing disclosure of certain financial and operating data concerning the State and the sources of the Revenue Bond Tax Fund Receipts (collectively, the "Annual Information") in accordance with the requirements of Rule 15c2-12 and as described in the Master Continuing Disclosure Agreement. The Division of the Budget will electronically file with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") System on or before 120 days after the end of each State fiscal year, commencing, for the Series 2013 Bonds, with the fiscal year ending March 31, 2014. An executed copy of the Master Disclosure Agreement is attached hereto as Appendix D.

The State Comptroller is required by existing law to issue audited annual financial statements of the State, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), within 120 days after the close of the State Fiscal Year, and the State will undertake to electronically file with the MSRB, the State's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, provided, however, that if audited financial statements are not then available unaudited financial statements shall be filed no later than 120 days after the end of the State's fiscal year and such audited statements shall be electronically filed with the MSRB, if and when such statements are available. In addition, the Authorized Issuers have undertaken, for the benefit of all holders of State Personal Income Tax Revenue Bonds, including holders of the Series 2013 Bonds, to electronically file with the MSRB, in a timely manner not in excess of ten business days after the occurrence of any of the fourteen events described in the Master Disclosure Agreement, notice of any such events.

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2013 Bonds, may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide the continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2013 Bonds, may recover monetary damages thereunder under any circumstances. Any holder of State Personal Income Tax Revenue Bonds,

including the holders of Series 2013 Bonds, including any beneficial owner, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

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

PART 19 — MISCELLANEOUS

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

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

The Director of the Budget is to certify that the statements and information appearing (a) under the headings (i) "PART 1 — SUMMARY STATEMENT" (except under the subcaption "Purpose of Issue" and except for the fourth, eighth (last sentence only) and ninth paragraphs under the subcaption "Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts", as to which no representation is made), (ii) "PART 2 — INTRODUCTION" (the second, third, fourth, sixth, seventh, eighth, tenth (other than the last sentence thereof) and twelfth (other than the last sentence thereof) paragraphs only), (iii) "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS ", and (iv) "PART 4 — SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND" and (v) "PART 8 — DEBT SERVICE REQUIREMENTS" as to the column "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service", and (b) in the "Annual Information Statement of the State of New York", including any updates or supplements, included in Appendix A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading, provided, however, that while the information and statements contained under such headings and in Appendix A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, further, however, that with regard to the statements and information in Appendix A hereto under the caption "Litigation", such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2013 Bonds.

The references herein to the Project Acts, the UDC Act, the Enabling Act, other laws of the State, the General Resolution and the Financing Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of the Corporation with the registered Owners of the Series 2013 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2013 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2013 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly stated, are intended merely as expressions of opinion, forecasts or estimates and not as representations of fact. Copies of the documents mentioned in this paragraph are available for review at the corporate headquarters of the Corporation located at 633 Third Avenue, New York, New York 10017. The Corporation's telephone number at such address is (212) 803-3100.

The execution and delivery of this Official Statement by an Authorized Officer have been duly authorized by the Corporation.

NEW YORK STATE
URBAN DEVELOPMENT CORPORATION
d/b/a EMPIRE STATE DEVELOPMENT

By: /s/ Frances A. Walton
Frances A. Walton
Chief Financial and Administrative Officer

APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

[This page intentionally left blank]

APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix A is dated June 19, 2013. It was updated on November 25, 2013. 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, 2013 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, 2013 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.

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

November 25, 2013

This is the second quarterly update (the "AIS Update") to the Annual Information Statement of the State of New York (the "AIS"), dated June 19, 2013. This AIS Update contains information only through November 25, 2013 and should be read in its entirety, together with the AIS. The State expects to issue the next AIS Update in February 2014, following the release of the Governor's Executive Budget Financial Plan for FY 2015.

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the Financial Plan for FY 2014 (the "Updated Financial Plan"), issued by the Division of the Budget ("DOB"). The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov), includes a summary of operating results for the first six months of fiscal year 2014, and updates to the State's official Financial Plan projections for FY 2014 through FY 2017[1].

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 "Risks and Uncertainties Related to the State Financial Plan").

3. A summary of the Generally Accepted Accounting Principles ("GAAP")-basis results for the prior three fiscal years (reprinted as a convenience from the First Quarterly Update to the AIS released in August 2013).

4. Updated information regarding the State Retirement Systems.

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

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

7. Financial plan tables that summarize actual General Fund receipts and disbursements for fiscal year 2013 and projected receipts and disbursements for fiscal years 2014 through 2017 on a General Fund, State Operating Funds and All Governmental Funds basis.

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

[1] The fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2014 ("FY 2014") is the fiscal year that began on April 1, 2013 and will end on March 31, 2014.

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 Update. Investors and other market participants should, however, refer to the AIS, as updated, or supplemented from time to time, for the most current official information regarding the financial position of the State.

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

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

In July 2013, OSC issued the Basic Financial Statements for FY 2013 (ended March 31, 2013). Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2013 can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

BUDGETARY AND 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 General Fund 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 if sufficient resources are, or are expected to be, available during the fiscal year for the State to: (a) make all planned payments, including Personal Income Tax ("PIT") refunds, without the issuance of deficit notes or bonds or extraordinary cash management actions, (b) restore the balances in the Tax Stabilization Reserve and Rainy Day Reserve to levels at or above the levels on deposit when the fiscal year began, and (c) maintain other reserves, as required by law. For purposes of calculating budget balance, the General Fund includes transfers to and from other funds.

The General Fund is the sole financing source for the School Tax Relief ("STAR") Fund. In addition, it is typically the financing source of last resort for the State's other major funds, which include the Health Care Reform Act ("HCRA") funds, the Dedicated Highway and Bridge Trust Fund ("DHBTF"), 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.

From time to time, DOB will informally designate unrestricted balances in the General Fund for specific policy goals (e.g., the payment of costs related to potential labor contracts covering prior contract periods). These amounts are typically identified with the phrase "reserved for" and are not held in distinct accounts within the General Fund and may be used for other purposes.

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is funded with State resources. It includes financial activity not only in the General Fund, but also State-funded special revenue funds and debt service funds (both the General Fund and State Operating Funds exclude spending from capital projects funds and Federal funds). DOB views State Operating Funds to be a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (i.e., taxes, assessments, fees, tuition) than the General Fund. The State Operating Funds perspective has the advantage of eliminating certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure, the transfer of money among funds, and the accounting of disbursements against appropriations in different funds. For example, the State funds its share of the Medicaid program from both the General Fund and from State Special Revenue Funds, including Health Care Reform Act funds. The State Operating Funds perspective captures Medicaid disbursements from both of these fund types, giving a more complete accounting of State-funded Medicaid disbursements. For such reasons, the discussion of disbursement projections often emphasizes the State Operating Funds perspective.

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. 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.

Fund types of the State include: the General Fund; State special revenue funds, which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal Special Revenue Funds, which receive certain Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction and rehabilitation of roads, bridges, prisons, 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 *pro forma* financial plan using, to the extent practicable, generally accepted accounting principles ("GAAP"), although this requirement is for informational purposes. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year and is not updated on a quarterly basis. 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. However, GAAP is a financial reporting regime, not a budgeting system.

OVERVIEW OF THE UPDATED FINANCIAL PLAN

SUMMARY

Financial results through September 2013 remain in line with DOB's expectations. DOB estimates that the General Fund will remain in balance in FY 2014 on a budgetary (cash) basis of accounting, based on its review of operating results through September 2013 and other information.

General Fund receipts, including transfers from other funds, are now expected to total $61.6 billion in FY 2014, a decrease of $47 million from the First Quarterly Update. The downward revision reflects lower than expected collections of section 18-a assessments on utility companies through September 2013 attributable to declines in utility prices and energy consumption.

General Fund disbursements, including transfers to other funds, are expected to total $61.5 billion in FY 2014, a decrease of $47 million from the First Quarterly Update. The Updated Financial Plan reflects savings from the recalculation of the State's pension payments based on updated information ($31 million). In addition, DOB expects that, based on claims to date, the cost of reimbursing local governments for general public health programs will be lower than projected in the First Quarterly Update ($29 million). Lastly, the Updated Financial Plan includes an additional $13 million in funding to assist areas affected by flooding in the Mohawk Valley region, bringing the total FY 2014 funding to $29 million.[2]

DOB expects the State to end FY 2014 with a General Fund closing balance of $1.8 billion, unchanged from the First Quarterly Update. For planning purposes, the Updated Financial Plan continues to assume a $318 million prepayment of FY 2015 debt service, but DOB will determine the specific prepayments that will be made later in the current fiscal year. The level of prepayments may change, depending on the State's fiscal position.

The projections for General Fund budget gaps in future years remain unchanged from the First Quarterly Update, with gaps of $1.7 billion in FY 2015, $2.9 billion in FY 2016, and $2.9 billion in FY 2017. By law, the Governor must propose, and the Legislature must enact, a General Fund budget that is balanced on a cash basis of accounting.

[2] Recovery aid of $16 million was included in the First Quarterly Update.

MID-YEAR OPERATING RESULTS (APRIL - SEPTEMBER 2013)

GENERAL FUND RESULTS VERSUS ENACTED BUDGET

Operating results through September 30, 2013 were positive in comparison to the estimate in the FY 2014 Enacted Budget Financial Plan as reflected in the AIS.

The State ended the month of September 2013 with a closing balance of $6.3 billion in the General Fund, $1.6 billion higher than projected in the Enacted Budget Financial Plan (and $710 million higher than the revised projections of the First Quarterly Update). The higher balance is mainly due to lower than planned spending ($1.2 billion).

GENERAL FUND OPERATING RESULTS THROUGH SEPTEMBER 2013
(millions of dollars)

	Enacted Plan	Revised Plan	Results	Variance Above/(Below) Enacted	Variance Above/(Below) Revised
Opening Balance	**1,610**	**1,610**	**1,610**	**0**	**0**
Total Receipts	**31,577**	**32,058**	**31,933**	**356**	**(125)**
Taxes:	29,976	30,075	30,063	87	(12)
Personal Income Tax[1]	20,253	20,306	20,347	94	41
User Taxes and Fees[1]	6,086	6,179	6,226	140	47
Business Taxes	2,789	2,716	2,568	(221)	(148)
Other Taxes[1]	848	874	922	74	48
Receipts and Grants	1,461	1,671	1,556	95	(115)
Transfers From Other Funds	140	312	314	174	2
Total Spending	**28,503**	**28,104**	**27,269**	**(1,234)**	**(835)**
Education	7,727	7,422	7,077	(650)	(345)
Health Care	6,450	6,191	6,091	(359)	(100)
Social Services	1,479	1,400	1,418	(61)	18
Higher Education	1,308	1,359	1,261	(47)	(98)
All Other Local Assistance	1,376	1,394	1,338	(38)	(56)
Personal Service	2,814	2,851	2,862	48	11
Non-Personal Service	922	808	794	(128)	(14)
General State Charges	2,448	2,505	2,398	(50)	(107)
Debt Service Transfer	633	610	462	(171)	(148)
Capital Projects Transfer	529	601	580	51	(21)
State Share Medicaid Transfer	831	993	1,159	328	166
SUNY Operations Transfer	812	812	810	(2)	(2)
All Other Transfers	1,174	1,158	1,019	(155)	(139)
Change in Operations	**3,074**	**3,954**	**4,664**	**1,590**	**710**
Closing Balance	**4,684**	**5,564**	**6,274**	**1,590**	**710**

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

Through September 2013, General Fund receipts, including transfers from other funds, were $356 million above initial projections, reflecting higher tax collections ($87 million), miscellaneous receipts ($95 million) and transfers from other funds ($174 million).

The variance in tax collections is comprised of higher PIT collections due to stronger than anticipated current year estimated and 2012 final tax return payments ($94 million); higher user taxes and fees ($140 million) reflecting stronger than expected collections for sales associated with autos, dining and entertainment, and expenditures by utilities for post-Sandy repairs; higher other taxes receipts ($74 million) due to stronger real estate prices and transaction volume, as well as estate tax receipts; and lower business tax collections ($221 million) driven mainly by lower gross collections for insurance and bank taxes due to a weakness in 2013 liability payments.

Higher than anticipated miscellaneous receipts include the unanticipated settlement payments of $250 million from Bank of Tokyo-Mitsubishi UFJ ("BTMU") for its violation of banking laws concerning interactions with countries and entities subject to international sanctions, and $10 million from Deloitte Financial Advisory Services for its violation of banking laws during its consulting work at Standard Chartered Bank; offset by lower abandoned property collections ($100 million) and lower collections from the section 18-a temporary assessment imposed on public utility companies ($38 million).

Transfers from other funds were higher than initially estimated due to the additional revenue generated by the recently settled gaming agreements ($203 million) between New York State and the Oneida Nation of Indians, the Saint Regis Mohawk Tribe, and the Seneca Nation of Indians.

Through September 2013, General Fund disbursements, including transfers to other funds, were $1.2 billion lower than the FY 2014 Enacted Budget Financial Plan projection, due mainly to lower local assistance spending.

Local assistance spending was lower than estimated ($1.2 billion), mainly in the areas of education ($650 million) and health care spending ($359 million). The education variance includes less-than-anticipated School Aid disbursements through September (which do not impact annual disbursement estimates), and $238 million in pre-school special education payments that were processed in October instead of September. The health variance includes the earlier than expected receipt of Medicaid audit recoveries that offset State spending ($200 million); lower utilization across multiple service categories which, along with routine timing of the receipt and application of credits, resulted in lower Medicaid cycle activity; reduced Medicaid administrative costs; and declines in public health program spending, including the General Public Health Work ("GPHW") program. The annual GPHW estimate has been revised downward in this AIS Update.

Non-personal service costs ($128 million) were lower than planned mainly in DOH, including Medicaid contract spending ($40 million); Office of Temporary and Disability Assistance ("OTDA") ($21 million); Judiciary ($19 million); OGS ($17 million); DTF ($9 million); and State Police ($6 million). The variances in mental hygiene transfers to support operational facility costs are a function of timing associated with the submission of claims for payment. The debt service transfer was lower as a result of an administrative delay in the disbursement of the State University of New York ("SUNY") Construction Fund payments ($171 million).

STATE OPERATING FUNDS RESULTS VERSUS ENACTED BUDGET

The State ended September 2013 with a closing balance of $9.1 billion in State Operating Funds, $1.9 billion above the Enacted Budget Financial Plan estimate ($923 million higher than the revised estimate included with the First Quarterly Update to the AIS). The higher balance is mainly due to lower than planned spending ($1.5 billion) and is comprised mainly of lower education and health care spending consistent with the General Fund variance.

STATE OPERATING FUNDS RESULTS THROUGH SEPTEMBER 2013 (millions of dollars)					
	Enacted Plan	Revised Plan	Results	Variance Above/(Below) Enacted	Variance Above/(Below) Revised
Opening Balance	**4,360**	**4,360**	**4,360**	**0**	**0**
Total Receipts	**43,778**	**44,244**	**44,048**	**270**	**(196)**
Taxes:	33,691	33,781	33,728	37	(53)
Personal Income Tax	21,486	21,538	21,575	89	37
User Taxes and Fees	7,234	7,342	7,386	152	44
Business Taxes	3,516	3,432	3,247	(269)	(185)
Other Taxes	1,455	1,469	1,520	65	51
Miscellaneous/Federal Receipts	10,087	10,463	10,320	233	(143)
Total Spending	**42,160**	**41,825**	**40,643**	**(1,517)**	**(1,182)**
Education	10,061	9,750	9,409	(652)	(341)
Health Care	9,608	9,245	9,000	(608)	(245)
Social Services	1,480	1,401	1,420	(60)	19
Transportation	2,376	2,344	2,320	(56)	(24)
Higher Education	1,308	1,359	1,261	(47)	(98)
All Other Local Assistance	2,834	3,131	3,021	187	(110)
Personal Service	6,242	6,324	6,243	1	(81)
Non-Personal Service	2,652	2,575	2,589	(63)	14
General State Charges	3,345	3,441	3,289	(56)	(152)
Debt Service	2,253	2,247	2,086	(167)	(161)
Capital Projects	1	8	5	4	(3)
Other Financing Sources	**1,219**	**1,368**	**1,305**	**86**	**(63)**
Change in Operations	**2,837**	**3,787**	**4,710**	**1,873**	**923**
Closing Balance	**7,197**	**8,147**	**9,070**	**1,873**	**923**

Through September 2013, total receipts in State Operating Funds were $270 million higher than Enacted Budget Financial Plan projections, reflecting the combined impacts of higher collections for both taxes ($37 million) and miscellaneous receipts ($233 million).

As noted in the General Fund operating results, the variance in tax collections is a function of higher PIT collections and user taxes, offset by lower business tax receipts.

Higher non-tax receipts reflects the financial settlement payments described in the General Fund section, partly offset by lower abandoned property collections; lower HCRA assessment revenue attributable to the impact of MRT initiatives on reducing costs throughout the State's health care industry; and lower SUNY miscellaneous receipts.

State Operating Funds spending was $1.5 billion below planned levels, due to lower spending in local assistance ($1.2 billion), agency operations ($118 million), and debt service ($167 million).

These variances include the General Fund variances described above, as well as lower health care spending in other State funds, including the Federal-State Health Reform Partnership ("F-SHRP") ($97 million) attributable to administrative delays associated with the processing of payments, and lower

HCRA and provider assessment revenues used to finance a portion of health care spending. Other variances include lower transit operating aid ($56 million), due to the delay of a scheduled transit aid payment pursuant to a revised cash flow schedule agreement between the State and the MTA; and unanticipated payments made to municipalities pursuant to the recent tribal-state compact agreements ($116 million).

ALL GOVERNMENTAL FUNDS RESULTS

All Governmental Funds ended September 2013 with a closing balance of $7.8 billion, $1.3 billion above the Enacted Budget ($739 million higher than the revised estimate included with the First Quarterly Update to the AIS). The higher balance is comprised of lower than projected spending ($1.9 billion) including a lower level of Federal operating funds, partly offset by lower available resources ($593 million).

All GOVERNMENTAL FUNDS RESULTS THROUGH SEPTEMBER 2013
(millions of dollars)

	Enacted Plan	Revised Plan	Results	Variance Above/(Below) Enacted	Variance Above/(Below) Revised
Opening Balance	**3,876**	**3,876**	**3,876**	**0**	**0**
Total Receipts	**68,650**	**68,173**	**68,057**	**(593)**	**(116)**
Taxes:	34,391	34,474	34,419	29	(55)
Personal Income Tax	21,486	21,538	21,575	89	37
User Taxes and Fees	7,548	7,647	7,692	144	45
Business Taxes	3,854	3,772	3,586	(268)	(186)
Other Taxes	1,503	1,517	1,566	63	49
Miscellaneous Receipts	11,987	11,993	11,795	(192)	(198)
Federal Grants	22,272	21,706	21,843	(429)	137
Total Spending	**66,033**	**64,946**	**64,087**	**(1,946)**	**(859)**
State Operating Funds:	42,160	41,825	40,643	(1,517)	(1,182)
Education	10,061	9,750	9,409	(652)	(341)
Health Care	9,608	9,245	9,000	(608)	(245)
Social Services	1,480	1,401	1,420	(60)	19
Transportation	2,376	2,344	2,320	(56)	(24)
Higher Education	1,308	1,359	1,261	(47)	(98)
All Other Local Assistance	2,834	3,131	3,021	187	(110)
Personal Service	6,242	6,324	6,243	1	(81)
Non-Personal Service	2,652	2,575	2,589	(63)	14
General State Charges	3,345	3,441	3,289	(56)	(152)
Debt Service	2,253	2,247	2,086	(167)	(161)
Capital Projects	1	8	5	4	(3)
Capital Projects Funds	3,836	3,723	3,882	46	159
Federal Operating Funds	20,037	19,398	19,562	(475)	164
Other Financing Sources	**(20)**	**(29)**	**(33)**	**(13)**	**(4)**
Change in Operations	**2,597**	**3,198**	**3,937**	**1,340**	**739**
Closing Balance	**6,473**	**7,074**	**7,813**	**1,340**	**739**

Through September 2013, total receipts in All Funds were $593 million lower than initial projections, reflecting the combined impact of lower Federal Aid ($429 million) and miscellaneous receipts ($192 million), partly offset by higher tax collections ($29 million).

In addition to the tax collection and miscellaneous receipt variances noted earlier, other significant variances include lower than planned receipts due to a timing delay of bond sales associated with certain

economic development programs ($412 million) and Federal Grant aid variances commensurate to the spending variances described below.

In addition to the General Fund and State Operating Fund spending variances described earlier, the most notable variances are attributable to lower Federal spending ($475 million) in the areas of Medicaid ($920 million) related to the ACA, and the timing of disaster assistance reimbursements, that are partly offset by earlier than planned spending for public assistance programs ($535 million) and education ($455 million).

ALL GOVERNMENTAL FUNDS ANNUAL CHANGE

The All Governmental Funds balance through September 2013 was $7.8 billion, or $1.8 billion higher than the prior year. The growth in the fund balance in the current year is attributable to a higher opening balance ($516 million), greater available resources from All Governmental Funds receipts ($5.4 billion), partly offset by higher year-to-date spending ($4.1 billion).

All GOVERNMENTAL FUNDS RESULTS YEAR-OVER-YEAR
APRIL THROUGH SEPTEMBER
(millions of dollars)

	FY 2013 Results	FY 2014 Results	Increase/(Decrease) $	Increase/(Decrease) %
Opening Balance	**3,360**	**3,876**	**516**	
Total Receipts	**62,623**	**68,057**	**5,434**	**8.7%**
Taxes:	31,635	34,419	2,784	8.8%
Personal Income Tax	19,368	21,575	2,207	11.4%
User Taxes and Fees	7,341	7,692	351	4.8%
Business Taxes	3,458	3,586	128	3.7%
Other Taxes	1,468	1,566	98	6.7%
Miscellaneous Receipts	11,723	11,795	72	0.6%
Federal Grants	19,265	21,843	2,578	13.4%
Total Spending	**59,940**	**64,087**	**4,147**	**6.9%**
State Operating Funds:	39,627	40,643	1,016	2.6%
Education	9,799	9,409	(390)	-4.0%
Health Care	8,444	9,000	556	6.6%
Social Services	1,644	1,420	(224)	-13.6%
Transportation	2,102	2,320	218	10.4%
Higher Education	1,124	1,261	137	12.2%
All Other Local Assistance	3,255	3,021	(234)	-7.2%
Personal Service	6,095	6,243	148	2.4%
Non-Personal Service	2,195	2,589	394	17.9%
General State Charges	2,646	3,289	643	24.3%
Debt Service	2,320	2,086	(234)	-10.1%
Capital Projects	3	5	2	66.7%
Capital Projects Funds	3,260	3,882	622	19.1%
Federal Operating Funds	17,053	19,562	2,509	14.7%
Other Financing Sources	**(34)**	**(33)**	**1**	
Change in Operations	**2,649**	**3,937**	**1,288**	
Closing Balance	**6,010**	**7,813**	**1,803**	

All Governmental Funds tax receipts through September 2013 are $2.8 billion higher than the prior year, with 80 percent of the growth attributable to higher PIT collections ($2.2 billion). This was due in part to taxpayer accelerations of income into the 2012 tax year to avoid increased 2013 Federal tax rates. Other growth in tax receipts includes higher user tax collections ($351 million) associated with recurring and non-recurring taxable purchases such as auto sales, entertainment activities, and utility expenses for post-Sandy repair work; and higher business taxes ($128 million) driven by higher audit receipts for corporate franchise taxes in April and May of 2013. The remaining growth in receipts is in Federal Grants ($2.6 billion) and is generally a result of increased Federal program spending, as described in greater detail below.

Nearly two-thirds of the $4.1 billion annual increase in All Governmental Funds spending through September 2013 is attributable to higher Federal spending ($2.5 billion), mainly in the areas of health care, disaster assistance associated with Sandy-related storm recovery activities, and public assistance.

State Operating Funds spending has increased by $1.0 billion through September 2013 compared to the prior year. Growth in local assistance spending includes higher Medicaid spending due to lower spending during the first six months of the prior year as a result of delayed Federal approval of certain rate increases; transit aid spending from available resources; and increased higher education spending.

Agency operations spending growth includes higher personal service costs, which is mainly comprised of increased compensation, overtime and other payments; and non-personal service costs, which includes increased spending by SUNY from additional revenue being generated at their campuses. Spending for GSCs has increased from the prior year, as the State's pension payments are now being paid on a monthly basis, rather than during the final month of the fiscal year, to generate interest savings.

Capital projects spending has increased by $622 million from the prior year, which is a result of both budgeted growth, particularly for DOT-related costs in the DHBTF, and from certain system related transaction delays during FY 2012 related to fringe benefit billing processes.

MULTI-YEAR FINANCIAL PLAN REVISIONS

The following table summarizes the revisions to the financial plan that affect General Fund operating projections since the First Quarterly Update issued in August 2013. Descriptions of the changes follow the table.

SUMMARY OF REVISIONS TO FIRST QUARTERLY UPDATE FINANCIAL PLAN
GENERAL FUND BUDGETARY BASIS OF ACCOUNTING
SAVINGS/(COSTS)
(millions of dollars)

	FY 2014	FY 2015	FY 2016	FY 2017
FIRST QUARTERLY UPDATE SURPLUS/(GAPS)	**0**	**(1,742)**	**(2,889)**	**(2,948)**
RECEIPTS REVISIONS	**(47)**	**0**	**0**	**0**
18-a Temporary Utility Assessments	(47)	0	0	0
DISBURSEMENTS REVISIONS	**47**	**0**	**0**	**0**
State Pension Bill	31	0	0	0
General Public Health Work Program	29	0	0	0
NYS Flood Recovery	(13)	0	0	0
MID-YEAR UPDATE BUDGET SURPLUS/(GAPS)	**0**	**(1,742)**	**(2,889)**	**(2,948)**

The projections for General Fund budget gaps in future years remain unchanged from the First Quarterly Update, with gaps of $1.7 billion in FY 2015, $2.9 billion in FY 2016, and $2.9 billion in FY 2017. By law, the Governor must propose, and the Legislature must enact, a General Fund budget that is balanced on a cash basis of accounting.

REVISIONS

- **Section 18-a Temporary Utility Assessments:** Collections of assessments on utility companies through September 2013 were lower than planned. The lower collections were attributable to declines in utility prices and energy consumption.

- **State Pension Payment:** The State's 2014 pension bill has been recalculated to reflect updated information. Monthly prepayments applied to the State's FY 2014 pension bill have resulted in net interest savings.

- **General Public Health Work Program:** The State's estimated annual reimbursement to local health departments for a share of costs associated with providing certain public health services has been lowered as a result of lower than anticipated municipal claims on various services.

- **NYS Flood Recovery:** The Financial Plan has been updated to include an additional $13 million in recovery assistance aid to homeowners, business operators and farmers in five counties impacted by severe flooding that occurred between June 26 and July 3, 2013. State aid for flooding costs since budget enactment totals $29 million. Homeowners and renters may apply for up to $31,900 in assistance, and small business owners and farmers may apply for up to $50,000 in assistance.

PROJECTED CLOSING BALANCES

DOB expects the State to end FY 2014 with a General Fund closing balance of $1.8 billion, an increase of $94 million from the Enacted Budget Financial Plan and unchanged from the First Quarterly Update. The change for the Enacted Budget reflects a $100 million increase in the undesignated fund balance, offset by the use of $6 million to fund retroactive labor settlements with lifeguards, as noted in the First Quarterly Update (retroactive payments are scheduled for November 2013).

FY 2014 ESTIMATED GENERAL FUND CLOSING BALANCES (millions of dollars)

	Enacted Budget	Change	First Quarterly Update	Change	Mid-Year Update
GENERAL FUND BALANCE	**1,709**	**94**	**1,803**	**0**	**1,803**
STATUTORY RESERVES					
Tax Stabilization Reserve Fund	1,131	0	1,131	0	1,131
Rainy Day Reserve Fund	175	0	175	0	175
Community Projects Fund	68	0	68	0	68
Contingency Reserve Fund	21	0	21	0	21
RESERVED FOR		0		0	
Prior-Year Labor Agreements (2007-2011)	51	(6)	45	0	45
Debt Management	263	0	263	0	263
Undesignated Fund Balance	0	100	100	0	100

The combined balances in the State's principal "rainy day" reserve funds, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, are equal to approximately 2.1 percent of estimated General Fund disbursements in FY 2014. The Community Projects Fund reflects projected year-end balances available to finance discretionary grants from existing reappropriations. The Contingency Reserve Fund balance is available only to pay lawsuits against the State in excess of $25 million or for other legally specified purposes.

The Updated Financial Plan continues to reserve money in the General Fund balance to cover potential retroactive labor settlements with unions that have not agreed to terms for prior contract periods. The reserve is calculated based on the pattern settlement for the FY 2008 through FY 2011 period that was agreed to by the State's largest unions.

The Updated Financial Plan continues to reserve $263 million for debt management purposes in FY 2014, which is consistent with the First Quarterly Update.

ANNUAL SPENDING GROWTH

DOB estimates that State Operating Funds spending will total $90.7 billion in FY 2014, an increase of $1.8 billion (2.1 percent) from FY 2013 results. Excluding the impact of planned prepayments, State Operating Funds spending growth is estimated at 1.7 percent.

All Governmental Funds spending excluding extraordinary Federal aid for Superstorm Sandy disaster assistance and the ACA, which includes capital projects and Federal Operating Funds, totals $135.3 billion, an increase of $2.8 billion (2.1 percent) from FY 2013 results. Excluding the impact of planned prepayments, All Funds spending growth (again excluding Superstorm Sandy and ACA), is estimated at 1.8 percent. Please see the Financial Plan tables for unadjusted All Funds disbursements.

The following table summarizes the major sources of annual change in State spending by major program, purpose, and fund perspective.

ANNUAL STATE SPENDING
(millions of dollars)

	FY 2013 Results	FY 2014 Estimated	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**58,578**	**59,696**	**1,118**	**1.9%**
School Aid	20,163	20,471	308	1.5%
DOH Medicaid (Incl Operational Costs) [1]	15,900	16,421	521	3.3%
Transportation	4,303	4,739	436	10.1%
Mental Hygiene	3,602	2,833	(769)	-21.3%
STAR	3,286	3,419	133	4.0%
Social Services	3,031	2,996	(35)	-1.2%
Higher Education	2,629	2,825	196	7.5%
Public Health/Aging	2,040	2,193	153	7.5%
Special/Other Education	1,927	2,032	105	5.4%
Local Government Assistance	754	764	10	1.3%
All Other[2]	943	1,003	60	6.4%
STATE OPERATIONS/FRINGE BENEFITS	**24,120**	**24,902**	**782**	**3.2%**
State Operations	**17,683**	**17,844**	**161**	**0.9%**
Personal Service:	12,403	12,366	(37)	-0.3%
Executive Agencies	7,112	7,010	(102)	-1.4%
University System	3,468	3,500	32	0.9%
Elected Officials	1,823	1,856	33	1.8%
Non-Personal Service:	5,280	5,478	198	3.8%
Executive Agencies	2,707	2,764	57	2.1%
University System	2,083	2,169	86	4.1%
Elected Officials	490	545	55	11.2%
Fringe Benefits/Fixed Costs	**6,437**	**7,058**	**621**	**9.6%**
Pension Contribution	1,601	1,982	381	23.8%
Employee Health Insurance	3,129	3,315	186	5.9%
Other Fringe Benefits/Fixed Costs	1,707	1,761	54	3.2%
DEBT SERVICE	**6,138**	**6,060**	**(78)**	**-1.3%**
CAPITAL PROJECTS	**8**	**11**	**3**	**37.5%**
TOTAL STATE OPERATING FUNDS	**88,844**	**90,669**	**1,825**	**2.1%**
SOF EXCL. PLANNED FY 2014 PREPAYMENTS	***88,844***	***90,351***	***1,507***	***1.7%***
Capital Projects (State Funds)	**5,679**	**6,146**	**467**	**8.2%**
TOTAL STATE FUNDS	**94,523**	**96,815**	**2,292**	**2.4%**
Federal Aid (Including Capital Grants) [3]	**37,997**	**38,459**	**462**	**1.2%**
TOTAL ALL GOVERNMENTAL FUNDS [4]	**132,520**	**135,274**	**2,754**	**2.1%**
ALL FUNDS EXCL. FY 2014 PREPAYMENTS [4]	***132,520***	***134,956***	***2,436***	**1.8%**

[1] Department of Health Medicaid spending only (excludes other State agency spending and transfers). For display purposes, includes Medicaid operational spending that supports contracts related to the management of Medicaid and the costs of administrative takeover.

[2] "All Other" includes an adjustment for Medicaid operational costs to avoid distorting Financial Plan category totals, as well as local aid spending in a number of other programs, including education, parks and the environment, economic development, public safety, and disaster assistance.

[3, 4] Excludes Federal disaster aid for Superstorm Sandy, at $577 million in FY 2013 and estimated at $5.1 billion in FY 2014, and additional Federal aid under the Affordable Care Act, estimated at approximately $600 million in FY 2014. Including disbursements for these purposes, All Funds disbursements are expected to total $141 billion in FY 2014, an increase of 5.9 percent.

Local assistance spending in FY 2014 is expected to increase by $1.1 billion, or 1.9 percent, over FY 2013 results. On a school year basis, School Aid is expected to increase by 4.9 percent in 2014, which is above the growth rate in personal income. School Aid in the future years of the Financial Plan is assumed to increase at levels based on the growth in State personal income. State-funded DOH Medicaid spending is projected to increase by 3.9 percent (not shown on table), excluding the impact of the State's takeover of Medicaid administration, and is consistent with the statutory growth cap. In addition, ACA continues to provide additional Federal resources to finance Medicaid spending. Transportation spending growth is the result of increased dedicated tax receipts and State subsidy payments to the MTA. Growth in other local assistance includes increases across several programs and activities. In addition, results in FY 2013 fell below planned levels in many areas, which, absent other changes, has the effect of increasing the annual growth rate in FY 2014 in those areas.

Agency spending on personal and non-personal service is expected to remain nearly flat on an annual basis. This reflects ongoing efforts to redesign State agency operations initiated in FY 2013. Spending on fringe benefits is projected to increase by $622 million. This includes an increase of $381 million in the State's annual pension contribution, including repayment of amounts amortized in prior years. The Financial Plan assumes the State will continue to amortize a percentage of its annual pension costs, consistent with legislation approved in 2010.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

RISKS AND UNCERTAINTIES RELATED TO THE STATE FINANCIAL PLAN

GENERAL

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

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of the following: national and international events, such as Federal budget and debt ceiling negotiations; ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; continuing or worsening strife in the Middle East; climate change and extreme weather events; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments, which may adversely affect bonus income and capital gains realizations; possible changes in Federal tax law relating to the taxation of interest on municipal bonds; and the levels of household debt, which may adversely affect consumer spending and State tax collections.

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

BUDGET RISKS AND UNCERTAINTIES

There can be no assurance that the State's General Fund budget gaps will not increase materially from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses;

or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

The Updated Financial Plan projections generally assume that School Aid and Medicaid disbursements will be limited to the growth in State personal income and the ten-year average growth in the Medicaid component of the Consumer Price Index (CPI), respectively. However, the Enacted Budget authorized spending for School Aid to increase in excess of the growth in personal income for SY 2014.

State law grants the Governor certain powers to achieve the Medicaid savings assumed in the Updated Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated in the Updated Financial Plan. In addition, savings are dependent upon timely Federal approvals, revenue performance in the State's HCRA fund (which finances approximately one-third of the DOH State-share costs of Medicaid), and the participation of health care industry stakeholders.

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

FEDERAL ISSUES

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to address response and recovery to severe weather events. Any reduction in Federal funding levels could have a materially adverse impact on the Updated Financial Plan. In addition, the Updated Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. Issues of particular concern are described below.

FEDERAL REIMBURSEMENT FOR STATE MENTAL HYGIENE SERVICES

The Federal government lowered Medicaid developmental disability center payment rates, effective April 1, 2013, which will reduce Federal funding to the State by approximately $1.1 billion annually, beginning in FY 2014. The Updated Financial Plan includes a plan to address the loss in Federal aid, including $90 million in the Office for People with Developmental Disabilities (OPWDD) savings associated with reduced administrative costs, enhanced audit recoveries and improved program efficiencies. The plan is subject to implementation risks and is dependent, in part, on the approval of the Federal government. As described below, the Federal Centers for Medicare and Medicaid Services (CMS) may seek to retroactively recover Federal funds paid to the State regarding this matter.

AUDIT DISALLOWANCE

In addition to the reductions in rates that commenced on April 1, 2013, on February 8, 2013, the U.S. Department of Health & Human Services Office of the Inspector General, at the direction of the Federal CMS, began a review to determine the allowability of Medicaid costs for services provided in prior years

to the Medicaid population in New York State-Operated Intermediate Care Facilities for the Developmentally Disabled (ICF/DD). The initial review period includes claims for services provided during the period April l, 2010 through March 31, 2011. As a result of this review, CMS may seek to recover Federal funds for any payments that it determines to have been in excess of Federal requirements. The State has resolved CMS concerns regarding its prospective payments to ICF/DDs with a State plan change effective April 1, 2013, and continues to have discussions with CMS to resolve the concerns related to the April 1, 2010 through March 31, 2011 period. As noted above, adverse action by the Federal government relative to the allowability of Medicaid costs or services in years prior to FY 2014 is expected to result in a reduction in Federal aid of an estimated $1.1 billion annually beginning in FY 2014. A comparable amount of Federal aid is at risk for any prior period that may be pursued by CMS. Matters of this type are sometimes resolved with a prospective solution (as already commenced by the State), and the State is not aware of any similar attempts by the Federal government to retroactively recover Federal aid of this magnitude that was paid pursuant to an approved State plan. The State continues to seek CMS approval to proceed with the development of a sustainable system of service funding and delivery for individuals with developmental disabilities. However, there can be no assurance that Federal action in this matter will not result in materially adverse changes to the Updated Financial Plan.

BUDGET CONTROL ACT

The Federal Budget Control Act ("BCA") of 2011 imposed annual caps on Federal discretionary spending over a ten-year period and mandated an additional $1.2 trillion in deficit reduction, which, if not enacted, would be achieved through the sequestration of funds in Federal Fiscal Year ("FFY") 2013 and lowered discretionary spending caps in the following years. As the required deficit reduction was not achieved by the March 1, 2013 deadline, an across-the-board 5 percent reduction in FFY 2013 funding for Federal nondefense discretionary programs was implemented. If Congress does not act to otherwise achieve the BCA deficit reduction requirements, DOB estimates that New York State and local governments could lose approximately $5 billion in Federal funding over nine years, including reductions in Federal funding that passes through the State budget for school districts, as well as environmental, criminal justice and social services programs.

DEBT CEILING

A Federal government default on payments, particularly if it persisted for a prolonged period, can be expected to have a materially adverse effect on the national and state economies, financial markets, and intergovernmental aid payments.

The specific effects on the Updated Financial Plan of a Federal government payment default are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default, according to DOB. For context, during the last recession, New York lost 324,000 jobs, State wages fell 7.2 percent in 2009, and taxable capital gains realizations fell 52 percent in 2008 and 41 percent in 2009.

A payment default by the United States may adversely affect the municipal bond market, as well. Municipal issuers, as well as the State, could face higher borrowing costs and impaired market access. This would jeopardize planned capital investments in roads and bridges, higher education facilities, hazardous waste remediation, environmental projects, and economic development projects. Additionally, the market for and market value of outstanding municipal obligations, including municipal obligations of the State, could be adversely affected.

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State is entitled to proceeds from the monetization of a health service corporation, from a not-for-profit to a for-profit corporation, and such proceeds must be used by the State for health care related expenses. The Updated Financial Plan counts on conversion proceeds of $175 million in FY 2014, and $300 million annually in FY 2015, FY 2016, and FY 2017. In recent years, the Updated Financial Plan has counted on similar amounts from conversions, which have not been realized. It is expected that any proceeds received will be deposited into the HCRA account. If estimated proceeds from health care conversions are not realized on the timetable or at the levels assumed in the FY 2014 Enacted Budget, the State may be required to take other actions, such as reducing planned spending in HCRA, or financing additional health care expenses in the General Fund, or both.

STATUS OF CURRENT LABOR NEGOTIATIONS (CURRENT CONTRACT PERIOD)

The State has labor contracts in force for the current contract period with approximately 90 percent of unionized State employees, including its three largest employee unions, Civil Service Employees Association (CSEA), Public Employees Federation (PEF), and the United University Professions (UUP), as well as the New York State Police Benevolent Association (NYSPBA) (representing the Agency Police Services Unit (APSU) bargaining unit, formerly Agency Law Enforcement Services (ALES), NYSCOPBA, and Council 82). Generally, the contracts provide for no across-the-board salary increases for FY 2012 through FY 2014, increases to employee health insurance contributions, and a temporary reduction in employee compensation through a Deficit Reduction Program ("DRP"). Employees will receive a 2 percent salary increase in both FY 2015 and FY 2016, and, at the end of their contract term, the value of FY 2013 deficit reduction adjustments. The PEF and NYSPBA contracts generally mirror the provisions for the other unions, but cover a four-year period, whereas the others cover a five-year period. PEF and NYSPBA-represented employees will receive a 2 percent salary increase in FY 2015. PEF-represented employees will be repaid all DRP adjustments at the end of their contract in lieu of the $1,000 lump sum payment per employee. Employees represented by the UUP ratified their agreement with the State on June 4, 2013. The agreement contains no general salary increases until FY 2014 and FY 2015 when there will be 2 percent general salary increases awarded in each year, payments to be awarded by the Chancellor, and performance incentive lump sum payments awarded by campus presidents. UUP-represented employees will also have a DRP. Employees in the unions that have reached settlements with the State received contingent layoff protection through FY 2013 and continued protection for the remaining term of the agreements. Reductions in force due to management decisions to close or restructure facilities authorized by legislation, Spending and Government Efficiency Commission (SAGE) determinations, or material or unanticipated changes in the State's fiscal circumstances are not covered by this protection.

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Updated Financial Plan continues to identify a portion of the General Fund balance to cover the costs of a pattern settlement with unions that have not agreed to contracts for prior contract periods. The amount expected to be needed is calculated based on the general salary increases agreed to by the State's largest unions for the same period. There can be no assurance that actual settlements related to prior periods will not exceed the amounts informally designated for this purpose. In addition, the State's ability to fund the amounts so designated in FY 2014 and beyond depends on the achievement of balanced budgets in those years. The Updated Financial Plan does not include reserves for settlements covering the current contract period (i.e., starting in FY 2012).

CURRENT CASH-FLOW PROJECTIONS

The State authorizes the General Fund to borrow resources temporarily from available funds in the 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 and a relatively small amount of other moneys belonging to the State. Several accounts in Debt Service Funds and Capital Projects Funds that are part of All Governmental Funds are excluded from the balances deemed available in STIP. These excluded funds consist of bond proceeds and money obligated for debt service payments.

DOB expects that the State will have sufficient liquidity to make payments as they become due throughout FY 2014, but that the General Fund may, from time to time on a daily basis, need to borrow resources temporarily from other funds in STIP. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants. The following table provides an estimate of month-end balances for FY 2014.

ALL FUNDS MONTH-END CASH BALANCES
FY 2014
(millions of dollars)

	General Fund	Other Funds	All Funds
April (Results)	6,379	3,175	9,554
May (Results)	3,744	3,765	7,509
June (Results)	4,805	2,684	7,489
July (Results)	4,407	2,671	7,078
August (Results)	3,642	3,312	6,954
September (Results)	6,273	1,539	7,812
October (Projected)	5,478	2,753	8,231
November (Projected)	4,076	3,036	7,112
December (Projected)	5,747	1,081	6,828
January (Projected)	7,190	2,816	10,006
February (Projected)	6,481	3,096	9,577
March (Projected)	1,803	2,306	4,109

PENSION AMORTIZATION

Under legislation enacted in August 2010, the State and local governments may amortize (defer paying) a portion of their annual pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by public employers in a given fiscal year, but results in higher costs overall when repaid with interest. The legislation enacted a formula to set amortization thresholds for each year. The amortization thresholds may increase or decrease by up to one percentage point annually. Pension contribution costs in excess of the amortization thresholds, which, in FY 2014 will be 12.5

percent of payroll for the Employees' Retirement System (ERS) and 20.5 percent for the Police and Fire Retirement System (PFRS), may be amortized.

The Updated Financial Plan forecast assumes that the State will continue to amortize a portion of its pension costs, pursuant to the FY 2011 legislation. The State's minimum ERS pension contribution rate, as a percentage of payroll, was 9.5 percent in FY 2011, 10.5 percent in FY 2012, 11.5 percent in FY 2013, and is 12.5 percent in FY 2014. DOB projects the rate to be 13.5 percent in FY 2015, 14.5 percent in FY 2016, and 15.5 percent in FY 2017. The FY 2018 amortization threshold is projected by DOB to equal the normal contribution rate of 15.6 percent of payroll. Therefore, no amortization of ERS costs is expected to be applicable for FY 2018 and beyond.

The State's minimum PFRS pension contribution rate was 17.5 percent in FY 2011, 18.5 percent in FY 2012 and 19.5 percent in FY 2013. The rate is 20.5 percent in FY 2014 and DOB projects the rate to be 21.5 percent in FY 2015, 22.5 percent in FY 2016, and 23.5 percent in FY 2017. The PFRS amortization threshold is also projected to equal the normal contribution rate of 23.7 percent by FY 2018. Therefore, no amortization of PFRS costs are expected to be applicable for FY 2018 and beyond. These projected contribution rates, however, are based on projected market returns and numerous actuarial assumptions. The next quinquennial study is scheduled to take place in 2015 and may result in material changes to the projections set forth herein.

The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization thresholds. In addition, the State is required to begin repayment of the amounts amortized beginning in the fiscal year immediately following the amortizations. Repayment of the amortized amounts is required to be made over a period of not more than ten years at an interest rate to be determined by the State Comptroller annually for amounts amortized in that year and with the rate fixed for the entire term of that amortization.

In FY 2013, the State made pension payments to the New York State Local Retirement System (NYSLRS) of $1.217 billion. The amount amortized is $674.1 million. In addition, the State's Office of Court Administration (OCA) made its pension payment of $189.4 million. The amount amortized is $104.4 million. The $778.5 million in total deferred payments will be repaid with interest over the next ten years, beginning in FY 2014.

For amounts amortized in FY 2011, FY 2012, FY 2013, and FY 2014, the State Comptroller set interest rates of 5 percent, 3.75 percent, 3 percent, and 3.67 percent, respectively. The Updated Financial Plan forecast assumes that both the State and OCA will elect to amortize pension costs in future years, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 3.67 percent (per annum) over ten years from the date of each deferred payment, consistent with the interest rate charged on the FY 2014 amortized amounts.

The following table, which summarizes pension contributions and projections for future fiscal years, reflects the "Normal Costs" of pension contributions as the amount the State would contribute to fund pensions before amortization, along with actual "New Amortized Amounts" in prior years and assumed "New Amortized Amounts" in upcoming years. The repayment costs (principal and interest) associated with these amortizations are reflected as the "Amortization Payment." Consistent with these amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that: (a) the State make additional contributions in upcoming fiscal years, above the actuarially required contribution, and (b) once all outstanding amortizations are paid off, additional contributions be set aside as reserves for rate increases, to be invested by the State Comptroller and used to offset future rate increases.

As noted above, DOB's most recent pension contribution rate forecast assumes that the normal contribution rate will equal the amortization threshold in FY 2018. Therefore, the State would not have the option to amortize any of its pension costs in 2018, or in the immediately succeeding fiscal years. Projections in the following table are based on certain DOB assumptions about actuarial factors on investment earnings and benefits to be paid, and while DOB believes such assumptions to be reasonable, actual results may vary from the projections provided in the following table, and such variances could be substantial.

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

Fiscal Year	Normal Costs[2]	New Amortized Amounts	Amortization Payment	Total
2011 Results	1,552.8	(249.6)	0.0	1,303.2
2012 Results	2,041.7	(562.9)	32.3	1,511.1
2013 Results	2,085.3	(778.5)	100.9	1,407.7
2014 Projected	2,543.5	(950.6)	192.1	1,785.0
2015 Projected	2,509.9	(744.0)	292.7	2,058.6
2016 Projected	2,103.4	(262.7)	379.9	2,220.6
2017 Projected	1,883.4	(44.6)	410.7	2,249.5
2018 Projected	1,886.4	0.0	415.4	2,301.8
2019 Projected	1,904.1	0.0	416.0	2,320.1
2020 Projected	1,941.1	0.0	416.0	2,357.1
2021 Projected	1,967.0	0.0	416.0	2,383.0
2022 Projected	1,980.7	0.0	383.6	2,364.3
2023 Projected	1,968.1	0.0	315.1	2,283.2
2024 Projected	1,942.0	0.0	223.8	2,165.8
2025 Projected	1,913.3	0.0	123.2	2,036.5
2026 Projected	1,870.1	0.0	36.0	1,906.1
2027 Projected	1,838.0	0.0	5.2	1,843.2
2028 Projected	1,831.2	0.0	0.0	1,831.2

Source: NYS DOB.

[1] Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this Updated Financial Plan include such pension disbursements.

[2] Include payments from amortization prior to FY 2011. Such prior amortization payments will end in FY 2017.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

State employees become eligible for post-employment benefits (i.e., health insurance) if they reach retirement while working for the State, are enrolled in the New York State Health Insurance Program (NYSHIP) (or are enrolled in the State's opt-out program) at the time they have reached retirement, and have at least ten years of NYSHIP-benefits-eligible service. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and

may be amended by the Legislature. The State pays its share of costs on a Pay-As-You-Go (PAYGO) basis as required by law.

In accordance with the Governmental Accounting Standards Board (GASB) Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2013, 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 to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2013, the unfunded actuarial accrued liability for FY 2013 is $66.5 billion ($54.3 billion for the State and $12.2 billion for SUNY), a decline of $5.5 billion from FY 2012 ($5.4 billion for the State and $0.1 billion for SUNY). The unfunded actuarial accrued liability for FY 2013 used an actuarial valuation of OPEB liabilities as of April 1, 2012 for the State and as of April 1, 2010 for SUNY. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The actuarially determined annual OPEB cost for FY 2013 totaled $3.4 billion ($2.6 billion for the State and $0.8 billion for SUNY), a decline of $520 million from FY 2012 ($490 million for the State and $30 million for SUNY). The actuarially determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was $2.0 billion ($1.4 billion for the State and $0.6 billion for SUNY) greater than the cash payments for retiree costs made by the State in FY 2013. This difference between the State's PAYGO costs, and the actuarially determined required annual contribution under GASB Statement 45, reduced the State's net asset condition at the end of FY 2013 by $2.0 billion.

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

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

LITIGATION

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such adverse decisions may not meet the materiality threshold to warrant individual description but, in the aggregate, could still adversely affect the Updated Financial Plan.

UPDATE ON STORM RECOVERY

In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. Little more than one year later, on October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms presents economic and financial risks to the State. Major disaster response and recovery activities have been ongoing. In January 2013, the Federal government approved approximately $60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide, of which New York anticipates receiving approximately one-half. The State expects to receive $5.1 billion in extraordinary Federal assistance during FY 2014 specifically for Superstorm Sandy expenses. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities, or that such Federal disaster aid will be provided on the expected schedule.

CLIMATE CHANGE ADAPTATION

Climate change is expected to cause long-term threats to physical and biological systems. Potential hazards and risks related to climate change for the State include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years, including Superstorm Sandy, Hurricane Irene, and Tropical Storm Lee, have demonstrated vulnerabilities in the State's infrastructure, including mass transit systems, power transmission and distribution systems, and other critical lifelines, to extreme weather events, including coastal flooding caused by storm surges. Significant long-term planning and investment by the Federal government, State, and municipalities is expected to be needed to adapt existing infrastructure to the risks posed by climate change.

FINANCIAL CONDITION OF NEW YORK STATE LOCALITIES

The fiscal demands on the State may be affected by the fiscal conditions of New York City and potentially other localities, which rely in part on State aid to balance their budgets and meet their cash requirements. Certain localities outside New York City, including cities, and counties, have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years.

BOND MARKET

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

CAPITAL COMMITMENT PLAN

The New York Works Task Force was formed in FY 2013 to assist in the coordination of long-term capital planning among State agencies and public authorities. Consistent with the long-term planning goals of New York Works, the DOB formulated 10-year capital commitment and disbursement projections for State agencies as part of the FY 2013 capital plan. The total commitment and disbursement levels permissible over the 10-year capital planning horizon reflect, among other things, projected capacity under the State's debt limit, anticipated levels of Federal aid, and the timing of capital activity based on known needs and historical patterns.

DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The Act limits the amount of new State-supported debt to 4 percent of State personal income and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001 and was fully phased-in at 4 percent of personal income during FY 2011, while the cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001 and is fully phased in at 5 percent during FY 2014.

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

For FY 2013, the cumulative debt outstanding and debt service caps are 4.00 and 4.98 percent, respectively. As shown in the tables below, the actual levels of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2013 the State has issued new debt resulting in $37.5 billion of debt outstanding applicable to the debt reform cap. This is about $4.2 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled $3.7 billion in FY 2013, or roughly $3.0 billion below the statutory debt service limitation.

DEBT OUTSTANDING CAP (millions of dollars)

	Dollar	Percent
Personal Income (CY 2012)[1]	1,041,931	
Max. Allowable Debt Outstanding[2]	41,677	4.00%
Debt Outstanding Subject to Cap	37,523	3.60%
Remaining Capacity	4,155	0.40%

[1] U.S. Bureau of Economic Analysis.
[2] Equal to 4 percent of CY Personal Income.

DEBT SERVICE CAP (millions of dollars)

	Dollar	Percent
All Funds Receipts (FY 2013)	133,174	
Max. Allowable Debt Service	6,637	4.98%
Debt Service Subject to Cap	3,670	2.76%
Remaining Capacity	2,967	2.23%

Current projections estimate that debt outstanding and debt service will continue to remain below the limits imposed by the Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $2.4 billion in FY 2014 to $720 million in FY 2017. This includes the estimated impact of the bond-financed portion of capital commitment levels included in DOB's 10-year capital planning projections. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the newly created SUNY Dormitory Facilities Revenue credit are not included in the State's calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)

Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity
FY 2013	1,041,931	4.00%	41,677	37,523	4,155	3.60%	0.40%
FY 2014	1,070,620	4.00%	42,825	40,432	2,393	3.78%	0.22%
FY 2015	1,127,009	4.00%	45,080	43,639	1,442	3.87%	0.13%
FY 2016	1,181,754	4.00%	47,270	46,517	753	3.94%	0.06%
FY 2017	1,240,533	4.00%	49,621	48,902	720	3.94%	0.06%
FY 2018	1,303,500	4.00%	52,140	50,657	1,483	3.89%	0.11%

TOTAL STATE-SUPPORTED DEBT (millions of dollars)

Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
15,011	52,534
13,661	54,093
11,940	55,579
10,560	57,077
9,019	57,921
7,503	58,161

DEBT SERVICE SUBJECT TO CAP (millions of dollars)

Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity
FY 2013	133,174	4.98%	6,637	3,670	2,967	2.76%	2.23%
FY 2014	140,932	5.00%	7,047	3,925	3,121	2.79%	2.21%
FY 2015	143,366	5.00%	7,168	4,211	2,958	2.94%	2.06%
FY 2016	148,119	5.00%	7,406	4,594	2,812	3.10%	1.90%
FY 2017	154,010	5.00%	7,701	4,988	2,712	3.24%	1.76%
FY 2018	155,908	5.00%	7,795	5,328	2,468	3.42%	1.58%

TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)

Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
2,468	6,138
2,122	6,047
1,563	5,774
1,859	6,453
1,766	6,754
1,711	7,039

DEBT FINANCING CHANGES

SALES TAX REVENUE BOND PROGRAM

Legislation adopted with the FY 2014 Enacted Budget creates a new Sales Tax Revenue Bond Program which constitutes State-supported debt subject to the Debt Reform Act debt caps described above. The legislation creates the Sales Tax Revenue Bond Tax Fund, a sub-fund within the General Debt Service Fund that will provide for the payment of these bonds. The new Sales Tax Revenue Bonds are secured by the dedication of payments from this fund, which receives one percent of the State's four percent sales and use tax receipts. With a limited exception, upon the satisfaction of all of the obligations and liabilities of the Local Government Assistance Corporation (LGAC), the amount of sales tax receipts directed to this fund will increase to two percent. Tax receipts in excess of debt service requirements will be transferred to the State's General Fund.

The Sales Tax Revenue Bonds will be used interchangeably with PIT bonds to finance most of the State's capital needs. Based on current projections and anticipated coverage requirements, the State

expects to issue about $1 billion of Sales Tax Revenue Bonds annually. The first bonds for the Sales Tax Revenue Bond Program were issued in October 2013.

SUNY DORMITORY FACILITIES REVENUE BOND PROGRAM

Legislation adopted with the FY 2014 Enacted Budget created a new bonding program for SUNY Dormitory Facilities. The new bonding program is supported solely by third party revenues generated by student rents. All rental revenues flow to the newly created Dormitory Facilities Revenue Fund held by the Commissioner of Taxation and Finance as assigned to the Dormitory Authority of the State of New York (DASNY) for the payment of debt service without an appropriation. Unlike the existing program, the new program will not include a SUNY general obligation pledge, thereby eliminating any recourse to the State. Accordingly, such bonds are not classified as State-supported debt for purposes of the Debt Reform Act. Future SUNY Dormitory Facilities capital needs will be funded through the new credit. Under this legislation, the existing SUNY Dormitory Facilities lease revenue bonds and associated debt service will continue to be counted as State-supported debt until they are refunded into the new program or are paid off at maturity. The first bonds on the new SUNY Dormitory Facilities credit were issued in August 2013.

SECURED HOSPITAL PROGRAM

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf to pay for the cost of upgrading their primary health care facilities. In the event of shortfalls in revenues to pay debt service on the Secured Hospital bonds (which include hospital payments made under loan agreements between DASNY and the hospitals and certain reserve funds held by the applicable trustees for the bonds) the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State Medical Care Facilities Financing Agency and by DASNY through the Secured Hospital Program. As of March 31, 2013, there were approximately $421 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the six remaining hospitals in the program, two are experiencing significant operating losses that have impaired their ability to remain current on their loan agreements with DASNY. In relation to the Secured Hospital Program, the State expects to pay debt service costs of $13 million in FY 2014, approximately $30 million annually for FY 2015 through FY 2017, and $17 million in FY 2018. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for two hospitals that currently are not meeting the terms of their legal agreements with DASNY, as well as the debt service costs of a third hospital that is now closed. The State has estimated additional exposure of up to $44 million annually, if all hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

SUNY DOWNSTATE HOSPITAL AND LONG ISLAND COLLEGE HOSPITAL

In May 2011, the New York State Supreme Court issued an order (the "May 2011 Order") that approved the transfer of real property and other assets of Long Island College Hospital ("LICH") to a New York State not-for-profit corporation ("Holdings"), the sole member of which is SUNY. Subsequent to such transfer, Holdings leased the LICH hospital facility to SUNY Downstate Hospital ("Downstate Hospital"). In 2012, DASNY issued a portion of its tax exempt State Personal Income Tax Revenue Bonds ("PIT Bonds"), Series 2012D to refund approximately $100 million in outstanding debt originally incurred by LICH.

To address the deteriorating financial condition of Downstate Hospital, which has been caused in part by the deteriorating financial position of LICH, legislation adopted with the FY 2014 Enacted Budget required the Chancellor of SUNY to submit to the Governor and the Legislature a multi-year sustainability plan for the Downstate Hospital. Specifically, the legislation required the sustainability plan to: a) set forth recommendations necessary to achieve financial stability for Downstate Hospital, and b) preserve the academic mission of Downstate Hospital's medical school. In accordance with this legislation, the Chancellor of SUNY submitted the sustainability plan for Downstate Hospital on May 31, 2013, and supplemented the plan with changes in a letter dated June 13, 2013. The supplemented plan was approved by both the Commissioner of Health and the Director of the Budget on June 13, 2013. Generally, the approved sustainability plan anticipates: a) a significant restructuring of health care service lines at University Hospital Brooklyn in order to achieve financial milestones assumed in the sustainability plan, and supported by State financial assistance from the State Department of Health; and, b) leveraging the LICH asset value to support the costs associated with Downstate Hospital exiting LICH operations, while accommodating continued health care services consistent with the needs of the community.

In 2013, the Judge Demarest (who issued the May 2011 Order) issued, *sua sponte*, certain additional orders that could affect the validity of the May 2011 Order. Such orders issued in 2013 are under appeal and all proceedings before Judge Demarest are stayed pending such appeal. Further, SUNY, together with Holdings, has issued a request for proposals to provide healthcare services in or around the LICH facilities and to purchase the LICH real estate. The outcomes of such processes may require the expenditure of State funds or the defeasance of such PIT Bonds, in whole or in part. There can be no assurance that the resolution of the legal and financial issues surrounding LICH, including payment of outstanding liabilities, will not have a materially adverse impact on SUNY.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2014 THROUGH 2017

INTRODUCTION

This section presents the State's updated multi-year Financial Plan and the projections for receipts and disbursements, reflecting the impact of the revisions to the First Quarterly Update Financial Plan described in this AIS Update. This section includes FY 2013 results and projections for 2014 through 2017, with an emphasis on the FY 2014 projections.

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

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

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

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of the Updated Financial Plan. Accordingly, in terms of out-year projections (FY 2015 through FY 2017), FY 2015 is the most relevant from a planning perspective.

SUMMARY

DOB estimates that the Updated Financial Plan is balanced on a General Fund cash basis in FY 2014, and leaves projected General Fund deficits that total approximately $1.74 billion in FY 2015 and $2.9 billion in both FY 2016 and FY 2017. The net operating shortfall in State Operating Funds is projected at $1.7 billion in FY 2015, $2.7 billion in FY 2016 and $2.6 billion in FY 2017.[3]

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

GENERAL FUND PROJECTIONS
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
RECEIPTS					
Taxes (After Debt Service)	54,568	57,264	58,476	62,050	65,153
Miscellaneous Receipts/Federal Grants	3,566	3,308	3,595	2,776	2,797
Other Transfers	649	1,071	768	723	726
Total Receipts	**58,783**	**61,643**	**62,839**	**65,549**	**68,676**
DISBURSEMENTS					
Local Assistance Grants	39,760	40,258	42,598	45,056	47,276
School Aid	17,110	17,290	18,573	19,390	20,519
Medicaid	11,109	11,232	11,391	12,136	12,631
All Other	11,541	11,736	12,634	13,530	14,126
State Operations	7,856	7,568	7,819	8,117	8,214
Personal Service	6,130	5,686	5,852	6,113	6,129
Non-Personal Service	1,726	1,882	1,967	2,004	2,085
General State Charges	4,550	4,922	5,328	5,604	5,873
Transfers to Other Funds	6,794	8,702	8,861	9,682	10,248
Debt Service	1,647	1,646	1,165	1,452	1,345
Capital Projects	916	1,227	1,384	1,400	1,799
Mental Hygiene State Share Medicaid	2,846	1,813	1,338	1,311	1,279
SUNY Operations	340	971	971	971	971
All Other	1,045	3,045	4,003	4,548	4,854
Total Disbursements	**58,960**	**61,450**	**64,606**	**68,459**	**71,611**
RESERVES/RESERVED FOR:	**(177)**	**193**	**(25)**	**(21)**	**13**
Prior-Year Labor Agreements (2007-11)	(206)	(32)	10	12	13
Community Projects Fund	(9)	(25)	(35)	(33)	0
Debt Management	0	250	0	0	0
Undesignated Fund Balance	38	0	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**(1,742)**	**(2,889)**	**(2,948)**

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

FY 2014 MID-YEAR UPDATE - STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
RECEIPTS					
Taxes	64,932	67,924	69,672	73,883	77,547
Miscellaneous Receipts/Federal Grants	20,141	19,853	20,383	19,542	19,731
Total Receipts	**85,073**	**87,777**	**90,055**	**93,425**	**97,278**
DISBURSEMENTS					
Local Assistance Grants	58,578	59,696	62,219	64,872	67,289
School Aid	20,163	20,471	21,692	22,514	23,641
STAR	3,286	3,419	3,602	3,704	3,805
Other Education Aid	1,927	2,032	2,091	2,197	2,328
Higher Education	2,629	2,825	2,911	2,994	3,066
Medicaid	15,879	16,230	16,780	17,591	18,248
Public Health/Aging	2,040	2,193	1,997	1,989	1,960
Mental Hygiene	3,602	2,833	3,450	3,967	4,173
Social Services	3,032	2,996	3,050	3,146	3,242
Transportation	4,303	4,739	4,831	4,910	4,995
Local Government Assistance	754	764	769	782	794
All Other	963	1,194	1,046	1,078	1,037
State Operations	17,683	17,844	18,275	18,877	19,185
Personal Service	12,403	12,366	12,642	13,078	13,210
Non-Personal Service	5,280	5,478	5,633	5,799	5,975
General State Charges	6,437	7,058	7,533	7,954	8,287
Pension Contribution	1,601	1,982	2,256	2,418	2,446
Health Insurance (Active Employees)	1,720	1,824	1,945	2,060	2,232
Health Insurance (Retired Employees)	1,409	1,491	1,531	1,651	1,788
All Other	1,707	1,761	1,801	1,825	1,821
Debt Service	6,138	6,060	5,805	6,482	6,783
Capital Projects	8	11	5	5	5
Total Disbursements	**88,844**	**90,669**	**93,837**	**98,190**	**101,549**
Net Other Financing Sources/(Uses)	4,283	2,848	2,105	2,052	1,625
NET OPERATING SURPLUS/ (DEFICIT)	**512**	**(44)**	**(1,677)**	**(2,713)**	**(2,646)**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(512)	44	(65)	(176)	(302)
General Fund	177	(193)	25	21	(13)
Special Revenue Funds	(736)	297	(95)	(204)	(268)
Debt Service Funds	47	(60)	5	7	(21)
GENERAL FUND BUDGET GAP	**0**	**0**	**(1,742)**	**(2,889)**	**(2,948)**

ECONOMIC BACKDROP

THE NATIONAL ECONOMY

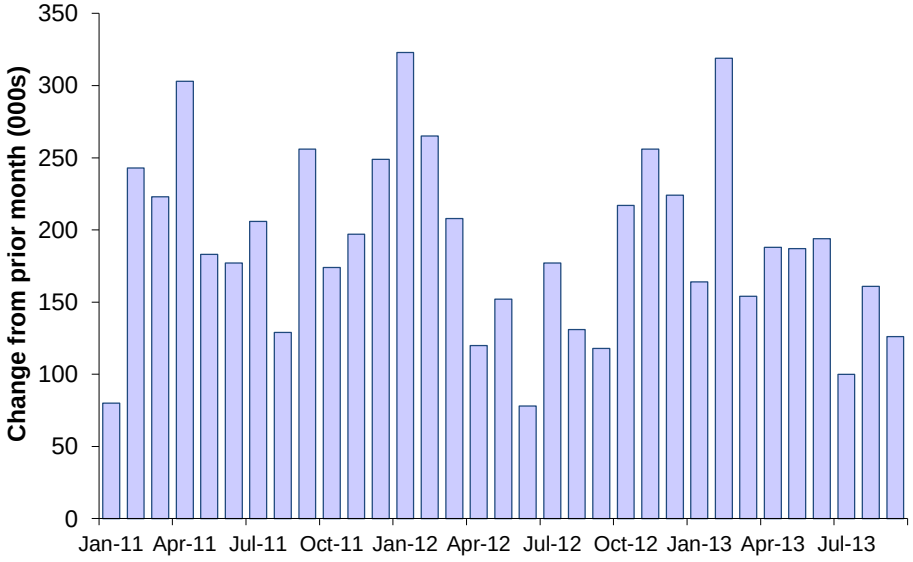
The persistent weakness that has plagued much of the current recovery has continued into the third quarter of calendar year 2013. A measure of unexpected interest rate volatility may have been inadvertently introduced by the Federal Reserve in the wake of its June 19, 2013 meeting. Anticipation of when the Federal Reserve would start to "taper" its long-term asset purchases resulted in an approximately 40 basis-point increase in the 10-year Treasury yield within a period of less than three weeks. By early September 2013, the 10-year yield was nearing its highest levels in over two years. Higher long-term rates had a substantial impact on the highly interest rate-sensitive housing market recovery, with mortgage applications falling 86 percent in the third quarter of 2013 after a 21 percent decline in the second quarter of 2013. As a result, both residential housing construction and real household spending appear to have weakened more in the third quarter than anticipated in the First Quarterly Update forecast.

The 16-day Federal government shutdown and the uncertainty engendered by political wrangling in the nation's capital are expected to reduce growth during the fourth quarter of 2013. In contrast, real U.S. export growth has recently been stronger than anticipated, supporting the possibility that the global economy bottomed out earlier this year, while the drag from Federal fiscal policy and the Congressional sequestration should diminish by early 2014. Equity markets are at record highs and gasoline prices are at near-term lows. Due in part to these factors, DOB's outlook for stronger growth in the coming calendar year remains unchanged. Real U.S. GDP growth of 1.5 percent is now projected for 2013, followed by growth of 2.4 percent for 2014.

Consistent with weaker domestic final sales growth, recent employment gains have also been lower than anticipated in the First Quarterly Update to the Financial Plan. Private sector job growth has been on a downward trend since the end of 2012, but that trend accelerated in the third quarter of 2013. Average monthly private sector job gains fell from 212,000 in the first quarter of this year to 190,000 jobs in the second quarter and 129,000 in the third. The largest contributors to the deceleration have been professional and business services and leisure and hospitality. As a result, downward revisions have been made to employment growth for both 2013 and 2014. Employment growth of 1.6 percent is now projected for both 2013 and 2014.

Consistent with weaker job growth, estimated growth in wages and total personal income for the current year and next year have also been revised down, although weaker growth in wages is expected to be partially offset by stronger growth in some of the non-wage components of income, such as proprietor's and dividend income. Growth of 2.8 percent is estimated for both wages and personal income for 2013, with growth accelerating to 4.5 percent for both measures in 2014. The relatively large swing in income growth between 2013 and 2014 reflects the shifting of income from 2013 into 2012 in advance of increases in the two top Federal marginal tax rates at the beginning of this year.

Recent U.S. Private Sector Employment Gains



Source: Moody's Analytics.

The euro-zone economies appear to be stabilizing, leading to an upward revision in real U.S. export growth to 2.7 percent for the current year. However, uncertainty surrounding domestic demand is expected to restrain private business spending by even more than anticipated in the July update forecast. Real growth in private nonresidential fixed investment has been revised down to 2.4 percent for 2013. With growth expected to remain weak over the near-term, the Federal Reserve is likely to delay the tapering of its long-term asset purchases into the first half of 2014 and will not start to raise its federal funds rate target until early 2015. With gasoline prices at their lowest levels since the beginning of this year and the overall outlook for inflation remaining moderate, the central bank has room to maintain its accommodative stance well into the near future. The growth in consumer prices for 2013 remains at 1.5 percent for 2013, but it has been revised down to 1.8 percent from 2.1 percent for 2014 in anticipation of continuing low energy prices.

The response of financial markets to the timing of Federal Reserve "tapering" presents a significant headwind to national economic growth in 2014, particularly given the lack of experience on which to draw. Energy prices continue to be volatile and present both upside and downside risk to the household consumption forecast, as do home and equity price growth. Finally, the cost to the economy of the government shutdown remains uncertain, but the preliminary evidence is not encouraging. With the battle over the Federal budget and the debt ceiling pushed back to January and February 2014, displays of political gridlock represent substantial risk to economic activity in early 2014.

DOB's economic outlook calls for weaker growth for the current calendar year than was projected in July, followed by substantial improvement in 2014. However, there are significant risks to this forecast. The budget sequester is estimated to have had a substantial negative impact on the labor market and could result in a larger decline in government spending than anticipated in the coming months, resulting in a greater loss of government jobs or private jobs related to government procurement. The global economy is expected to improve, but emerging market growth remains slower than in the earlier phase in the recovery. Slower export growth than expected could negatively affect growth in U.S. corporate profits,

investment, and jobs. In contrast, faster global growth than expected could result in a faster upturn in the demand for U.S. exports.

U.S. ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2012 (Estimated)	2013 (Forecast)	2014 (Forecast)
Real U.S. Gross Domestic Product	2.8	1.5	2.4
Consumer Price Index (CPI)	2.1	1.5	1.8
Personal Income	4.2	2.8	4.5
Nonagricultural Employment	1.7	1.6	1.6
Source: Moody's Analytics; DOB staff estimates.			

THE NEW YORK STATE ECONOMY

The State economy has performed well in the context of a challenging national and global economic environment. New York's private sector labor market remains strong, continuing to exhibit robust growth in professional and business services, private educational services, and tourism-related leisure and hospitality services. However, New York has not been entirely immune to the national slowdown. Private sector employment growth of 1.4 percent is projected for the 2013 calendar year, followed by growth of a similar pace for 2014. These growth rates represent marginal downward revisions from July, but remain above historical averages.

In contrast with recent private labor market trends, public sector employment is expected to continue to decline well into 2014. The ongoing downsizing of both the finance and government sectors has been contributing to unusually weak income growth over the past two years. In advance of Federal tax increases at the start of this year, a sizable magnitude of wages, dividends, and capital gains were accelerated into the fourth quarter of 2012. Consequently, it is more instructive to view State income growth on a fiscal year basis rather than on a calendar year basis. Weaker growth of 3.8 percent is now estimated for the State fiscal year in progress, but offsetting that revision is stronger growth in the non-wage components of personal income. On balance, personal income growth of 3.7 percent is now projected for FY 2014, followed by growth of 4.9 percent for FY 2015. These projections represent only marginal revisions from the First Quarterly Update Financial Plan forecast.

NEW YORK STATE ECONOMIC INDICATORS (Percent change from prior State fiscal year)			
	2012-13 (Actual)	2013-14 (Forecast)	2014-15 (Forecast)
Personal Income	2.9	3.7	4.9
Wages	3.0	3.8	4.5
Nonagricultural Employment	1.2	1.1	1.2
Source: Moody's Analytics; New York State Department of Labor; DOB staff estimates.			

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, the volume of financial market activity and equity market volatility pose a particularly large degree of uncertainty for New York. Recent events have demonstrated how sensitive markets can

be to shifting expectations surrounding Federal Reserve policy. The resulting market gyrations are likely to have a larger impact on the State economy than on the nation as a whole. Thus, the recent volatility in long-term interest rates adds an additional degree of risk to the finance and insurance sector bonus forecast. In addition, with Wall Street still adjusting its compensation practices in the wake of the passage of financial reform, both the bonus and non-bonus components of employee pay are becoming more difficult to estimate. Securities industry revenues have in the past been a useful predictor of bonus payouts, but that relationship has become much more erratic in recent years.

The estimation of taxpayer response to changes in Federal tax law creates an additional layer of uncertainty and risk to the forecast. To the extent that 2013 base wages were shifted into the end of 2012 to avoid rising Federal tax rates, 2014 wage growth could be stronger than expected. In contrast, a weaker labor market than projected could result in lower wages. Similarly, should financial and real estate markets be weaker than anticipated, taxable capital gains realizations could be negatively affected. These effects could ripple through the State economy, depressing employment, wage, and household spending growth. In contrast, stronger national and world economic growth, or a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

ALL FUNDS RECEIPTS PROJECTIONS

The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. Financial Plan receipts comprise a variety of taxes, fees, and charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts. The following tables summarize the current receipts forecast.

TOTAL RECEIPTS
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Annual $ Change	Annual % Change
General Fund	58,783	61,643	2,860	4.9%
State Funds	90,303	93,393	3,090	3.4%
All Funds	133,175	140,932	7,757	5.8%

TOTAL RECEIPTS
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Annual $ Change	Annual % Change	FY 2015 Projected	Annual $ Change	Annual % Change
GENERAL FUND	**58,783**	**61,643**	**2,860**	**4.9%**	**62,839**	**1,196**	**1.9%**
Taxes	43,283	42,453	(830)	-1.9%	43,158	705	1.7%
Miscellaneous Receipts	3,504	3,306	(198)	-5.7%	3,595	289	8.7%
Federal Grants	62	2	(60)	-96.8%	0	(2)	-100.0%
Transfers	11,934	15,882	3,948	33.1%	16,086	204	1.3%
STATE FUNDS	**90,303**	**93,393**	**3,090**	**3.4%**	**95,996**	**2,603**	**2.8%**
Taxes	66,302	69,324	3,022	4.6%	71,101	1,777	2.6%
Miscellaneous Receipts	23,855	23,989	134	0.6%	24,817	828	3.5%
Federal Grants	146	80	(66)	-45.2%	78	(2)	-2.5%
ALL FUNDS	**133,175**	**140,932**	**7,757**	**5.8%**	**143,366**	**2,434**	**1.7%**
Taxes	66,302	69,324	3,022	4.6%	71,101	1,777	2.6%
Miscellaneous Receipts	24,030	24,175	145	0.6%	25,003	828	3.4%
Federal Grants	42,843	47,433	4,590	10.7%	47,262	(171)	-0.4%

After controlling for the impact of tax law changes, base tax revenue is estimated to increase by 4.6 percent for FY 2014 and 4.8 percent for FY 2015.

CHANGE FROM ENACTED BUDGET FINANCIAL PLAN FORECAST

Current year All Funds tax receipt estimates are unchanged from the First Quarterly Update to the Financial Plan. Miscellaneous receipts have been revised down by $47 million, due to the estimated impact of lower utility bills on section 18-a receipts.

CHANGE FROM FIRST QUARTERLY UPDATE FORECAST (millions of dollars)

	FY 2014				FY 2015			
	First Quarter	Mid-Year Update	$ Change	% Change	First Quarter	Mid-Year Update	$ Change	% Change
GENERAL FUND[1]	**45,808**	**45,761**	**(47)**	**-0.1%**	**46,753**	**46,753**	**0**	**0.0%**
Taxes	42,453	42,453	0	0.0%	43,158	43,158	0	0.0%
Miscellaneous Receipts	3,353	3,306	(47)	-1.4%	3,595	3,595	0	0.0%
Federal Grants	2	2	0	0.0%	0	0	0	0.0%
STATE FUNDS	**93,440**	**93,393**	**(47)**	**-0.1%**	**95,996**	**95,996**	**0**	**0.0%**
Taxes	69,324	69,324	0	0.0%	71,101	71,101	0	0.0%
Miscellaneous Receipts	24,036	23,989	(47)	-0.2%	24,817	24,817	0	0.0%
Federal Grants	80	80	0	0.0%	78	78	0	0.0%
ALL FUNDS	**140,979**	**140,932**	**(47)**	**0.0%**	**143,366**	**143,366**	**0**	**0.0%**
Taxes	69,324	69,324	0	0.0%	71,101	71,101	0	0.0%
Miscellaneous Receipts	24,222	24,175	(47)	-0.2%	25,003	25,003	0	0.0%
Federal Grants	47,433	47,433	0	0.0%	47,262	47,262	0	0.0%

[1]Excludes Transfers.

MULTI-YEAR RECEIPTS

TOTAL RECEIPTS (millions of dollars)

	FY 2014 Updated	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund	**61,643**	**62,839**	**1,196**	**65,549**	**2,710**	**68,676**	**3,127**
Taxes	42,453	43,158	705	46,037	2,879	48,502	2,465
State Funds	**93,393**	**95,996**	**2,603**	**99,769**	**3,773**	**102,937**	**3,168**
Taxes	69,324	71,101	1,777	75,332	4,231	79,002	3,670
All Funds	**140,932**	**143,366**	**2,434**	**148,119**	**4,753**	**154,010**	**5,891**
Taxes	69,324	71,101	1,777	75,332	4,231	79,002	3,670

The Updated Financial Plan economic forecast calls for a continuation of the ongoing recovery in employment and wages. This increases the economic base on which the outyear revenue forecast is built. Overall, receipts in the two fiscal years following FY 2015 are expected to grow consistently with the projected moderate growth in both the U.S. and New York economies.

REVENUE RISKS

- Financial market volatility caused by interest rate uncertainty could result in higher or lower financial sector bonus payments than those embodied in the forecast.

- If gasoline prices exceed those embodied in the forecast, more disposable consumer income would be diverted to fuel, decreasing consumption of taxable goods and services.

- If European economic growth is more sluggish than expected, exports could fall, causing corporate profits and tax receipts to grow more slowly than expected.

- Consumer purchases and the housing market could be negatively impacted if long-term interest rates rise faster than anticipated.

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

PERSONAL INCOME TAX

PERSONAL INCOME TAX
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
GENERAL FUND[1]	**26,884**	**28,488**	**6.0%**	**29,397**	**3.2%**	**31,492**	**7.1%**	**33,545**	**6.5%**
Gross Collections	47,443	50,496	6.4%	52,678	4.3%	56,218	6.7%	59,529	5.9%
Refunds (Includes State/City Offset)	(7,216)	(7,953)	10.2%	(8,679)	9.1%	(9,290)	7.0%	(9,729)	4.7%
STAR	(3,286)	(3,419)	4.0%	(3,602)	5.4%	(3,704)	2.8%	(3,805)	2.7%
RBTF	(10,057)	(10,636)	5.8%	(11,000)	3.4%	(11,732)	6.7%	(12,450)	6.1%
STATE/ALL FUNDS	**40,227**	**42,543**	**5.8%**	**43,999**	**3.4%**	**46,928**	**6.7%**	**49,800**	**6.1%**
Gross Collections	47,443	50,496	6.4%	52,678	4.3%	56,218	6.7%	59,529	5.9%
Refunds (Includes State/City Offset)	(7,216)	(7,953)	10.2%	(8,679)	9.1%	(9,290)	7.0%	(9,729)	4.7%

[1]Excludes Transfers.

General Fund income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State personal income tax revenue bonds. General Fund income tax receipts for FY 2014 of $28.5 billion are expected to increase by $1.6 billion (6 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $10.6 billion and the STAR transfer is projected to be $3.4 billion. General Fund income tax receipts for FY 2015 of $29.4 billion are projected to increase by $909 million (3.2 percent). The RBTF and STAR deposits are projected to be $11 billion and $3.6 billion, respectively. General Fund income tax receipts for FY 2016 of $31.5 billion are projected to increase by $2.1 billion (7.1 percent). RBTF deposits are projected to be $11.7 billion and STAR deposits are projected to be $3.7 billion.

All Funds PIT receipts for FY 2014 are projected to be $42.5 billion, an increase of $2.3 billion (5.8 percent) from FY 2013. This primarily reflects robust growth in extension (i.e., prior year estimated) payments for tax year 2012 along with moderate growth in withholding, final returns, and delinquent collections, partially offset by a decrease in current estimated payments for tax year 2013 and growth in total refunds.

All Funds income tax receipts for FY 2015 of $44 billion are projected to increase $1.5 billion (3.4 percent) from the prior year. This increase primarily reflects increases of $2.3 billion (7.1 percent) in withholding and $1.4 billion (16.2 percent) in estimated payments related to tax year 2014 (i.e. current

year estimated) partially offset by a $1.6 billion (30.2 percent) decline in extension payments related to tax year 2013 (i.e., prior year estimated) and growth in total refunds of $726 million (9.1 percent). The projection for tax year 2014 estimated payments reflects strong projected capital gains and dividend income growth following a deflated tax year 2013 base. The significant decline in tax year 2013 extension payments stems from the aforementioned acceleration of capital gains that occurred into tax year 2012.

All Funds income tax receipts for FY 2016 of $46.9 billion are projected to increase $2.9 billion (6.7 percent) from the prior year. This change primarily reflects increases of $2.3 billion (6.5 percent) in withholding, $812 million (8 percent) in estimated payments related to tax year 2015 (i.e., current year estimated), $278 million in extension payments for tax year 2014 (i.e., prior year estimated), and $100 million in final returns payments for tax year 2014 (i.e., current year), partially offset by a $611 million (7 percent) increase in total refunds. Delinquencies are projected to increase $40 million (3.2 percent) from the prior year.

All Funds income tax receipts are projected to increase by $2.9 billion (6.1 percent) in FY 2017 to reach $49.8 billion, while General Fund receipts are projected to be $33.5 billion.

USER TAXES AND FEES

USER TAXES AND FEES
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
GENERAL FUND[1]	**9,112**	**6,548**	**-28.1%**	**6,806**	**3.9%**	**7,085**	**4.1%**	**7,265**	**2.5%**
Sales Tax	8,423	5,866	-30.4%	6,125	4.4%	6,406	4.6%	6,589	2.9%
Cigarette and Tobacco Taxes	443	431	-2.7%	425	-1.4%	418	-1.6%	410	-1.9%
Alcoholic Beverage Taxes	246	251	2.0%	256	2.0%	261	2.0%	266	1.9%
STATE/ALL FUNDS	**14,615**	**15,116**	**3.4%**	**15,674**	**3.7%**	**16,257**	**3.7%**	**16,620**	**2.2%**
Sales Tax	11,989	12,530	4.5%	13,086	4.4%	13,677	4.5%	14,065	2.8%
Cigarette and Tobacco Taxes	1,551	1,491	-3.9%	1,466	-1.7%	1,436	-2.0%	1,405	-2.2%
Motor Fuel Tax	492	500	1.6%	504	0.8%	507	0.6%	510	0.6%
Highway Use Tax	145	140	-3.4%	143	2.1%	151	5.6%	149	-1.3%
Alcoholic Beverage Taxes	246	251	2.0%	256	2.0%	261	2.0%	266	1.9%
Taxicab Surcharge	83	90	8.4%	100	11.1%	101	1.0%	101	0.0%
Auto Rental Tax	109	114	4.6%	119	4.4%	124	4.2%	124	0.0%

[1]Excludes Transfers.

General Fund user taxes and fees receipts are expected to total $6.5 billion in FY 2014, a decrease of $2.6 billion (28.1 percent) from FY 2013. This decrease reflects an Enacted Budget accounting change that will first deposit 25 percent of sales tax receipts that were formerly directed to the General Fund into the new Sales Tax Bond Fund. The balance will be transferred to the General Fund after the payment of debt service. General Fund user taxes and fees receipts are projected to total $6.8 billion in FY 2015, an increase of $258 million (3.9 percent) from FY 2014 and reflect the All Funds changes discussed above.

All Funds user taxes and fees receipts for FY 2014 are estimated to be $15.1 billion, an increase of $501 million (3.4 percent) from FY 2013. All Funds sales tax receipts are estimated to be $12.5 billion, an increase of $541 million (4.5 percent) from FY 2013. The underlying sales tax base measured before the impact of law changes is estimated to increase by 3.2 percent. Non-sales tax user taxes and fees are

estimated to decrease by $40 million from FY 2013, mainly due to a decline in cigarette tax receipts ($60 million).

All Funds user taxes and fees receipts for FY 2015 are projected to be $15.7 billion, an increase of $558 million (3.7 percent) from FY 2014. This mainly reflects an expected increase in the sales tax base due to higher consumption partially offset by continued declines in taxable cigarette consumption.

All Funds user taxes and fees are projected to be $16.3 billion in FY 2016 and $16.6 billion in FY 2017. This predominantly reflects continued projected growth in the sales tax base partially offset by continued projected declines in taxable cigarette consumption. General Fund user taxes and fees are projected to be $7.1 billion in FY 2016 and $7.3 billion in FY 2017.

BUSINESS TAXES

BUSINESS TAXES
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
GENERAL FUND	**6,253**	**6,348**	**1.5%**	**5,811**	**-8.5%**	**6,301**	**8.4%**	**6,523**	**3.5%**
Corporate Franchise Tax	2,624	2,914	11.1%	2,220	-23.8%	2,573	15.9%	2,691	4.6%
Corporation and Utilities Tax	686	596	-13.1%	620	4.0%	636	2.6%	652	2.5%
Insurance Tax	1,346	1,418	5.3%	1,468	3.5%	1,523	3.7%	1,540	1.1%
Bank Tax	1,597	1,420	-11.1%	1,503	5.8%	1,569	4.4%	1,640	4.5%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
STATE/ALL FUNDS	**8,465**	**8,611**	**1.7%**	**8,152**	**-5.3%**	**8,702**	**6.7%**	**8,990**	**3.3%**
Corporate Franchise Tax	3,009	3,359	11.6%	2,687	-20.0%	3,063	14.0%	3,204	4.6%
Corporation and Utilities Tax	895	781	-12.7%	807	3.3%	828	2.6%	855	3.3%
Insurance Tax	1,509	1,587	5.2%	1,644	3.6%	1,706	3.8%	1,730	1.4%
Bank Tax	1,912	1,694	-11.4%	1,789	5.6%	1,870	4.5%	1,956	4.6%
Petroleum Business Tax	1,140	1,190	4.4%	1,225	2.9%	1,235	0.8%	1,245	0.8%

General Fund business tax receipts for FY 2014 of $6.3 billion are estimated to increase by $95 million (1.5 percent) from FY 2013 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above. General Fund business tax receipts for FY 2015 of $5.8 billion are projected to decrease $537 million (8.5 percent) from the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed below.

All Funds business tax receipts for FY 2014 are estimated to be $8.6 billion, an increase of $146 million (1.7 percent) from the prior year. The estimates reflect growth across all taxes except the corporate and utilities tax and the bank tax.

All Funds corporate franchise tax receipts are estimated to increase $350 million (11.6 percent) from FY 2013. This increase is mainly attributable to higher estimated audit receipts and slightly stronger estimated gross receipts. Audit receipts are expected to increase $273 million from the previous year.

The corporation and utilities tax is expected to decline $114 million (12.7 percent) from FY 2013. Adjusted for the timing of a prior year telecommunications refund ($30 million), the decline in FY 2014 would be 9.3 percent. Two large telecommunications sector audits were received in FY 2013. This is the primary reason for the year-over-year decline in receipts. Gross receipts are expected to show a slight decline from the previous year due to the end-of-session LIPA restructuring legislation.

All Funds insurance tax receipts are estimated to increase $78 million (5.2 percent) from FY 2013. This reflects a return to growth from the improving economy.

The bank tax receipts are estimated to decline $218 million (11.4 percent) in FY 2014. FY 2013 was a record year for bank tax receipts. Gross receipts and audits are estimated to be lower in FY 2014 than FY 2013. The several large audit cases that were settled in FY 2013 and the strong growth in gross receipts (18.1 percent) are not expected to be repeated in FY 2014.

Petroleum business tax receipts are expected to increase $50 million (4.4 percent) in FY 2014 primarily due to the 5 percent increase in the Petroleum Business Tax (PBT) tax rates effective January 2013 and an anticipated 3 percent increase in PBT tax rates effective January 2014.

All Funds business tax receipts for FY 2015 of $8.2 billion are projected to decrease $459 million (5.3 percent) from the prior year. This decrease primarily reflects the first year of repayment of deferred tax credits to taxpayers. Excluding this payback, FY 2015 receipts would be virtually unchanged from FY 2014.

All Funds business tax receipts for FY 2016 and FY 2017 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of telecommunications services, and automobile fuel consumption and fuel prices. Business tax receipts are projected to increase to $8.7 billion (6.7 percent) in FY 2016 and to $9 billion (3.3 percent) in FY 2017. General Fund business tax receipts over this period are expected to increase to $6.3 billion (8.4 percent) in FY 2016 and $6.5 billion (3.5 percent) in FY 2017.

OTHER TAXES

OTHER TAXES
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
GENERAL FUND[1]	**1,034**	**1,069**	**3.4%**	**1,144**	**7.0%**	**1,159**	**1.3%**	**1,169**	**0.9%**
Estate Tax	1,014	1,050	3.6%	1,125	7.1%	1,140	1.3%	1,150	0.9%
Gift Tax	1	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
STATE/ALL FUNDS	**1,790**	**1,809**	**1.1%**	**1,954**	**8.0%**	**2,044**	**4.6%**	**2,109**	**3.2%**
Estate Tax	1,014	1,050	3.6%	1,125	7.1%	1,140	1.3%	1,150	0.9%
Gift Tax	1	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Estate Transfer Tax	756	740	-2.1%	810	9.5%	885	9.3%	940	6.2%
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

[1]Excludes Transfers.

General Fund other tax receipts are expected to be nearly $1.1 billion in FY 2014, an increase of $35 million (3.4 percent) from FY 2013. This reflects a change in estate tax receipts. General Fund other tax receipts are expected to total more than $1.1 billion in FY 2015. This reflects an increase of $75 million (7.1 percent) in estate tax receipts due to a projected increase in household net worth. General Fund other

tax receipts for FY 2016 are projected to grow by $15 million (1.3 percent) entirely due to the modest growth in the estate tax. General Fund other tax receipts for FY 2017 are projected to increase by $10 million (0.9 percent), also due to estate tax growth.

All Funds other tax receipts for FY 2014 are estimated to be $1.8 billion, an increase of $19 million (1.1 percent) from FY 2013. This mainly reflects an increase of $36 million (3.6 percent) in estate tax receipts, partially offset by a decline of $16 million (2.1 percent) in real estate transfer tax receipts. The estate tax increase is the result of an expected return in FY 2014 to a number of super-large estate payments (payments of over $25 million) consistent with long-term trends. The FY 2014 real estate transfer tax estimate reflects the shift of transfers from FY 2014 into FY 2013 caused by uncertainty surrounding potential Federal tax law changes, which more than offsets estimated improvements in FY 2014 market pricing.

All Funds other tax receipts for FY 2015 are projected to be just under $2 billion, an increase of $145 million (8 percent) from FY 2014. This reflects strong projected growth in both the real estate transfer and estate taxes.

The FY 2016 All Funds receipts projection for other taxes is over $2 billion, an increase of $90 million (4.6 percent) from FY 2015. Growth in the estate tax is projected to follow forecast increases in household net worth. Receipts from the real estate transfer tax are also projected to increase, reflecting continuing growth in the residential and commercial real estate markets.

The FY 2017 All Funds receipts projection for other taxes is $2.1 billion, an increase of $65 million (3.2 percent) from FY 2016. Moderate growth is projected in estate tax collections, following forecast increases in household net worth. Real estate transfer tax collections are projected to grow as a result of increases in the value of real property transfers.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
GENERAL FUND	**3,566**	**3,308**	**-7.2%**	**3,595**	**8.7%**	**2,776**	**-22.8%**	**2,797**	**0.8%**
Miscellaneous Receipts	3,504	3,306	-5.7%	3,595	8.7%	2,776	-22.8%	2,797	0.8%
Federal Grants	62	2	-96.8%	0	-100.0%	0	0.0%	0	0.0%
STATE FUNDS	**24,001**	**24,069**	**0.3%**	**24,895**	**3.4%**	**24,437**	**-1.8%**	**23,935**	**-2.1%**
Miscellaneous Receipts	23,855	23,989	0.6%	24,817	3.5%	24,359	-1.8%	23,857	-2.1%
Federal Grants	146	80	-45.2%	78	-2.5%	78	0.0%	78	0.0%
ALL FUNDS	**66,873**	**71,608**	**7.1%**	**72,265**	**0.9%**	**72,787**	**0.7%**	**75,008**	**3.1%**
Miscellaneous Receipts	24,030	24,175	0.6%	25,003	3.4%	24,545	-1.8%	24,043	-2.0%
Federal Grants	42,843	47,433	10.7%	47,262	-0.4%	48,242	2.1%	50,965	5.6%

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total $24.2 billion in FY 2014, an annual increase of $145 million from FY 2013 results, or less than one percent annually.

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in Federally-reimbursed spending and Federal allocations. Accordingly, DOB typically plans Federal reimbursement to be received in the State fiscal year that spending occurs, but timing sometimes varies. All Funds Federal grants are projected to total $47.4 billion in FY 2014, an increase of $4.6 billion from FY 2013, driven primarily by additional Federal funding for disaster assistance costs, as well as the annual impact of increased Federal spending associated with the ACA.

All Funds miscellaneous receipts are projected to increase by $828 million in FY 2015, which includes bond proceeds for capital projects. All Funds Federal grants are projected to decrease by $171 million in FY 2015, driven primarily by the timing of Federal disaster assistance costs, the majority of which is expected to be disbursed during FY 2014.

All Funds miscellaneous receipts are projected to decline by $458 million in FY 2016, driven by the decline in General Fund resources transferred from SIF, partially offset by a projected increase in miscellaneous receipts from bond proceeds available to fund capital improvement projects. All Funds miscellaneous receipts decrease by $502 million in FY 2017, driven by a projected decrease in miscellaneous receipts for capital projects, partially offset by increases in SUNY income and HCRA revenue collections.

Annual Federal grants growth of $980 million in FY 2016 and $2.7 billion in FY 2017 is primarily due to growth in Medicaid spending, reflecting the continued impact of spending associated with the ACA.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS: CHANGE FROM FIRST QUARTERLY UDPATE FORECAST (millions of dollars)

	FY 2014				FY 2015			
	First Quarter	Mid-Year Update	$ Change	% Change	First Quarter	Mid-Year Update	$ Change	% Change
GENERAL FUND	**3,355**	**3,308**	**(47)**	**-1.4%**	**3,595**	**3,595**	**0**	**0.0%**
Miscellaneous Receipts	3,353	3,306	(47)	-1.4%	3,595	3,595	0	0.0%
Federal Grants	2	2	0	0.0%	0	0	0	0.0%
STATE FUNDS	**24,116**	**24,069**	**(47)**	**-0.2%**	**24,895**	**24,895**	**0**	**0.0%**
Miscellaneous Receipts	24,036	23,989	(47)	-0.2%	24,817	24,817	0	0.0%
Federal Grants	80	80	0	0.0%	78	78	0	0.0%
ALL FUNDS	**71,655**	**71,608**	**(47)**	**-0.1%**	**72,265**	**72,265**	**0**	**0.0%**
Miscellaneous Receipts	24,222	24,175	(47)	-0.2%	25,003	25,003	0	0.0%
Federal Grants	47,433	47,433	0	0.0%	47,262	47,262	0	0.0%

All Funds miscellaneous receipts have been revised downward by $47 million in FY 2014 due to the estimated impact of lower utility bills on 18-a receipts to the General Fund.

Federal grants projections for FY 2014 and FY 2015 remain unchanged from the FY 2014 Enacted Budget Financial Plan and First Quarterly Update to the Financial Plan.

DISBURSEMENTS

Total disbursements in FY 2014 are estimated at $61.5 billion in the General Fund and $90.7 billion in State Operating Funds. Over the multi-year Financial Plan, State Operating Funds spending projections assume Medicaid and School Aid will grow at their statutorily-indexed rates. The FY 2014 Enacted Budget authorized a School Aid increase in excess of the personal income cap for SY 2014. The projections do not reflect any potential impact of automatic Federal spending reductions that were triggered on March 1, 2013.

The multi-year disbursements projections take into account agency staffing levels, program caseloads, funding formulas contained in State and Federal law, inflation and other factors. Factors that affect spending estimates vary by program. For example, public assistance 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.

Medicaid, education, pension costs, employee and retiree health benefits, and debt service are significant drivers of annual spending growth.

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at $59.7 billion in FY 2014 and accounts for 66 percent of total State Operating Funds spending. Education and health care spending account for approximately two-thirds of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

		Forecast			
	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
MEDICAID					
Medicaid Coverage	4,812,715	5,176,084	6,110,639	6,169,418	6,198,080
- Family Health Plus Caseload	446,259	467,246	0	0	0
- Child Health Plus Caseload	344,000	356,000	368,000	380,000	392,000
State Takeover of County/NYC Costs	$1,613	$1,690	$1,665	$1,800	$2,168
- Family Health Plus	$477	$528	$219	$0	$0
- Medicaid	$1,136	$1,162	$1,446	$1,800	$2,168
EDUCATION					
School Aid (School Year)	$20,236	$21,228	$21,950	$22,784	$24,037
Education Personal Income Growth Index			3.4%	3.8%	5.5%
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	567,473	566,707	565,941	565,078	564,880
Tuition Assistance Program Recipients	309,921	310,065	310,065	310,065	310,065
PUBLIC ASSISTANCE					
Family Assistance Program	259,739	249,528	243,345	238,262	233,706
Safety Net Program - Families	122,805	118,706	115,450	112,747	110,279
Safety Net Program - Singles	191,764	185,777	184,815	184,361	184,385
MENTAL HYGIENE					
Total Mental Hygiene Community Beds	90,209	93,162	96,144	99,036	101,000
- OMH Community Beds	38,564	40,888	43,290	45,576	46,954
- OPWDD Community Beds	39,565	40,120	40,650	41,150	41,650
- OASAS Community Beds	12,080	12,154	12,204	12,310	12,396
PRISON POPULATION (CORRECTIONS)	54,617	54,300	54,000	53,800	53,700

Note: Dollar amounts in table are in millions.

EDUCATION

SCHOOL AID

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

SCHOOL YEAR (JULY 1 — JUNE 30)

School Aid will increase by $992 million in School Year (SY) 2014, a 4.9 percent increase from SY 2013. In addition, $75 million of competitive grant funding is provided for several key initiatives recommended by the *New* NY Education Reform Commission in its Preliminary Report to the Governor, including pre-kindergarten and extended learning, bringing the total annual education aid increase to $1.067 billion. The Enacted Budget also included a new two-year appropriation that continues Education Law provisions to tie future School Aid increases to the rate of growth in New York State personal income.

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

Based on updated estimates of personal income growth, School Aid is projected to increase by an additional $722 million in SY 2015 and $834 million in SY 2016. School Aid is projected to reach an annual total of $24.0 billion in SY 2017.

STATE FISCAL YEAR

SCHOOL AID AND *NEW* NY EDUCATION REFORM INITIATIVES - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)
(millions of dollars)

	SY 2013	SY 2014	Change	SY 2015	Change	SY 2016	Change	SY 2017	Change
School Aid	$20,236	$21,228	$992	$21,950	$722	$22,784	$834	$24,037	$1,253
			4.9%		3.4%		3.8%		5.5%
New NY Education Reform Initiatives	$0	$75	$75	$75	$0	$75	$0	$75	$0
Total	**$20,236**	**$21,303**	**$1,067**	**$22,025**	**$722**	**$22,859**	**$834**	**$24,112**	**$1,253**
			5.3%		**3.4%**		**3.8%**		**5.5%**

The State finances School Aid and *New* NY Education Reform Initiatives from General Fund receipts and from Lottery Fund receipts, including video lottery terminals (VLTs), which are accounted for and disbursed from a dedicated 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 on a State fiscal year basis.

SCHOOL AID AND EDUCATION REFORM AID - STATE FISCAL YEAR BASIS
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**20,163**	**20,471**	**1.5%**	**21,692**	**6.0%**	**22,514**	**3.8%**	**23,641**	**5.0%**
General Fund Local Assistance	17,110	17,289	1.0%	18,573	7.4%	19,390	4.4%	20,519	5.8%
General Fund Lottery Aid Guarantee	0	10	N/A	0	N/A	0	0.0%	0	0.0%
Core Lottery Aid	2,217	2,230	0.6%	2,225	-0.2%	2,227	0.1%	2,225	-0.1%
VLT Lottery Aid	857	881	2.8%	894	1.5%	897	0.3%	897	0.0%
VLT Aid Balance Roll	(21)	21	N/A	0	N/A	0	0.0%	0	0.0%
Other Lottery Fund Resources	0	40	N/A	0	N/A	0	0.0%	0	0.0%

State spending for School Aid and *New* NY Education Reform Initiatives is projected to total $20.5 billion in FY 2014. In future years, receipts available to finance this category of aid from core lottery sales are projected to remain stable, while VLT receipts are anticipated to increase through FY 2015 as a result of the recent implementation of the VLT facility at the Aqueduct Racetrack. In addition to State aid, school districts receive approximately $3 billion annually in Federal categorical aid.

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; pre-kindergarten 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 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 50 professions.

OTHER EDUCATION
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,927**	**2,032**	**5.4%**	**2,091**	**2.9%**	**2,197**	**5.1%**	**2,328**	**6.0%**
Special Education	1,352	1,418	4.9%	1,522	7.3%	1,626	6.8%	1,751	7.7%
All Other Education	575	614	6.8%	569	-7.3%	571	0.4%	577	1.1%

Special education growth is primarily driven by an increase in program costs and enrollment for preschool special education and the summer school special education programs. The increase in other education spending for FY 2014 over FY 2013 is driven primarily by one-time costs associated with targeted aid and grants, which are not projected to continue beyond FY 2014.

In order to enhance oversight of the preschool special education program, the FY 2014 Enacted Budget also supports the expansion of State and county audit capabilities and the development of data systems to enhance analysis of available program data.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2014 are: the basic school property tax exemption for homeowners with income under $500,000 (55 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (27 percent), and a flat refundable credit and rate reduction for income-eligible New York City resident personal income taxpayers (18 percent).

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,286**	**3,419**	**4.0%**	**3,602**	**5.4%**	**3,704**	**2.8%**	**3,805**	**2.7%**
Basic Exemption	1,857	1,896	2.1%	1,997	5.3%	2,052	2.8%	2,106	2.6%
Enhanced (Seniors)	841	912	8.4%	986	8.1%	1,014	2.8%	1,040	2.6%
New York City PIT	588	611	3.9%	619	1.3%	638	3.1%	659	3.3%

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 will receive a $63,300 exemption in FY 2014. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

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

The FY 2014 Enacted Budget Financial Plan established a STAR re-registration and anti-fraud program. This program is expected to eliminate waste, fraud and abuse in the STAR exemption by (1) authorizing the Department of Taxation and Finance to require all recipients of a Basic STAR exemption to be registered with the Department, and (2) strengthening the penalties for fraud while tightening the standards and procedures for determining eligibility.

HIGHER EDUCATION

Local assistance for higher education spending includes funding for the City University of New York (CUNY), SUNY and the Higher Education Services Corporation (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 capital projects at SUNY and CUNY are expected to total about $1.4 billion in FY 2014.

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

Annual growth by CUNY in FY 2014 reflects the net impact of enrollment changes at community colleges, additional fringe benefit costs, and the timing of aid payments across State fiscal years. Growth in HESC reflects the rising cost of higher education tuition and the consequent demand for increased tuition assistance. SUNY local assistance reflects an increase in community college aid, which fully annualizes in the outyears.

HIGHER EDUCATION
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,629**	**2,825**	**7.5%**	**2,911**	**3.0%**	**2,994**	**2.9%**	**3,066**	**2.4%**
City University	**1,220**	**1,345**	**10.2%**	**1,401**	**4.2%**	**1,470**	**4.9%**	**1,548**	**5.3%**
City University	1,026	1,130	10.1%	1,185	4.9%	1,254	5.8%	1,332	6.2%
Community College	194	215	10.8%	216	0.5%	216	0.0%	216	0.0%
Higher Education Services	**947**	**1,004**	**6.0%**	**1,018**	**1.4%**	**1,032**	**1.4%**	**1,026**	**-0.6%**
Tuition Assistance Program	893	948	6.2%	959	1.2%	972	1.4%	966	-0.6%
Aid for Part Time Study	14	12	-14.3%	12	0.0%	12	0.0%	12	0.0%
Scholarships/Awards	40	44	10.0%	47	6.8%	48	2.1%	48	0.0%
State University	**462**	**476**	**3.0%**	**492**	**3.4%**	**492**	**0.0%**	**492**	**0.0%**
State University	457	472	3.3%	485	2.8%	485	0.0%	485	0.0%
Other/Cornell	5	4	-20.0%	7	75.0%	7	0.0%	7	0.0%

Note: State support for SUNY four-year institutions is funded through State operations rather than local assistance.

HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The DOH works with the local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts. The Medicaid program finances inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, family health plus (FHP) (a State-administered program to provide comprehensive health insurance for low-income families which do not meet certain Medicaid-eligibility thresholds), 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 Financial Plan estimates for mental hygiene agencies, child welfare programs and the Department of Corrections and Community Supervision.

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 State's Medicaid spending is projected to total approximately $55.7 billion in FY 2014, including the local contribution.

The FY 2014 Enacted Budget includes the continuation of the Medicaid spending cap enacted in FY 2012, and recommends funding consistent with its provisions. The cap is based on the ten-year rolling average of the medical component of the CPI. Statutory changes approved with the FY 2012 Enacted Budget to grant the Executive certain administrative powers to help hold Medicaid spending to the capped level were amended through legislation included in the FY 2014 Enacted Budget to provide flexibility to adjust Medicaid projections to meet unanticipated costs resulting from the event of a natural or other type of disaster. The statutory provisions of the Medicaid spending cap have been extended through FY 2015, pursuant to authorization included in the FY 2014 Enacted Budget. The cap itself remains in place, and the Financial Plan assumes that statutory authority will be extended in subsequent years.

Based on updated data, the allowable growth under the cap is 3.9 percent. The FY 2014 Enacted Budget also eliminated the FHP program effective January 1, 2015. The majority of the population receiving health care benefits through FHP will begin receiving more robust health care benefits through the Medicaid program, pursuant to new Medicaid eligibility thresholds and increased Federal payments pursuant to the ACA. The remaining FHP population, those above Medicaid levels, will be eligible for Federal tax credits in the New York State Health Benefit Exchange and the State will pay remaining out-of-pocket costs for these individuals up to previous FHP levels. The proposed transition to the Exchange is expected to provide savings to the State of $59.0 million in FY 2015.

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

	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Department of Health					
DOH State Share	15,900	16,421	16,977	17,805	18,474
Local Assistance	15,879	16,230	16,780	17,591	18,248
State Operations[2]	21	191	197	214	226
Annual $ Change - DOH Only		521	556	828	669
Annual % Change - DOH Only		3.3%	3.4%	4.9%	3.8%
Other State Agencies					
Mental Hygiene	4,758	4,902	5,429	6,020	6,140
Foster Care	89	87	90	94	98
Education	17	0	0	0	0
Corrections	0	12	12	12	12
Total State Share (All Agencies)	**20,764**	**21,422**	**22,508**	**23,931**	**24,724**
Annual $ Change - Total State Share		658	1,086	1,423	793
Annual % Change - Total State Share		3.2%	5.1%	6.3%	3.3%

[1] Medicaid services growth is indexed to the 10-year average of CPI Medical, currently 3.9 percent. Financial Plan spending is adjusted for the inclusion of Medicaid State Operations spending (formerly outside the Medicaid Cap), which is supporting expanded functions pursuant to the phased-in takeover of local administrative responsibilities, and the decision of Monroe County to participate in the Medicaid local cap program, rather than continuing the sales tax intercept option. Finally, the State Share of Medicaid is adjusted for increased Federal Financial Participation beginning in January 2014.

[2] Increased State Operations costs in FY 2014 reflects the transfer of the Office of Health Insurance Programs to Medicaid from Public Health without new spending.

Factors affecting the level of Medicaid spending growth that must be managed within the cap include Medicaid enrollment, costs of provider health care services (particularly in managed care) and levels of utilization. The number of Medicaid recipients, including FHP, is expected to exceed 5.6 million at the end of FY 2014, an increase of 7.3 percent from the FY 2013 caseload of 5.3 million, a result mainly attributable to expanded eligibility pursuant to the ACA. Under the provisions of the ACA, the Federal government is expected to finance a greater share of Medicaid costs, the impact of which is expected to lower future growth in the State share of Medicaid costs beginning in FY 2014.

Total "state share" Medicaid, which includes Medicaid costs of State agencies in addition to DOH, reflects downward spending adjustments of $820 million in FY 2014, $535 million in FY 2015, and $357 million thereafter. This is attributable to the impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services. To compensate for the reduced Federal reimbursement for services provided, the State is undertaking various actions to reduce overall costs while minimizing any impact on service delivery. These actions include shifting a portion of OPWDD Medicaid costs to DOH, the impact of which is expected to be managed on a neutral Financial Plan basis through the implementation of several actions, including comprehensive program reforms consistent with other states to generate Federal reimbursement for services already being provided, and the management of certain MRT investment initiatives. These savings are valued at $730 million in FY 2014, $445 million in FY 2015, and $267 million in each of

FYs 2016 and 2017, and are part of the Mental Hygiene Stabilization Fund within the DOH global spending cap.

The FY 2013 Enacted Budget included authorization for the State to take over administration of the Medicaid program, and to cap spending on local Medicaid administration at FY 2012 appropriation levels. The FY 2013 Enacted Budget also provided Medicaid spending relief for all counties and New York City by reducing growth in local Medicaid payments. These changes are expected to provide fiscal and administrative relief to local governments.

As allowed under the FY 2013 Enacted Budget legislation, Monroe County, which had previously authorized a State intercept of sales tax in lieu of payment for its portion of the local share of Medicaid, chose to enter the Medicaid local cap program effective February 1, 2013.

The State share of DOH Medicaid spending is comprised of the General Fund, HCRA, provider assessment revenue, and indigent care payments. The following table provides information on the financing sources for State Medicaid spending (more information on HCRA can be found in the section entitled "HCRA Financial Plan").

DEPARTMENT OF HEALTH MEDICAID[1]

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
STATE OPERATING FUNDS	**15,900**	**16,421**	**3.3%**	**16,977**	**3.4%**	**17,805**	**4.9%**	**18,474**	**3.8%**
Total General Fund - Local	11,109	11,232	1.1%	11,391	1.4%	12,136	6.5%	12,631	4.1%
Total General Fund - State Operations	21	191	809.5%	197	3.1%	214	8.6%	226	5.6%
Other State Funds Support	4,770	4,998	4.8%	5,389	7.8%	5,455	1.2%	5,617	3.0%
HCRA Financing	3,214	3,437	6.9%	3,812	10.9%	3,878	1.7%	4,040	4.2%
Indigent Care Support	767	776	1.2%	792	2.1%	792	0.0%	792	0.0%
Provider Assessment Revenue	783	785	0.3%	785	0.0%	785	0.0%	785	0.0%
Other	6	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

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

The FY 2014 Enacted Budget transferred all administrative costs, including those State resources associated with the local Medicaid takeover program, from the Public Health budget to the Medicaid budget. This change will align operational resources with programmatic responsibilities, and provide the necessary flexibility for meeting emerging needs during the course of the year. Using additional efficiencies gained from the local Medicaid takeover, this change is expected to avoid State General Fund costs of approximately $32 million in FY 2014, $50 million in FY 2015, and $67 million annually thereafter, without placing additional fiscal pressure on the Medicaid Global Cap.

Ongoing MRT efforts have identified a variety of other programmatic efficiencies and re-investments which are expected to improve overall service delivery within the health care industry, but which are not expected to have a significant net financial impact on the State's Medicaid program.

PUBLIC HEALTH/AGING PROGRAMS

Public Health includes the Elderly Pharmaceutical Insurance Coverage (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, the General Public Health Work (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 State Office for the Aging promotes and administers programs and services for New Yorkers 60 years of age and older. The Office primarily oversees community-based services, including but not limited to in-home services and nutrition assistance, provided through a network of county Area Agencies on Aging and local providers.

Many public health programs, such as the EI and GPHW programs, are run by county health departments and reimbursed by the State for a share of program costs. The State spending projections do not include the county share of public health funding. In addition, a significant portion of HCRA spending is included under the public health budget.

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,040**	**2,193**	**7.5%**	**1,997**	**-8.9%**	**1,989**	**-0.4%**	**1,960**	**-1.5%**
Public Health	**1,927**	**2,079**	**7.9%**	**1,877**	**-9.7%**	**1,862**	**-0.8%**	**1,828**	**-1.8%**
Child Health Plus	364	380	4.4%	446	17.4%	378	-15.2%	304	-19.6%
General Public Health Work	247	186	-24.7%	237	27.4%	233	-1.7%	238	2.1%
EPIC	98	170	73.5%	207	21.8%	237	14.5%	258	8.9%
Early Intervention	144	151	4.9%	167	10.6%	171	2.4%	171	0.0%
HCRA Program Account	442	431	-2.5%	429	-0.5%	441	2.8%	441	0.0%
F-SHRP	249	384	54.2%	0	-100.0%	0	0.0%	0	0.0%
All Other	383	377	-1.6%	391	3.7%	402	2.8%	416	3.5%
Aging	**113**	**114**	**0.9%**	**120**	**5.3%**	**127**	**5.8%**	**132**	**3.9%**

Spending growth in the CHP program through FY 2015 largely reflects costs associated with the expectation of additional caseload growth under the ACA. As CHP enrollment increases, initial costs to the State are expected; however, these costs are expected to decrease beginning in FY 2016 when enhanced Federal participation rates become effective.

Increased State support for the EPIC program, which was authorized in the FY 2013 Enacted Budget to provide coverage of Medicare Part D co-payments and co-insurance for enrollees outside of the existing coverage gap, is also driving a substantial portion of spending growth, as this change took effect on January 1, 2013. Increased spending for expanded EPIC coverage, as well as growth due to the rising costs of prescription drug medication, is expected to be partly financed by additional revenue generated from rebates received from drug manufacturers.

The F-SHRP program, which is Federal funding provided to the State on a time-limited basis through a Federal waiver under terms and conditions aimed at improving the delivery of health care services, is expected to terminate at the end of FY 2014. Spending growth in FY 2014 reflects the anticipation of peak utilization prior to the expiration of funding.

The year-over-year decrease for GPHW in FY 2014 reflects revised spending assumptions associated with reduced municipal claiming on various services.

HCRA FINANCIAL PLAN

HCRA was established in 1996 to help finance a portion of State health care activities. 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 Efficiency and Affordability Law for New Yorkers (HEAL NY) program for capital improvements to health care facilities.

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. Total HCRA revenues are estimated to grow by approximately 3.3 percent on an annual basis during the Financial Plan period.

In addition to FHP, CHP, and HEAL NY, HCRA helps fund Medicaid, EPIC, physician excess medical malpractice insurance, and Indigent Care payments, which provide funding to hospitals serving a disproportionate share of individuals without health insurance.

The FY 2014 Enacted Budget included reductions to various public health programs and the shift of funding for certain programs between HCRA and the General Fund. The shifts are expected to lower spending in HCRA by approximately $145 million in FY 2014 and $175 million thereafter and increase the General Fund spending by the same amount.

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

Given the inter-relationship between the General Fund and HCRA, any balances in HCRA are typically eliminated by adjusting the level of Medicaid disbursements 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.

HCRA FINANCIAL PLAN FY 2013 THROUGH FY 2017 (millions of dollars)	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
OPENING BALANCE	**3**	**18**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,336**	**5,610**	**5,854**	**5,949**	**6,049**
Surcharges	2,723	2,818	2,918	3,013	3,111
Covered Lives Assessment	1,045	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,108	1,060	1,041	1,018	995
Conversion Proceeds	0	175	300	300	300
Hospital Assessments	330	340	360	376	393
NYC Cigarette Tax Transfer/Other	130	172	190	197	205
TOTAL DISBURSEMENTS	**5,321**	**5,628**	**5,854**	**5,949**	**6,049**
Medicaid Assistance Account	3,219	3,437	3,812	3,878	4,040
Medicaid Costs	*1,840*	*2,138*	*2,852*	*3,229*	3,391
Family Health Plus	*682*	*650*	*311*	*0*	0
Workforce Recruitment & Retention	*157*	*197*	*197*	*197*	197
All Other	*540*	*452*	*452*	*452*	452
HCRA Program Account	459	445	444	460	460
Hospital Indigent Care	777	776	792	792	792
Elderly Pharmaceutical Insurance Coverage	105	183	220	250	271
Child Health Plus	372	386	453	385	312
Public Health Programs	128	29	0	0	0
All Other	261	372	133	184	174
ANNUAL OPERATING SURPLUS/(DEFICIT)	**15**	**(18)**	**0**	**0**	**0**
CLOSING BALANCE	**18**	**0**	**0**	**0**	**0**

MENTAL HYGIENE

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

MENTAL HYGIENE
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,602**	**2,833**	**-21.3%**	**3,450**	**21.8%**	**3,967**	**15.0%**	**4,173**	**5.2%**
People with Developmental Disabilities	**2,196**	**1,420**	**-35.3%**	**1,862**	**31.1%**	**2,157**	**15.8%**	**2,220**	**2.9%**
Residential Services	1,551	1,519	-2.1%	1,630	7.3%	1,712	5.0%	1,756	2.6%
Day Programs	560	548	-2.1%	588	7.3%	618	5.1%	635	2.8%
Clinic	22	22	0.0%	23	4.5%	25	8.7%	25	0.0%
Other Local	63	61	-3.2%	66	8.2%	69	4.5%	71	2.9%
Mental Hygiene Stabilization Fund	0	(730)	0.0%	(445)	-39.0%	(267)	-40.0%	(267)	0.0%
Mental Health	**1,094**	**1,097**	**0.3%**	**1,256**	**14.5%**	**1,461**	**16.3%**	**1,590**	**8.8%**
Adult Local Services	913	917	0.4%	1,048	14.3%	1,239	18.2%	1,364	10.1%
Children Local Services	181	180	-0.6%	208	15.6%	222	6.7%	226	1.8%
Alcohol and Substance Abuse	**311**	**315**	**1.3%**	**331**	**5.1%**	**348**	**5.1%**	**362**	**4.0%**
Outpatient/Methadone	134	135	0.7%	142	5.2%	149	4.9%	155	4.0%
Residential	105	106	1.0%	112	5.7%	118	5.4%	123	4.2%
Prevention and Program Support	55	57	3.6%	60	5.3%	63	5.0%	65	3.2%
Crisis	17	17	0.0%	17	0.0%	18	5.9%	19	5.6%
CQCAPD/Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

Legislation enacted in FY 2013 established the Justice Center for the Protection of People with Special Needs, which has the primary responsibility for tracking, investigating and pursuing serious abuse/neglect complaints at facilities and provider settings operated, certified, or licensed by six State agencies. The activities of the Commission on Quality of Care and Advocacy for Persons with Disabilities were subsumed by the Justice Center when it became operational on June 30, 2013.

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 3.7 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including: increases primarily associated with developing new OPWDD residential and non-residential services and supports; the New York/New York III Supportive Housing agreement; and community beds that are currently under development in the OMH pipeline. Additional outyear spending is assumed in Financial Plan estimates for costs associated with efforts to move individuals in nursing homes and other settings to the least restrictive setting

possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

The Financial Plan achieves lower spending growth by authorizing the elimination of automatic inflationary factors in FY 2014, including the 1.4 percent Human Services Cost of Living Adjustment and Medicaid trend adjustment, which provides rate reimbursement adjustments for eligible providers of services to the developmentally disabled; improved program efficiencies; enhanced audit recoveries; reduced administrative costs reimbursed to OPWDD providers; and revised estimates for mental health community bed funding.

OPWDD's Medicaid-related spending estimates were revised downward in the Enacted Budget Financial Plan by $820 million in FY 2014, $535 million in FY 2015, and $357 million thereafter. These revisions are attributable to the impact of reduced Federal revenue from Medicaid reimbursement at State-operated facilities providing developmental disability services. To compensate for the reduced Federal reimbursement for services provided, the State is undertaking various actions to reduce overall costs in the least disruptive manner possible for service delivery. These actions include shifting a portion of OPWDD Medicaid costs to DOH, the impact of which is expected to be managed on a neutral Financial Plan basis through the implementation of several actions, including comprehensive program reforms consistent with other states to generate Federal reimbursement for services already being provided, and the management of certain MRT investment initiatives. These savings are valued at $730 million in FY 2014, $445 million in FY 2015, and $267 million in each of FY 2016 and FY 2017 and are part of the Mental Hygiene Stabilization Fund within the DOH global spending cap. In addition, $90 million of savings will be achieved by OPWDD through a combination of actions identified in consultation with all relevant parties. These include $50 million in savings from reduced administrative costs, improved efficiencies, and collaborative efforts to utilize lower cost community based supports and services as opposed to more costly settings such as institutions and residential schools. In addition, $40 million in savings will be generated from increased audit recoveries generated by enhanced audit activity by the OMIG related to OPWDD services provided by nonprofit agencies.

SOCIAL SERVICES

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,540**	**1,392**	**-9.6%**	**1,290**	**-7.3%**	**1,318**	**2.2%**	**1,328**	**0.8%**
SSI	745	766	2.8%	664	-13.3%	691	4.1%	700	1.3%
Public Assistance Benefits	636	502	-21.1%	502	0.0%	502	0.0%	502	0.0%
Welfare Initiatives	36	19	-47.2%	19	0.0%	19	0.0%	19	0.0%
All Other	123	105	-14.6%	105	0.0%	106	1.0%	107	0.9%

The decline in OTDA spending from FY 2013 results to FY 2014 Updated Financial Plan projections is driven primarily by the State's projected costs for public assistance caseload and the fact that there are no longer timing delays for payments. The average public assistance caseload is projected to total 554,011 recipients in FY 2014, a decrease of 3.5 percent from FY 2013 levels. Approximately 249,528 families are expected to receive benefits through the Family Assistance program in FY 2014, a decrease of 3.9 percent from FY 2013. In the Safety Net program an average of 118,706 families are expected to be helped in FY 2014, a decrease of 3.3 percent from FY 2013. The caseload for single adults/childless couples supported through the Safety Net program is projected at 185,777 in FY 2014, a decrease of 3.1 percent from FY 2013.

The Office of Children and Family Services (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 social services departments 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 intended to reduce out-of-home placement of children. In addition, the Child Care Block Grant, which is also financed by a combination of Federal, State and local sources, supports child care subsidies for public assistance and low-income families. The youth facilities program serves youth directed by family or criminal courts to be placed in residential facilities.

CHILDREN AND FAMILY SERVICES
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,492**	**1,604**	**7.5%**	**1,760**	**9.7%**	**1,828**	**3.9%**	**1,914**	**4.7%**
Child Welfare Service	334	462	38.3%	493	6.7%	526	6.7%	560	6.5%
Foster Care Block Grant	436	436	0.0%	456	4.6%	473	3.7%	491	3.8%
Adoption	142	162	14.1%	164	1.2%	167	1.8%	171	2.4%
Day Care	216	165	-23.6%	249	50.9%	249	0.0%	249	0.0%
Youth Programs	130	152	16.9%	161	5.9%	163	1.2%	163	0.0%
Medicaid	89	87	-2.2%	90	3.4%	94	4.4%	98	4.3%
Committees on Special Education	37	30	-18.9%	33	10.0%	38	15.2%	43	13.2%
Adult Protective/Domestic Violence	34	31	-8.8%	35	12.9%	41	17.1%	48	17.1%
All Other	74	79	6.8%	79	0.0%	77	-2.5%	91	18.2%

Financial Plan growth is driven by increases in claims-based programs; an increase in General Fund spending on Day Care beginning in FY 2015, in order to keep spending on this program constant after a projected decrease in Federal funding; and the continued implementation of the New York City Close to Home Initiative. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding.

TRANSPORTATION

In FY 2014, the Department of Transportation (DOT) will provide $4.7 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. The MTA, due to the size and scope of its transit system, receives the majority of the statewide mass transit operating aid. Additionally, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire

amount to, the MTA to support the transit system. Legislation enacted in December 2011 eliminates the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The State compensates the MTA for the decrease in receipts from this tax reduction.

Operating aid to the MTA and other transit systems is expected to increase in FY 2014 by 10.1 percent, which reflects the impact of timing associated with availability of funding resources and growth assumed in the current receipts forecast.

TRANSPORTATION (millions of dollars)	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**4,303**	**4,739**	**10.1%**	**4,831**	**1.9%**	**4,910**	**1.6%**	**4,995**	**1.7%**
Mass Transit Operating Aid:	1,906	2,105	10.4%	2,101	-0.2%	2,101	0.0%	2,101	0.0%
Metro Mass Transit Aid	1,761	1,964	11.5%	1,960	-0.2%	1,960	0.0%	1,960	0.0%
Public Transit Aid	93	89	-4.3%	89	0.0%	89	0.0%	89	0.0%
18-B General Fund Aid	27	27	0.0%	27	0.0%	27	0.0%	27	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,705	1,909	12.0%	1,986	4.0%	2,061	3.8%	2,143	4.0%
Dedicated Mass Transit	647	680	5.1%	698	2.6%	702	0.6%	706	0.6%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	0	0	0.0%	1	N/A	1	0.0%	0	0.0%

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments includes the Aid and Incentive for Municipalities (AIM) program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams; VLT impact aid; and Small Government Assistance and Miscellaneous Financial Assistance. In addition, the State provides incentive grants to local governments. Spending for AIM efficiency incentive grants increases over the multi-year period reflecting the implementation of the Local Government Performance and Efficiency Program enacted in FY 2012 to reward municipal efficiencies and to encourage less duplication among local governments in the delivery of services.

LOCAL GOVERNMENT ASSISTANCE (millions of dollars)	FY 2013 Results	FY 2014 Updated	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change
TOTAL STATE OPERATING FUNDS	**754**	**764**	**1.3%**	**769**	**0.7%**	**782**	**1.7%**	**794**	**1.5%**
AIM:									
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Efficiency Incentives	6	11	83.3%	20	81.8%	35	75.0%	47	34.3%
All Other Local Aid	33	38	15.2%	34	-10.5%	32	-5.9%	32	0.0%

ALL OTHER LOCAL ASSISTANCE SPENDING

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

AGENCY OPERATIONS

Agency operating costs include personal service, non-personal service, and General State Charges (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, and telephone service. GSCs account for the costs of fringe benefits (i.e., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. In addition, certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and not reflected in the State Operating Funds personal service or non-personal service totals.

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

		Forecast			
	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Negotiated Base Salary Increases [1]					
CSEA/NYSCOPBA/Council 82/UUP	0	0	2%	2%	TBD
PEF / NYSPBA	0	0	2%	TBD	TBD
State Workforce[2]	119,756	120,520	120,460	120,460	120,460
ERS Pension Contribution Rate[3]					
Before Amortization (Normal/Admin/GLIP)	19.4%	21.5%	20.5%	18.0%	16.3%
After Amortization	11.5%	12.5%	13.5%	14.5%	15.5%
PFRS Pension Contribution Rate					
Before Amortization (Normal/Admin/GLIP)	26.6%	29.9%	28.6%	26.2%	24.2%
After Amortization	19.5%	20.5%	21.5%	22.5%	23.5%
Employee/Retiree Health Insurance Growth Rates	3.1%	5.4%	8.5%	8.5%	8.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.5%	14.2%	14.5%	14.6%	14.4%

[1] Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated workforce agreements.
[2] Reflects workforce that is Subject to Direct Executive Control.
[3] As Percent of Salary.

Growth in agency operating spending is concentrated in agencies that operate large facilities, such as the State University, the mental hygiene agencies, and Corrections and Community Supervision. The main causes of growth include inflationary increases in payroll and operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities, offset by expected savings from enterprise procurement initiatives, including procurement reform, real estate consolidation, and consolidation of back-office functions. In most years, there are 26 bi-weekly pay periods. In FY 2016,

there is one additional State institutional payroll, which results in higher spending mainly in mental hygiene and corrections. In addition, the State will begin repayment to State employees of certain amounts withheld pursuant to the DRP in FY 2012 and FY 2013 beginning in the last pay period in FY 2015.

Prior-year collective bargaining agreements with NYSCOPBA, Council 82 and UUP Lifeguards are reflected in the personal service costs in the following table and include retroactive salary increases already paid in FY 2013 for prior years.

STATE OPERATING FUNDS - AGENCY OPERATIONS[1]
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**9,819**	**9,774**	**9,964**	**10,320**	**10,466**
Mental Hygiene	2,914	2,893	2,911	3,027	2,981
Corrections and Community Supervision	2,741	2,553	2,610	2,746	2,701
State Police	601	651	647	660	666
Public Health	526	422	429	416	417
Tax and Finance	372	349	356	363	371
Children and Family Services	302	262	246	242	247
Environmental Conservation	231	232	231	234	236
Financial Services	193	203	205	208	208
Temporary and Disability Assistance	187	151	160	157	161
Parks, Recreation and Historic Preservation	180	180	178	180	182
Workers' Compensation Board	150	152	152	155	157
Lottery/Gaming	124	161	165	166	166
General Services	145	170	144	145	148
Information Technology Services	60	236	267	271	271
All Other	1,093	1,159	1,263	1,350	1,554
UNIVERSITY SYSTEMS	**5,552**	**5,669**	**5,777**	**5,916**	**6,054**
State University	5,451	5,581	5,687	5,824	5,960
City University	101	88	90	92	94
INDEPENDENT AGENCIES	**297**	**304**	**310**	**319**	**323**
Law	160	165	167	171	173
Audit & Control	137	139	143	148	150
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**15,668**	**15,747**	**16,051**	**16,555**	**16,843**
Judiciary	1,812	1,878	2,000	2,095	2,111
Legislature	203	219	224	227	231
Statewide Total	**17,683**	**17,844**	**18,275**	**18,877**	**19,185**
Personal Service	12,403	12,366	12,642	13,078	13,210
	3.0%	-0.3%	2.2%	3.4%	1.0%
Non-Personal Service	5,280	5,478	5,633	5,799	5,975
	-2.3%	3.8%	2.8%	2.9%	3.0%

[1] Beginning in FY 2013, the Financial Plan reflects the shift of information technology staff from agencies across the State to ITS as well as the transfer of business services staff to OGS.

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
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**6,437**	**7,058**	**9.6%**	**7,533**	**6.7%**	**7,954**	**5.6%**	**8,287**	**4.2%**
Fringe Benefits	**6,046**	**6,669**	**10.3%**	**7,132**	**6.9%**	**7,554**	**5.9%**	**7,887**	**4.4%**
Health Insurance	3,129	3,315	5.9%	3,476	4.9%	3,711	6.8%	4,020	8.3%
Employee Health Insurance	1,720	1,824	6.0%	1,945	6.6%	2,060	5.9%	2,232	8.3%
Retiree Health Insurance	1,409	1,491	5.8%	1,531	2.7%	1,651	7.8%	1,788	8.3%
Pensions	1,601	1,982	23.8%	2,256	13.8%	2,418	7.2%	2,446	1.2%
Social Security	942	960	1.9%	978	1.9%	997	1.9%	1,015	1.8%
All Other Fringe	374	412	10.2%	422	2.4%	428	1.4%	406	-5.1%
Fixed Costs	**391**	**389**	**-0.5%**	**401**	**3.1%**	**400**	**-0.2%**	**400**	**0.0%**

GSCs are projected to increase at an average annual rate of 6.5 percent over the Financial Plan period. This is due to projected growth in health insurance and pension costs, offset by revenue collected from fringe benefit assessments, particularly from the mental hygiene agencies.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

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

GENERAL FUND TRANSFERS TO OTHER FUNDS
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**6,794**	**8,702**	**8,861**	**9,682**	**10,248**
Mental Hygiene Medicaid State Share	**2,846**	**1,813**	**1,338**	**1,311**	**1,279**
Debt Service	**1,647**	**1,646**	**1,165**	**1,452**	**1,345**
SUNY University Operations	**340**	**971**	**971**	**971**	**971**
Capital Projects	**916**	**1,227**	**1,384**	**1,400**	**1,799**
Dedicated Highway and Bridge Trust Fund	519	551	592	606	720
All Other Capital	397	676	792	794	1,079
ALL OTHER TRANSFERS	**1,045**	**3,045**	**4,003**	**4,548**	**4,854**
Mental Hygiene	0	1,839	2,838	3,400	3,688
Department of Transportation (MTA Tax)	277	332	334	334	334
SUNY - Disproportionate Share	209	228	228	228	228
Judiciary Funds	112	107	108	109	109
SUNY - Hospital Operations	81	67	60	60	60
Banking Services	61	65	65	65	65
Statewide Financial System	48	53	55	55	55
Indigent Legal Services	34	40	40	40	40
Mass Transportation Operating Assistance	38	37	37	37	37
Alcoholic Beverage Control	17	18	20	20	20
Information Technology Services	14	40	14	6	10
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
All Other	132	197	182	172	186

A significant portion of the capital and operating expenses of DOT and the Department of Motor Vehicles (DMV) are funded from the DHBTF. The Fund receives various dedicated tax and fee revenues, including the petroleum business tax, motor fuel tax, and highway use taxes. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on certain transportation bonds – exceed current and projected revenue deposits and bond proceeds.

General Fund transfers to other funds are expected to total $8.7 billion in FY 2014 — a $1.9 billion increase from FY 2013. This increase is predominantly a function of the re-categorization of SUNY operating support, and the higher costs associated with operating mental hygiene facilities in lieu of reduced Federal revenue.

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, DASNY, and the Thruway Authority, subject to an appropriation). Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)

	FY 2013 Results	FY 2014 Updated	Annual Change	Percent Change
General Fund	**1,647**	**1,646**	**(1)**	**-0.1%**
Other State Support	4,491	4,414	(77)	-1.7%
State Operating Funds	**6,138**	**6,060**	**(78)**	**-1.3%**
Capital Projects Funds	**0**	**0**	**0**	**0.0%**
Total All Funds	**6,138**	**6,060**	**(78)**	**-1.3%**

Total debt service is projected at $6.1 billion in FY 2014, of which $1.6 billion is paid from the General Fund through transfers, and $4.4 billion from other State funds. The General Fund transfer finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

FY 2014 spending estimates were revised with the First Quarterly Update to the Financial Plan for the assumed prepayment of $318 million of debt service that is due during FY 2015. Otherwise, debt service spending is unchanged from Enacted Budget estimates.

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

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

The following table summarizes recent governmental funds results on a GAAP basis. The State issued the Basic Financial Statements for FY 2013 in July 2013.

COMPARISON OF ACTUAL GAAP-BASIS OPERATING RESULTS SURPLUS/(DEFICIT) (millions of dollars)

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2013	1,129	(308)	(186)	(499)	136	(739)
March 31, 2012	137	56	80	346	619	(1,868)
March 31, 2011	1,529	742	198	(568)	1,901	(2,009)

SUMMARY OF NET POSITION (millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2013	26,271	(922)	25,349
March 31, 2012	26,333	(658)	25,675
March 31, 2011	27,648	(618)	27,030

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

STATE RETIREMENT SYSTEMS

GENERAL

This section summarizes key information regarding the New York State and Local Retirement System (NYSLRS or the "Systems") and the Common Retirement Fund (CRF), a pooled investment vehicle in which the assets of the Systems are held and invested. Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2013, is included in NYSLRS' Comprehensive Annual Financial Report (NYSLRS' CAFR) for the fiscal year ended March 31, 2013. The Systems Actuary's Annual Report to the Comptroller on Actuarial Assumptions - the contents of which explain the methodology used to determine employer contribution rates to the Systems - issued from 2007 through 2013, as well as NYSLRS' CAFR and Asset Listing, the NYSLRS' CAFR for each of the nine prior fiscal years, and benefit plan booklets describing how each of the Systems' tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications. The Systems' audited Financial Statements, CAFR and Asset Listing for the fiscal year ending March 31, 2013 can also be accessed at that web page.

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

THE SYSTEMS

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 35 percent of the membership during FY 2013. There were 3,029 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2013, approximately 648,000 persons were members of the Systems and approximately 413,000 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be "a contractual relationship, the benefits of which shall not be diminished or impaired."

COMPARISON OF BENEFITS BY TIER

The Systems' members are categorized into six tiers depending on date of membership. As of March 31, 2013, approximately 83 percent of ERS members were in Tiers 3 and 4 and approximately 90 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included significant changes to the benefit structure for ERS members joining on or after January 1, 2010 and PFRS members joining on or after January 9, 2010. Tier 6 was enacted in 2012 and included further changes to the benefit structure for ERS and PFRS members joining on or after April 1, 2012.

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

2010 RETIREMENT INCENTIVE PROGRAM

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

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

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

Participating members whose employer offered both parts of the program, and who met the eligibility requirements of both parts, had to choose between the two. The number of State employees who retired under the Early Retirement Incentive (ERI) is approximately 6,400. Three hundred ninety-nine (399) participating employers elected to participate in Part A of the ERI. Two hundred eleven (211) participating employers elected to participate in Part B of the ERI. Five thousand four hundred fifty-three (5,453) members from participating employers retired under the ERI. The cost of the incentive is borne by the State and each participating employer electing the incentive over a five-year period commencing with a payment in FY 2012. The amortized amount receivable relating to the ERI, including accrued interest, from the State as of March 31, 2013 is $123.15 million and from participating employers is $85.56 million.

CONTRIBUTIONS AND FUNDING

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 83.5 percent of the 1,805 Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members in Tier 6 of both ERS and PFRS earning $45,000 or less must contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 will contribute 3.5 percent; members earning between $55,001 and $75,000 will contribute 4.5 percent; members earning between $75,001 and $100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 will contribute 6 percent of their gross annual salary.

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 percent. The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period. Thus, because of the significant investment loss in FY 2009, employer contribution rates increased for FY 2011, FY 2012, FY 2013 and FY 2014. The amount of future annual employer contribution rates will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the Systems as of each April 1. Final contribution rates for FY 2015 were released in late August 2013. The average ERS rate decreased from 20.9 percent of salary in FY 2014 to 20.1 percent of salary in FY 2015, while the average PFRS rate decreased from 28.9 percent of salary in FY 2014 to 27.6 percent of salary in FY 2015. Information regarding average rates for FY 2015 may be found in the 2013 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at www.osc.state.ny.us/retire/publications.

Legislation enacted in May 2003 realigned the Systems' billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. The employer contribution for a given fiscal year is based in part on the value of the CRF's assets and its liabilities on the preceding April 1. Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2013, the amortized amount receivable, including accrued interest, pursuant to Chapter 260 from the State is $176.17 million and from participating employers is $47.55 million. The State paid approximately $1.4 billion in contributions (including Judiciary) for FY 2013 including amortization payments of approximately $235.04 million associated with Chapter 260 of the Laws of 2004, Chapter 57 of the Laws of 2010 and the 2010 retirement incentive program.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by State and participating employers in equal annual installments over a ten-year period, and employers may prepay

these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013 and FY 2014, the interest rates are 5 percent, 3.75 percent, 3 percent and 3.67 percent, respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions. As of March 31, 2013, the amortized amount receivable, including accrued interest, for the 2011 amortization is $209.75 million from the State and $36.73 million from 50 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $517.03 million from the State and $194.15 million from 133 participating employers; and, the amortized amount receivable, including accrued interest, for the 2013 amortization is $780.43 million from the State and $370.73 million from 139 participating employers.

The FY 2014 Enacted Budget included an alternate contribution program (the "Alternate Contribution Stabilization Program") that provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would be available for amortization under the 2010 legislation. In addition, the maximum payment period is increased from ten years to twelve years. The election is available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State is not eligible to participate in the Alternate Contribution Stabilization Program.

Eligible employers have a one-time only option to elect to participate in the Alternate Contribution Stabilization Program, which begins with FY 2014. For those eligible employers electing the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve year period at an interpolated twelve year U.S. Treasury Security rate (3.76 percent for FY 2014). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future.

The estimated total State payment (including Judiciary) for FY 2014 is approximately $2.8 billion. As of November 1, 2013, the State has prepaid approximately $1.1 billion and has been credited with the related interest adjustment. If the State (including Judiciary) opts to amortize the maximum amount permitted, it would reduce the required March 1, 2014 payment by $948.2 million. The State payment for FY 2014 is an estimate. If this amount changes, then the amount that can be amortized would also change. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under "Pension Assets and Liabilities".

PENSION ASSETS AND LIABILITIES

The Systems' assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the State Comptroller as trustee of the CRF. The Systems report that the net position restricted for pension benefits as of March 31, 2013 was $164.2 billion (including $4.4 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of $10.8 billion or 7 percent from the FY 2012 level of $153.4 billion. The increase in net position restricted for pension benefits from FY 2012 to FY 2013 reflects, in large part, equity market performance[4]. The valuation used by the Systems Actuary was based on audited net assets available for benefits as of March 31, 2013. The audited Financial Statement reports a gain of 10.38 percent for FY 2013.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2010, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 43 percent equities (30 percent domestic and 13 percent international); 22 percent bonds, cash and mortgages; 8 percent inflation indexed bonds and 27 percent alternative investments (10 percent private equity, 6 percent real estate, 4 percent absolute return or hedge funds, 4 percent opportunistic and 3 percent real assets). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process.[5]

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $198.6 billion on April 1, 2012 to $204.5 billion (including $93.7 billion for current retirees and beneficiaries) on April 1, 2013. The funding method used by the Systems anticipates that the plan net position, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from plan net position on April 1, 2013 in that the determination of actuarial assets utilized a smoothing method which recognized 20 percent of the unexpected gain for FY 2013, 40 percent of the unexpected loss for FY 2012, 60 percent of the unexpected gain for FY 2011 and 80 percent of the unexpected gain for FY 2010[6]. Effective April 1, 2013, the asset valuation method smoothes gains and losses based on the market value of all investments. Prior valuation of non-fixed income assets smoothed gains and losses based on market value, but fixed income assets were based on amortized cost. Actuarial assets increased from $147.8 billion on April 1, 2012 to $155.4 billion on April 1, 2013. The funded ratio, as of April 1,

[4] On November 19, 2013, the State Comptroller released a statement indicating that the value of the Systems' invested assets posted a 4.61 percent return for the quarter ending September 30, 2013. This report reflects unaudited data for assets invested for the Systems. The value of invested assets changes daily.

[5] More detail on the CRF's asset allocation as of March 31, 2013, long-term policy allocation and transition target allocation can be found on page 76 of the NYSLRS' CAFR for the fiscal year ending March 31, 2013.

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

2013, calculated by the Systems Actuary in August 2013 using the entry age normal funding method and actuarial assets, was 89 percent[7].

In June 2012, GASB approved two related Statements that make changes to the accounting and financial reporting of pensions by state and local governments and pension plans. These statements impact neither the Systems' actuarial funding method nor the calculation of rates.

Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions.

The standards for public plans' financial statements go into effect for fiscal years beginning on or after June 15, 2013 (e.g. NYSLRS March 31, 2015 financial statement). The standards for employers are effective for fiscal years beginning on or after June 15, 2014. For example, it would be effective for the State's fiscal year ending March 31, 2016.

Under the new standards, participating employers will be required to report a new liability (Net Pension Liability) in their financial statements. The Systems are currently evaluating the impact of the new standards and implementation considerations.

Statement 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans. Statement 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new Statements also replace the requirements of Statement No. 50, Pension Disclosures, for those governments and pension plans.

[7] Detail on the funded ratios of ERS and PFRS as of April 1 for each of the 5 years previous to the fiscal year ended March 31, 2013 can be found on page 56 of the NYSLRS' CAFR for the fiscal year ending March 31, 2013. Detail regarding employers' Annual Required Contributions for FY 2013 and each of the five previous fiscal years can be found on page 57 of the NYSLRS' CAFR for the fiscal year ending March 31, 2013.

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

CONTRIBUTIONS AND BENEFITS
NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS[1]
(millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid[3]
	All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938
2013	5,336	3,385	1,950	269	9,521

Sources: State and Local Retirement Systems.

[1] Contributions recorded include the full amount of unpaid amortized contributions.
[2] The annual required contributions (ARC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts. Additional information on the ARC can be accessed on page 57 of the NYSLRS CAFR for fiscal year ending March 31, 2013.

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

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

Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)
2010	134,252	21.0
2011	149,549	11.4
2012	153,394	2.6
2013	164,222	7.0

Sources: State and Local Retirement Systems.

[1] Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2013 includes approximately $4.4 billion of receivables.

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

For the purposes of this section, "authorities" refer to public benefit corporations or public authorities, created pursuant to State law, which are reported in the State's CAFR. Authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State's access to the public credit markets through bond issuances constituting State-supported or State-related debt issuances by certain of its authorities could be impaired and the market price of the outstanding debt issued on its behalf may be materially and adversely affected if these authorities were to default on their respective State-supported or State-related debt issuances.

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. These entities generally pay their own operating expenses and debt service costs from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels; charges for public power, electric and gas utility services; tuition and fees; rentals charged for housing units; and charges for occupancy at medical care facilities. In addition, State legislation also authorizes several financing structures, which may be utilized for the financings.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

As of December 31, 2012 (with respect to Job Development Authority or "JDA", as of March 31, 2013), each of the 19 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $171 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES[1]
AS OF DECEMBER 31, 2012[2]
(millions of dollars)

Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority[3]	25,194	20,963	**46,157**
Metropolitan Transportation Authority	400	22,695	**23,095**
Port Authority of NY & NJ	0	21,898	**21,898**
Thruway Authority	11,121	3,290	**14,411**
Housing Finance Agency	995	10,140	**11,135**
UDC/ESD	8,505	959	**9,464**
Triborough Bridge and Tunnel Authority	0	8,395	**8,395**
Environmental Facilities Corporation	801	6,474	**7,275**
Job Development Authority[2]	15	7,011	**7,026**
Long Island Power Authority[4]	0	6,757	**6,757**
Energy Research and Development Authority[4]	0	3,426	**3,426**
State of New York Mortgage Agency	0	3,019	**3,019**
Local Government Assistance Corporation	2,836	0	**2,836**
Tobacco Settlement Financing Corporation	2,411	0	**2,411**
Power Authority	0	1,746	**1,746**
Battery Park City Authority	0	1,032	**1,032**
Municipal Bond Bank Agency	294	317	**611**
Niagara Frontier Transportation Authority	0	162	**162**
Bridge Authority	0	123	**123**
TOTAL OUTSTANDING	52,572	118,407	**170,979**

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

[1] Includes only authorities with $100 million or more in outstanding debt which are reported as component units or joint ventures of the State in the Comprehensive Annual Financial Report (CAFR). Includes short-term and long-term debt. Reflects original par amounts for bonds and financing arrangements or original gross proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received.

[2] All Job Development Authority (JDA) debt outstanding reported as of March 31, 2013. This includes $7 billion in conduit debt issued by JDA's blended component units consisting of $6.5 billion issued by New York Liberty Development Corporation ($1.2 billion of which is also included in the amount reported for Port Authority of NY and NJ) and $511 million issued by the Brooklyn Arena Local Development Corporation. In addition, JDA has $15 million in State-guaranteed bonds outstanding.

[3] Includes debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995.

[4] Includes $155 million in bonds issued by the Energy Research and Development Authority (ERDA) and included in amounts reported for both Long Island Power Authority and ERDA.

THE CITY OF NEW YORK

The fiscal demands on the State may be affected by the fiscal condition of New York City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of New York City, and its related issuers, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and its related issuers is available by contacting Raymond J. Orlando, City Director of Investor Relations, (212) 788-5875, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City and its related issuers.

DEBT OF NEW YORK CITY [1]
AS OF JUNE 30 OF EACH YEAR
(millions of dollars)

Year	General Obligation Bonds	Obligations of TFA [1]	Obligations of Municipal Assistance Corporation	Obligations of STAR Corp. [2]	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other [3] Obligations	Treasury Obligations	Total
2004	31,378	13,364	1,758	0	1,256	0	2,561	(52)	50,265
2005	33,903	12,977	0	2,551	1,283	0	3,746	(39)	54,421
2006	35,844	12,233	0	2,470	1,334	0	3,500	0	55,381
2007	34,506	14,607	0	2,368	1,317	2,100	3,394	0	58,292
2008	36,100	14,828	0	2,339	1,297	2,067	2,556	0	59,187
2009	39,991	16,913	0	2,253	1,274	2,033	2,442	0	64,906
2010	41,555	20,094	0	2,178	1,265	2,000	2,402	0	69,494
2011	41,785	23,820	0	2,117	1,260	2,000	2,556	0	73,538
2012	42,286	26,268	0	2,054	1,253	3,000	2,457	0	77,318
2013	41,592	29,203	0	1,985	1,245	3,000	2,360	0	79,385

Source: Office of the State Comptroller.

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

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

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

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

OTHER LOCALITIES

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. Between 2004 and January 2012, the State Legislature passed 21 special acts authorizing, or amending authorizations for, bond issuances to finance local government operating deficits, including a total of four passed during the 2009 and 2010 legislative sessions. Legislation introduced during the regular 2012 legislative session that would have authorized Rockland County and the City of Long Beach to issue bonds to address accumulated deficits did not pass both houses of the legislature. In the 2013 regular session, similar legislation on behalf of these two entities passed both houses of the Legislature. The Rockland County legislation has been signed by the Governor and the Long Beach bill is awaiting submission for gubernatorial action. The legislation relating to Long Beach has a technical defect relating to the timing of the issuance of the bonds, and a bill correcting the defect has been introduced for future consideration by the Legislature. In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality.

The Buffalo Fiscal Stability Authority has exercised Control Period powers with respect to the City of Buffalo since the City's 2004 fiscal year, but transitioned to Advisory Period powers commencing on July 1, 2012.

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

On February 14, 2013, the U.S. District Court for the Eastern District of New York issued an opinion in *Carver, et al. v. Nassau County Interim Finance Authority, et al.* granting the plaintiffs' (law enforcement unions) motion for summary judgment seeking to nullify NIFA's imposition of a wage freeze during the control period in 2011. The court stated that the operation of its judgment shall be stayed pending an appeal, by NIFA to the United States Court of Appeals for the Second Circuit. Both NIFA and the County appealed. On September 20, 2013, the Second Circuit held that the District Court should not have exercised jurisdiction to decide the issue because it raised an unresolved question of State law, and remanded the case to the District Court with instructions to dismiss the State law claim but retain jurisdiction over the Federal claim. At the request of the District Court, the Plaintiffs informed the District Court of their intent to commence a State action. The District Court, on October 3, 2013, exercised its discretion to stay the Federal action pending completion of the State court proceedings which have since commenced.

On July 9, 2013, State Supreme Court, Nassau County issued a decision in *Nassau County et al. v Nassau County Interim Finance Authority*, dismissing litigation challenging NIFA's authority to review a plan developed by the County for making real property tax refunds and NIFA's disapproval of certain personal services contracts. Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Yonkers no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The City of Newburgh operates under fiscal monitoring by the State Comptroller pursuant to special State legislation. The potential impact on the

State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's FY 2013 or thereafter.

Legislation enacted earlier in 2013 created the Fiscal Restructuring Board for Local Governments. The Restructuring Board, upon the request of a "fiscally eligible municipality," is authorized to perform a number of functions including reviewing the municipality's operations and finances, making recommendations on reforming and restructuring the municipality's operations, proposing that the municipality agree to fiscal accountability measures, and making available certain grants and loans. The Restructuring Board is also authorized to resolve labor impasses between municipal employers and employee organizations for police, fire and certain other employees in lieu of binding arbitration before a public arbitration panel. Other portions of the legislation amended and extended for three years the binding arbitration provisions applicable to labor impasses between municipal employers and employee organizations representing police, fire and certain other employees. In the case of a "fiscally eligible municipality," a public arbitration panel must assign a weight of seventy percent to the municipality's ability to pay.

In June of 2013, OSC unveiled its Fiscal Stress Monitoring System—an early warning system that is intended to identify stress conditions in local communities, utilizing a number of fiscal and environmental indicators. Fiscal indicators consider measures of budgetary solvency while environmental indicators consider measures such as population, poverty, and tax base trends. Individual entities are then scored according to their performance on these indicators. An entity's score on the fiscal components will determine whether or not it is classified in one of three levels of stress: significant, moderate or susceptible. Entities that do not meet established scoring thresholds are classified as "no designation."

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control, but which can adversely affect their financial condition. For example, the State or Federal government may reduce (or, in some cases, eliminate) funding of local programs, thus requiring local governments to pay these expenditures using their own resources. Similarly, past cash flow problems for the State have resulted in delays in State aid payments to localities. In some cases, these delays have necessitated short-term borrowing at the local level.

Other factors that have had, or could have, an impact on the fiscal condition of local governments and school districts include: the loss of temporary Federal stimulus funding; constitutional and statutory limitations on the imposition by local governments and school districts of property, sales and other taxes; and for some communities, the significant upfront costs for rebuilding and clean-up in the wake of a natural disaster. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, or the loss of skilled manufacturing jobs may also adversely affect localities and necessitate requests for State assistance.

Ultimately, localities as well as local public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State.

The following table summarizes the debt of New York City and its related issuers and all other New York State localities from 1980 to 2012.

DEBT OF NEW YORK LOCALITIES[1]
(millions of dollars)

Locality Fiscal Year Ending	Combined New York City Debt[2]		Other Localities Debt[3]		Total Locality Debt[3]	
	Bonds	Notes	Bonds[4]	Notes[4]	Bonds[3][4]	Notes[4]
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,082	4,005	58,326	4,520
2003	47,376	1,110	23,951	6,429	71,327	7,539
2004	50,265	0	26,684	4,979	76,949	4,979
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,753	4,755	86,134	4,755
2007	58,192	100	32,271	4,567	90,463	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,908	99,395	6,941
2010	69,494	0	36,103	7,361	105,597	7,361
2011	73,538	0	36,230	7,312	109,768	7,312
2012	77,318	0	36,384	7,057	113,702	7,057

Source: Office of the State Comptroller.

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

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

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

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

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

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

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

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

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

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

On May 16, 2013, the State, Madison and Oneida Counties, and the Oneida Indian Nation signed a settlement agreement covering many issues. As pertinent here, the agreement would place a cap on the amount of land the tribe could reacquire and have taken into trust for its benefit by the United States. The agreement has been approved by the State Legislature, but is still pending approval, where applicable, by the New York State Office of the Attorney General and the Federal court.

In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al.* (NDNY), plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants' motion for judgment on the pleadings, relying on the decisions in *Sherrill*, *Cayuga*, and *Oneida* was granted in great part through decisions on July 8, 2013 and July 23, 2013, holding that all claims are dismissed except for claims over the area known as the Hogansburg Triangle and a right of way claim against Niagara Mohawk, which will now proceed through discovery and additional motion practice.

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim.

In *The Onondaga Nation v. The State of New York, et al.* (NDNY), plaintiff seeks a judgment declaring that certain lands allegedly constituting the aboriginal territory of the Onondaga Nation within the State are the property of the Onondaga Nation and the Haudenosaunee, or "Six Nations Iroquois Confederacy," and that conveyances of portions of that land during the period 1788 to 1822 are null and void. The "aboriginal territory" described in the complaint consists of an area or strip of land running

generally north and south from the St. Lawrence River in the north, along the east side of Lake Ontario, and south as far as the Pennsylvania border, varying in width from about 10 miles to more than 40 miles, including the area constituting the City of Syracuse. On September 22, 2010, the District Court granted defendants' motion to dismiss the action for laches, based on the *Oneida*, *Sherrill* and *Cayuga* decisions. That decision was affirmed by the Second Circuit Court of Appeals on October 19, 2012. The Plaintiff's motion for rehearing or rehearing *en banc* was denied by the Second Circuit on December 21, 2012, and on October 15, 2013, the petition for writ of certiorari was denied by the United States Supreme Court.

In *Shinnecock Indian Nation v. State of New York, et al*. (EDNY), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants' motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second Circuit Court of Appeals. The motion for reconsideration has been withdrawn, but a motion to amend the complaint remains pending in the District Court and stayed through at least December 1, 2013. The *Shinnecock* appeal to the Second Circuit also remains stayed.

WEST VALLEY LITIGATION

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

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

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

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

The Consent Decree also does not resolve two claims raised in the State's lawsuit - the State's natural resource damages claim and its Nuclear Waste Policy Act claim. The first claim, which the Federal government has agreed to toll, will be pursued by the New York State Department of Environmental Conservation (DEC) (as trustee of the State's natural resources) and the Attorney General's office. Regarding the latter claim, the State asserts that the Federal government bears sole responsibility for the cost of disposing of the 275 canisters of vitrified HLRW waste remaining at the Site at a Federal repository once one becomes available. This claim was neither settled nor dismissed and remains in litigation. Pursuant to an agreed briefing schedule, the parties have now submitted to the Court their opening and responsive briefs for competing motions to dismiss the Nuclear Waste Policy Act claim.

METROPOLITAN TRANSPORTATION AUTHORITY

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

The defendants sought to change the venue of all of these cases to Albany County or New York County and venue was changed in most of the cases. In *Vanderhoef, Huntington, Floyd, Brookhaven, Southampton/Southold* and *Hampton,* the defendants moved for judgment in their favor. The plaintiffs in *Hampton* then voluntarily stipulated to discontinue their case, as did the plaintiff in *Floyd* after legislative amendment of the applicable statute that exempted school districts from the "mobility tax" imposed by this statute on employers in the Metropolitan Commuter Transportation District. The Supreme Court, Albany County issued decisions granting summary judgment to defendants in *Brookhaven, Huntington, Southampton/Southold* and *Vanderhoef.* The plaintiffs in *Brookhaven, Huntington* and *Vanderhoef* appealed from those decisions in their cases but failed to perfect their appeals within nine months after the date of their notices of appeal, which, pursuant to the Rules of the Third Department, means their appeals are deemed abandoned. The plaintiffs in *Vanderhoef* attempted to file an appellate brief, which was rejected by the Appellate Division, Third Department, as untimely. They then moved for leave to perfect their appeal notwithstanding their delay and the Appellate Division granted their request; their appeal was

argued on November 12, 2013, when the plaintiffs conceded that their constitutional claim had been disposed of by the Second Department decision in the *Mangano* case described below and only argued their common law claims.

In *Mangano*, the Supreme Court, Nassau County denied defendants' motion for change of venue. All parties moved for summary judgment in Supreme Court, Nassau County. By decision dated August 22, 2012, the Supreme Court (a) granted summary judgment to the defendants to the extent of dismissing the claims against certain of the individual State defendants on the ground of legislative immunity, but (b) granted summary judgment to plaintiffs to the extent that it held the MTA payroll tax unconstitutionally impinged on the home rule powers guaranteed under Article IX of the New York State Constitution. Judgment in accordance with that decision was entered October 1, 2012. All defendants appealed and in a Decision and Order dated June 26, 2013, the Appellate Division, Second Department, reversed the decision of Supreme Court, Nassau County, held that the Tax Law article in question was constitutional, and granted the defendants' motion for summary judgment. All plaintiffs have appealed to the New York Court of Appeals. In response to that Court's direction that the parties submit letters on whether the case presents a substantial constitutional question, the defendants have argued that it does not because the claims are controlled by existing precedent and that therefore the Court of Appeals lacks jurisdiction. On October 10, 2013, the Court of Appeals dismissed the plaintiffs' appeal on the ground that the case presented no substantial constitutional question. Notwithstanding that ruling, the plaintiffs have moved for leave to appeal to the Court of Appeals and the State defendants' opposition to that motion is due November 25, 2013. On or about October 26, 2012, the Towns of Southampton and Southold, whose previous litigation challenging the tax had been decided against them, commenced an action in the New York Court of Claims entitled *The Town of Southampton and the Town of Southold v. The State of New York, et al.,* in which they seek, based on the Supreme Court decision in *Mangano*, refund of all moneys they have paid under the payroll tax, as well as a declaration and injunction barring further collection of the tax from them. The State's motion to dismiss the claim in the Court of Claims has been fully briefed, but the Court had adjourned the motion to await the decision of the Court of Appeals whether to accept jurisdiction in the *Mangano* case. The Court scheduled a telephone conference with counsel for January 9, 2014.

SCHOOL AID

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

Depositions have been completed. The discovery deadline was May 3, 2013. The note of issue was filed on May 13, 2013. A pretrial conference is scheduled for December 5, 2013.

In *Aristy-Farer, et al. v. The State of New York, et al. (Sup. Ct., N.Y. Co.),* commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 school year to submission by local school districts of approvable teacher evaluation plans violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statutes would prevent students from receiving a sound basic education. Plaintiffs moved for a preliminary injunction enjoining the defendants from taking any actions to carry out the statutes to the extent that they would reduce payment of State aid disbursements referred to as General Support for Public Schools (GSPS) to the City

of New York pending a final determination. The State opposed this motion. By order dated February 19, 2013, the Court granted the motion for preliminary injunction. The State appealed. On May 21, 2013, the Appellate Division, First Department, denied plaintiffs motion for a stay pending appeal. As a result, plaintiffs have agreed to vacate their preliminary injunction and the State will withdraw its appeal. The action remains pending in Supreme Court, New York County.

In *New York State United Teachers, et al. v. The State of New York, et al. (Sup. Ct., Albany Co.)*, commenced February 20, 2013, plaintiffs seek a judgment declaring that the provisions of Education Law § 2023-a, which imposes a 60 percent super-majority requirement on school districts which seek to raise their tax levies above the previous year's levy by the lesser of 2 percent or the rate of inflation violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statute would interfere with local control of education financing and impair the right of plaintiffs to substantially control school district finances. Plaintiffs also seek injunctive relief barring application of the statutory tax cap to local education funding. Defendants' motion to dismiss the amended complaint is returnable December 12, 2013.

MEDICAID NURSING HOME RATE METHODOLOGY

In *Kateri Residence v. Novello (Sup. Ct., New York Co*.) and several other cases, the plaintiffs challenge several nursing home rate methodologies, including the "reserve bed patient day adjustment," which regulates payments to nursing homes when long term care patients are receiving off-site care. Supreme Court, New York County, granted partial summary judgment to plaintiffs in *Kateri*, holding that the reserve bed patient day adjustment rate methodology was improper. The Appellate Division, First Department affirmed Supreme Court's partial summary judgment decision on interlocutory appeal and remanded the case to Supreme Court for further proceedings. The Court of Appeals denied leave to appeal on the grounds that the decision was not final. Supreme Court directed the defendant to re-compute Medicaid rates for the plaintiff's facilities, and that re-computation was completed in October 2013. The next court conference is scheduled on January 15, 2014. The parties are presently conducting discovery.

INSURANCE DEPARTMENT ASSESSMENTS

In *New York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.)*, several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. Depositions have been completed. The note of issue was filed on June 3, 2013. The parties have moved for summary judgment and the motions are returnable January 31, 2014.

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

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

Manufacturers" or "SPMs"; together they are the "Participating Manufacturers" or "PMs"). The MSA released the PMs from past and present smoking-related claims by the Settling States, and provided for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the Settling States, and the imposition of certain tobacco advertising and marketing restrictions among other things.

ARBITRATION

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

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

The arbitration panel (the "Panel") has thus far ruled, among other things, that the Settling States involved have the burden of proof in establishing diligent enforcement of the escrow statutes and that the 2003 settlement of prior NPM Adjustment claims does not preclude the PMs from basing their claim for a 2003 NPM Adjustment on 2002 NPM sales. A hearing on issues common to all states took place in Chicago April 16-24, 2012. State-specific hearings commenced in May 2012, with the hearings involving Missouri and Illinois. New York's diligent enforcement hearings took place June 25-29, 2012. The last state-specific "diligent" enforcement hearing took place May 21-24, 2013. The Panel issued its awards on September 11, 2013. New York was found to have diligently enforced its qualifying statute in 2003 and, thus, is not subject to an NPM Adjustment for 2003. Nine states, including New York, were found to be "diligent"; six states were found to have been "not diligent".

In December 2012, the PMs and 19 states (collectively the "Signatory Parties") agreed to a term sheet purportedly settling the NPM Adjustment disputes for 2003-2012 (3 additional states joined later). New York and 31 (later became 28) other states and territories rejected the term sheet. The Signatory Parties then sought the approval of the Panel in order to obtain an early release of MSA annual payments currently being held in a disputed payments account. The non-joining states objected to approval of the term sheet because its terms negatively impact the non-joining states. Under the MSA reallocation provision, every state is either "diligent" or "not diligent" and only "diligent" states are exempt from the NPM Adjustment. For every state found diligent, its allocable share of the NPM Adjustment is shifted to any remaining non-diligent states. The non-joining states sought to have the signatory states treated as non-diligent for purposes of allocation of the NPM Adjustment. The Panel held a status conference on January 22, 2013, and a hearing of March 7, 2013, to discuss the term sheet. On March 13, 2013, the Panel issued a Partial Stipulated Settlement Award ("Partial Award") based on the provisions of the term sheet. In so doing, the Panel deemed the 20 states (collectively, the "Signatory States") "diligent" for purposes of allocation of the NPM Adjustment. The Panel also established a mechanism for reallocating any NPM Adjustment among non-diligent states that alters the terms of the MSA itself. Thus, had New York been found to have been "not diligent" in its enforcement of its escrow statute in 2003, New York

would have exposure not only for its share of the NPM adjustment but also for its proportionate share of the NPM Adjustment attributable to the Signatory States. New York, as well as several other states, have moved in its state court to vacate or modify the Partial Award notwithstanding the Panel's finding. New York is still pursuing this motion.

FINANCIAL PLAN TABLES

The cash financial plan tables listed below appear on the following pages and summarize actual General Fund receipts and disbursements for fiscal year 2013 and projected receipts and disbursements for fiscal years 2014 through 2017 on a General Fund, State Operating Funds and All Governmental Funds basis.

GENERAL FUND - TOTAL BUDGET

Financial Plan, Annual Change from FY 2013 to FY 2014
Financial Plan Projections FY 2014 through FY 2017
Update to FY 2014
Update to FY 2015
Update to FY 2016
Update to FY 2017

GENERAL FUND - RECEIPTS DETAIL (EXCLUDING TRANSFERS)

Financial Plan Projections FY 2014 through FY 2017

STATE OPERATING FUNDS BUDGET

FY 2014
FY 2015
FY 2016
FY 2017

ALL GOVERNMENTAL FUNDS - TOTAL BUDGET

FY 2014
FY 2015
FY 2016
FY 2017

CASHFLOW - FY 2014 MONTHLY PROJECTIONS

General Fund

CASH FINANCIAL PLAN GENERAL FUND ANNUAL CHANGE (millions of dollars)				
	FY 2013 Results	**FY 2014 Projected**	**Annual $ Change**	**Annual % Change**
Opening Fund Balance	1,787	1,610	(177)	-9.9%
Receipts:				
Taxes:				
Personal Income Tax	26,884	28,488	1,604	6.0%
User Taxes and Fees	9,112	6,548	(2,564)	-28.1%
Business Taxes	6,253	6,348	95	1.5%
Other Taxes	1,034	1,069	35	3.4%
Miscellaneous Receipts	3,504	3,306	(198)	-5.7%
Federal Receipts	62	2	(60)	-96.8%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,328	8,840	512	6.1%
Tax in Excess of LGAC	2,416	2,545	129	5.3%
Sales Tax Debt Service	0	2,894	2,894	-
Real Estate Taxes in Excess of CW/CA Debt Service	541	532	(9)	-1.7%
All Other Transfers	649	1,071	422	65.0%
Total Receipts	58,783	61,643	2,860	4.9%
Disbursements:				
Local Assistance Grants	39,760	40,258	498	1.3%
Departmental Operations:				
Personal Service	6,130	5,686	(444)	-7.2%
Non-Personal Service	1,726	1,882	156	9.0%
General State Charges	4,550	4,922	372	8.2%
Transfers to Other Funds:				
Debt Service	1,647	1,646	(1)	-0.1%
Capital Projects	916	1,227	311	34.0%
State Share Medicaid	2,846	1,813	(1,033)	-36.3%
SUNY Operations	340	971	631	185.6%
Other Purposes	1,045	3,045	2,000	191.4%
Total Disbursements	58,960	61,450	2,490	4.2%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(177)	193	370	209.0%
Closing Fund Balance	1,610	1,803	193	12.0%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	93	68	(25)	
Reserves/Reserved For:				
Prior-Year Labor Agreements (2007-2011)	77	45	(32)	
Debt Management	13	263	250	
Undesignated Fund Balance	100	100	0	

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2014 through FY 2017
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts:				
Taxes:				
Personal Income Tax	28,488	29,397	31,492	33,545
User Taxes and Fees	6,548	6,806	7,085	7,265
Business Taxes	6,348	5,811	6,301	6,523
Other Taxes	1,069	1,144	1,159	1,169
Miscellaneous Receipts	3,306	3,595	2,776	2,797
Federal Receipts	2	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,840	9,115	9,556	10,041
Tax in Excess of LGAC	2,545	2,661	2,803	2,916
Sales Tax Debt Service	2,894	2,934	2,971	2,955
Real Estate Taxes in Excess of CW/CA Debt Service	532	608	683	739
All Other Transfers	1,071	768	723	726
Total Receipts	61,643	62,839	65,549	68,676
Disbursements:				
Local Assistance Grants	40,258	42,598	45,056	47,276
Departmental Operations:				
Personal Service	5,686	5,852	6,113	6,129
Non-personal Service	1,882	1,967	2,004	2,085
General State Charges	4,922	5,328	5,604	5,873
Transfers to Other Funds:				
Debt Service	1,646	1,165	1,452	1,345
Capital Projects	1,227	1,384	1,400	1,799
State Share Medicaid	1,813	1,338	1,311	1,279
SUNY Operations	971	971	971	971
Other Purposes	3,045	4,003	4,548	4,854
Total Disbursements	61,450	64,606	68,459	71,611
Reserves/Reserved For:				
Community Projects Fund	(25)	(35)	(33)	0
Prior-Year Labor Agreements (2007-2011)	(32)	10	12	13
Debt Management	250	0	0	0
Undesignated Fund Balance	0	0	0	0
Increase (Decrease) in Reserves	193	(25)	(21)	13
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(1,742)	(2,889)	(2,948)

Source: NYS DOB.

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

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	28,488	0	28,488	0	28,488
User Taxes and Fees	6,548	0	6,548	0	6,548
Business Taxes	6,375	(27)	6,348	0	6,348
Other Taxes	1,069	0	1,069	0	1,069
Miscellaneous Receipts	3,096	257	3,353	(47)	3,306
Federal Receipts	2	0	2	0	2
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,840	0	8,840	0	8,840
Tax in Excess of LGAC	2,546	(1)	2,545	0	2,545
Sales Tax Debt Service	2,894	0	2,894	0	2,894
Real Estate Taxes in Excess of CW/CA Debt Service	532	0	532	0	532
All Other	866	205	1,071	0	1,071
Total Receipts	61,256	434	61,690	(47)	61,643
Disbursements:					
Local Assistance Grants	40,258	16	40,274	(16)	40,258
Departmental Operations:					
Personal Service	5,681	5	5,686	0	5,686
Non-Personal Service	1,883	(1)	1,882	0	1,882
General State Charges	4,953	0	4,953	(31)	4,922
Transfers to Other Funds:					
Debt Service	1,328	318	1,646	0	1,646
Capital Projects	1,227	0	1,227	0	1,227
State Share Medicaid	1,813	0	1,813	0	1,813
SUNY Operations	971	0	971	0	971
Other Purposes	3,043	2	3,045	0	3,045
Total Disbursements	61,157	340	61,497	(47)	61,450
Reserves/Reserved For:					
Community Projects Fund	(25)	0	(25)	0	(25)
Prior-Year Labor Agreements (2007-2011)	(26)	(6)	(32)	0	(32)
Debt Management	250	0	250	0	250
Undesignated Fund Balance	(100)	100	0	0	0
Increase (Decrease) in Reserves	99	94	193	0	193
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	0	0	0	0

Source: NYS DOB.

CASH FINANCIAL PLAN GENERAL FUND FY 2015 (millions of dollars)					
	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	29,423	(26)	29,397	0	29,397
User Taxes and Fees	6,814	(8)	6,806	0	6,806
Business Taxes	5,854	(43)	5,811	0	5,811
Other Taxes	1,144	0	1,144	0	1,144
Miscellaneous Receipts	3,551	44	3,595	0	3,595
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,124	(9)	9,115	0	9,115
Tax in Excess of LGAC	2,664	(3)	2,661	0	2,661
Sales Tax Debt Service	2,938	(4)	2,934	0	2,934
Real Estate Taxes in Excess of CW/CA Debt Service	608	0	608	0	608
All Other	764	4	768	0	768
Total Receipts	62,884	(45)	62,839	0	62,839
Disbursements:					
Local Assistance Grants	42,598	0	42,598	0	42,598
Departmental Operations:					
Personal Service	5,850	2	5,852	0	5,852
Non-Personal Service	1,968	(1)	1,967	0	1,967
General State Charges	5,328	0	5,328	0	5,328
Transfers to Other Funds:					
Debt Service	1,483	(318)	1,165	0	1,165
Capital Projects	1,384	0	1,384	0	1,384
State Share Medicaid	1,338	0	1,338	0	1,338
SUNY Operations	971	0	971	0	971
Other Purposes	4,003	0	4,003	0	4,003
Total Disbursements	64,923	(317)	64,606	0	64,606
Reserves/Reserved For:					
Community Projects Fund	(35)	0	(35)	0	(35)
Prior-Year Labor Agreements (2007-2011)	10	0	10	0	10
Increase (Decrease) in Reserves	(25)	0	(25)	0	(25)
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(2,014)	272	(1,742)	0	(1,742)

Source: NYS DOB.

CASH FINANCIAL PLAN GENERAL FUND FY 2016 (millions of dollars)					
	Enacted	**Change**	**First Quarter**	**Change**	**Mid-Year**
Receipts:					
Taxes:					
Personal Income Tax	31,541	(49)	31,492	0	31,492
User Taxes and Fees	7,094	(9)	7,085	0	7,085
Business Taxes	6,349	(48)	6,301	0	6,301
Other Taxes	1,159	0	1,159	0	1,159
Miscellaneous Receipts	2,682	94	2,776	0	2,776
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,572	(16)	9,556	0	9,556
Tax in Excess of LGAC	2,808	(5)	2,803	0	2,803
Sales Tax Debt Service	2,976	(5)	2,971	0	2,971
Real Estate Taxes in Excess of CW/CA Debt Service	683	0	683	0	683
All Other	719	4	723	0	723
Total Receipts	65,583	(34)	65,549	0	65,549
Disbursements:					
Local Assistance Grants	45,056	0	45,056	0	45,056
Departmental Operations:					
Personal Service	6,111	2	6,113	0	6,113
Non-Personal Service	2,005	(1)	2,004	0	2,004
General State Charges	5,604	0	5,604	0	5,604
Transfers to Other Funds:					
Debt Service	1,452	0	1,452	0	1,452
Capital Projects	1,400	0	1,400	0	1,400
State Share Medicaid	1,311	0	1,311	0	1,311
SUNY Operations	971	0	971	0	971
Other Purposes	4,548	0	4,548	0	4,548
Total Disbursements	68,458	1	68,459	0	68,459
Reserves/Reserved For:					
Community Projects Fund	(33)	0	(33)	0	(33)
Prior-Year Labor Agreements (2007-2011)	14	(2)	12	0	12
Increase (Decrease) in Reserves	(19)	(2)	(21)	0	(21)
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(2,856)	(33)	(2,889)	0	(2,889)

Source: NYS DOB.

CASH FINANCIAL PLAN GENERAL FUND FY 2017 (millions of dollars)					
	Enacted	**Change**	**First Quarter**	**Change**	**Mid-Year**
Receipts:					
Taxes:					
Personal Income Tax	33,619	(74)	33,545	0	33,545
User Taxes and Fees	7,275	(10)	7,265	0	7,265
Business Taxes	6,579	(56)	6,523	0	6,523
Other Taxes	1,169	0	1,169	0	1,169
Miscellaneous Receipts	2,653	144	2,797	0	2,797
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,066	(25)	10,041	0	10,041
Tax in Excess of LGAC	2,921	(5)	2,916	0	2,916
Sales Tax Debt Service	2,960	(5)	2,955	0	2,955
Real Estate Taxes in Excess of CW/CA Debt Service	739	0	739	0	739
All Other	722	4	726	0	726
Total Receipts	68,703	(27)	68,676	0	68,676
Disbursements:					
Local Assistance Grants	47,276	0	47,276	0	47,276
Departmental Operations:					
Personal Service	6,127	2	6,129	0	6,129
Non-Personal Service	2,086	(1)	2,085	0	2,085
General State Charges	5,873	0	5,873	0	5,873
Transfers to Other Funds:					
Debt Service	1,345	0	1,345	0	1,345
Capital Projects	1,799	0	1,799	0	1,799
State Share Medicaid	1,279	0	1,279	0	1,279
SUNY Operations	971	0	971	0	971
Other Purposes	4,853	1	4,854	0	4,854
Total Disbursements	71,609	2	71,611	0	71,611
Reserves/Reserved For:					
Prior-Year Labor Agreements (2007-2011)	14	(1)	13	0	13
Increase (Decrease) in Reserves	14	(1)	13	0	13
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(2,920)	(28)	(2,948)	0	(2,948)

Source: NYS DOB.

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2014 THROUGH FY 2017
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Taxes:				
Withholdings	33,066	35,399	37,709	39,941
Estimated Payments	13,888	13,735	14,825	15,759
Final Payments	2,311	2,276	2,376	2,476
Other Payments	1,231	1,268	1,308	1,353
Gross Collections	50,496	52,678	56,218	59,529
State/City Offset	(498)	(323)	(273)	(223)
Refunds	(7,455)	(8,356)	(9,017)	(9,506)
Reported Tax Collections	42,543	43,999	46,928	49,800
STAR (Dedicated Deposits)	(3,419)	(3,602)	(3,704)	(3,805)
RBTF (Dedicated Transfers)	(10,636)	(11,000)	(11,732)	(12,450)
Personal Income Tax	28,488	29,397	31,492	33,545
Sales and Use Tax	11,734	12,252	12,813	13,178
Cigarette and Tobacco Taxes	431	425	418	410
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	251	256	261	266
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	12,416	12,933	13,492	13,854
LGAC/STBF (Dedicated Transfers)	(5,868)	(6,127)	(6,407)	(6,589)
User Taxes and Fees	6,548	6,806	7,085	7,265
Corporation Franchise Tax	2,914	2,220	2,573	2,691
Corporation and Utilities Tax	596	620	636	652
Insurance Taxes	1,418	1,468	1,523	1,540
Bank Tax	1,420	1,503	1,569	1,640
Petroleum Business Tax	0	0	0	0
Business Taxes	6,348	5,811	6,301	6,523
Estate Tax	1,050	1,125	1,140	1,150
Real Estate Transfer Tax	740	810	885	940
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18
Other Taxes	1	1	1	1
Gross Other Taxes	1,809	1,954	2,044	2,109
Real Estate Transfer Tax (Dedicated)	(740)	(810)	(885)	(940)
Other Taxes	1,069	1,144	1,159	1,169
Payroll Tax	0	0	0	0
Total Taxes	42,453	43,158	46,037	48,502
Licenses, Fees, Etc.	681	747	638	644
Abandoned Property	650	655	655	655
Motor Vehicle Fees	26	26	26	26
ABC License Fee	56	52	58	54
Reimbursements	231	231	231	232
Investment Income	5	30	30	30
Other Transactions	1,657	1,854	1,138	1,156
Miscellaneous Receipts	3,306	3,595	2,776	2,797
Federal Receipts	2	0	0	0
Total	45,761	46,753	48,813	51,299

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,610	2,368	381	4,359
Receipts:				
Taxes	42,453	8,347	17,124	67,924
Miscellaneous Receipts	3,306	15,675	797	19,778
Federal Receipts	2	1	72	75
Total Receipts	45,761	24,023	17,993	87,777
Disbursements:				
Local Assistance Grants	40,258	19,438	0	59,696
Departmental Operations:				
Personal Service	5,686	6,680	0	12,366
Non-Personal Service	1,882	3,556	40	5,478
General State Charges	4,922	2,136	0	7,058
Debt Service	0	0	6,060	6,060
Capital Projects	0	11	0	11
Total Disbursements	52,748	31,821	6,100	90,669
Other Financing Sources (Uses):				
Transfers from Other Funds	15,882	8,705	5,208	29,795
Transfers to Other Funds	(8,702)	(1,204)	(17,041)	(26,947)
Net Other Financing Sources (Uses)	7,180	7,501	(11,833)	2,848
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	193	(297)	60	(44)
Closing Fund Balance	1,803	2,071	441	4,315

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	43,158	8,697	17,817	69,672
Miscellaneous Receipts	3,595	15,739	976	20,310
Federal Receipts	0	1	72	73
Total Receipts	46,753	24,437	18,865	90,055
Disbursements:				
Local Assistance Grants	42,598	19,621	0	62,219
Departmental Operations:				
Personal Service	5,852	6,790	0	12,642
Non-Personal Service	1,967	3,626	40	5,633
General State Charges	5,328	2,205	0	7,533
Debt Service	0	0	5,805	5,805
Capital Projects	0	5	0	5
Total Disbursements	55,745	32,247	5,845	93,837
Other Financing Sources (Uses):				
Transfers from Other Funds	16,086	8,588	4,288	28,962
Transfers to Other Funds	(8,861)	(683)	(17,313)	(26,857)
Net Other Financing Sources (Uses)	7,225	7,905	(13,025)	2,105
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(1,767)	95	(5)	(1,677)
Designated General Fund Reserves/Reserved For:				
Community Projects Fund	(35)			
Prior-Year Labor Agreements (2007-2011)	10			
Increase (Decrease) in Reserves	(25)			
Net General Fund Deficit	(1,742)			

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,037	8,941	18,905	73,883
Miscellaneous Receipts	2,776	15,869	824	19,469
Federal Receipts	0	1	72	73
Total Receipts	48,813	24,811	19,801	93,425
Disbursements:				
Local Assistance Grants	45,056	19,816	0	64,872
Departmental Operations:				
Personal Service	6,113	6,965	0	13,078
Non-Personal Service	2,004	3,755	40	5,799
General State Charges	5,604	2,350	0	7,954
Debt Service	0	0	6,482	6,482
Capital Projects	0	5	0	5
Total Disbursements	58,777	32,891	6,522	98,190
Other Financing Sources (Uses):				
Transfers from Other Funds	16,736	8,923	4,534	30,193
Transfers to Other Funds	(9,682)	(639)	(17,820)	(28,141)
Net Other Financing Sources (Uses)	7,054	8,284	(13,286)	2,052
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,910)	204	(7)	(2,713)
Designated General Fund Reserves/Reserved For:				
Community Projects Fund	(33)			
Prior-Year Labor Agreements (2007-2011)	12			
Increase (Decrease) in Reserves	(21)			
Net General Fund Deficit	(2,889)			

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2017
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,502	9,185	19,860	77,547
Miscellaneous Receipts	2,797	16,068	793	19,658
Federal Receipts	0	1	72	73
Total Receipts	51,299	25,254	20,725	97,278
Disbursements:				
Local Assistance Grants	47,276	20,013	0	67,289
Departmental Operations:				
Personal Service	6,129	7,081	0	13,210
Non-Personal Service	2,085	3,850	40	5,975
General State Charges	5,873	2,414	0	8,287
Debt Service	0	0	6,783	6,783
Capital Projects	0	5	0	5
Total Disbursements	61,363	33,363	6,823	101,549
Other Financing Sources (Uses):				
Transfers from Other Funds	17,377	9,021	4,403	30,801
Transfers to Other Funds	(10,248)	(644)	(18,284)	(29,176)
Net Other Financing Sources (Uses)	7,129	8,377	(13,881)	1,625
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,935)	268	21	(2,646)
Designated General Fund Reserves/Reserved For:				
Prior-Year Labor Agreements (2007-2011)	13			
Increase (Decrease) in Reserves	13			
Net General Fund Deficit	(2,948)			

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,610	2,371	(485)	381	3,877
Receipts:					
Taxes	42,453	8,347	1,400	17,124	69,324
Miscellaneous Receipts	3,306	15,861	4,211	797	24,175
Federal Receipts	2	45,138	2,221	72	47,433
Total Receipts	45,761	69,346	7,832	17,993	140,932
Disbursements:					
Local Assistance Grants	40,258	59,714	2,104	0	102,076
Departmental Operations:					
Personal Service	5,686	7,333	0	0	13,019
Non-Personal Service	1,882	4,628	0	40	6,550
General State Charges	4,922	2,454	0	0	7,376
Debt Service	0	0	0	6,060	6,060
Capital Projects	0	11	5,882	0	5,893
Total Disbursements	52,748	74,140	7,986	6,100	140,974
Other Financing Sources (Uses):					
Transfers from Other Funds	15,882	7,893	1,607	5,208	30,590
Transfers to Other Funds	(8,702)	(3,396)	(1,515)	(17,041)	(30,654)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	7,180	4,497	430	(11,833)	274
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	193	(297)	276	60	232
Closing Fund Balance	1,803	2,074	(209)	441	4,109

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	43,158	8,697	1,429	17,817	71,101
Miscellaneous Receipts	3,595	15,925	4,507	976	25,003
Federal Receipts	0	45,162	2,028	72	47,262
Total Receipts	46,753	69,784	7,964	18,865	143,366
Disbursements:					
Local Assistance Grants	42,598	60,970	1,716	0	105,284
Departmental Operations:					
Personal Service	5,852	7,436	0	0	13,288
Non-Personal Service	1,967	4,583	0	40	6,590
General State Charges	5,328	2,523	0	0	7,851
Debt Service	0	0	0	5,805	5,805
Capital Projects	0	5	6,417	0	6,422
Total Disbursements	55,745	75,517	8,133	5,845	145,240
Other Financing Sources (Uses):					
Transfers from Other Funds	16,086	8,169	1,447	4,288	29,990
Transfers to Other Funds	(8,861)	(2,341)	(1,521)	(17,313)	(30,036)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	7,225	5,828	232	(13,025)	260
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(1,767)	95	63	(5)	(1,614)
Designated General Fund Reserves/Reserved For:					
Community Projects Fund	(35)				
Prior-Year Labor Agreements (2007-2011)	10				
Increase (Decrease) in Reserves	(25)				
Net General Fund Deficit	(1,742)				

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,037	8,941	1,449	18,905	75,332
Miscellaneous Receipts	2,776	16,055	4,890	824	24,545
Federal Receipts	0	46,510	1,660	72	48,242
Total Receipts	48,813	71,506	7,999	19,801	148,119
Disbursements:					
Local Assistance Grants	45,056	62,518	1,405	0	108,979
Departmental Operations:					
Personal Service	6,113	7,643	0	0	13,756
Non-Personal Service	2,004	4,688	0	40	6,732
General State Charges	5,604	2,683	0	0	8,287
Debt Service	0	0	0	6,482	6,482
Capital Projects	0	5	6,615	0	6,620
Total Disbursements	58,777	77,537	8,020	6,522	150,856
Other Financing Sources (Uses):					
Transfers from Other Funds	16,736	8,504	1,463	4,534	31,237
Transfers to Other Funds	(9,682)	(2,269)	(1,525)	(17,820)	(31,296)
Bond and Note Proceeds	0	0	120	0	120
Net Other Financing Sources (Uses)	7,054	6,235	58	(13,286)	61
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,910)	204	37	(7)	(2,676)
Designated General Fund Reserves/Reserved For:					
Community Projects Fund	(33)				
Prior-Year Labor Agreements (2007-2011)	12				
Increase (Decrease) in Reserves	(21)				
Net General Fund Deficit	(2,889)				

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,502	9,185	1,455	19,860	79,002
Miscellaneous Receipts	2,797	16,254	4,199	793	24,043
Federal Receipts	0	49,276	1,617	72	50,965
Total Receipts	51,299	74,715	7,271	20,725	154,010
Disbursements:					
Local Assistance Grants	47,276	65,655	1,137	0	114,068
Departmental Operations:					
Personal Service	6,129	7,768	0	0	13,897
Non-Personal Service	2,085	4,698	0	40	6,823
General State Charges	5,873	2,752	0	0	8,625
Debt Service	0	0	0	6,783	6,783
Capital Projects	0	5	6,581	0	6,586
Total Disbursements	61,363	80,878	7,718	6,823	156,782
Other Financing Sources (Uses):					
Transfers from Other Funds	17,377	8,602	1,862	4,403	32,244
Transfers to Other Funds	(10,248)	(2,170)	(1,607)	(18,284)	(32,309)
Bond and Note Proceeds	0	0	65	0	65
Net Other Financing Sources (Uses)	7,129	6,432	320	(13,881)	0
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,935)	269	(127)	21	(2,772)
Designated General Fund Reserves/Reserved For:					
Prior-Year Labor Agreements (2007-2011)	13				
Increase (Decrease) in Reserves	13				
Net General Fund Deficit	(2,948)				

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2014
(dollars in millions)

	2013 April Results	May Results	June Results	July Results	August Results	September Results	October Projected	November Projected	December Projected	2014 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,610	6,379	3,744	4,805	4,407	3,642	6,273	5,478	4,076	5,747	7,190	6,481	1,610
RECEIPTS:													
Personal Income Tax	4,993	1,790	2,448	1,812	1,662	2,866	1,771	1,460	2,937	2,894	2,002	1,853	28,488
User Taxes and Fees	540	431	664	525	506	657	502	477	673	543	457	573	6,548
Business Taxes	355	109	946	87	65	1,007	109	90	1,286	131	83	2,080	6,348
Other Taxes	91	111	75	138	76	112	203	52	52	52	52	55	1,069
Total Taxes	5,979	2,441	4,133	2,562	2,309	4,642	2,585	2,079	4,948	3,620	2,594	4,561	42,453
Abandoned Property	0	0	0	1	4	54	14	130	25	35	80	307	650
ABC License Fee	6	6	5	6	6	6	6	3	3	3	3	3	56
Investment Income	0	0	0	0	0	0	1	1	0	0	1	2	5
Licenses, Fees, etc.	41	82	70	61	63	74	40	40	61	40	40	69	681
Motor Vehicle Fees	28	(24)	(4)	0	0	0	0	0	0	3	10	13	26
Reimbursements	8	1	56	10	10	51	10	8	35	10	10	22	231
Other Transactions	38	2	580	29	(7)	291	67	18	142	47	20	430	1,657
Total Miscellaneous Receipts	121	67	707	107	76	476	138	200	266	138	164	846	3,306
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	2	2
PIT in Excess of Revenue Bond Debt Service	1,664	421	956	393	202	1,140	418	177	1,045	1,001	400	1,023	8,840
Tax in Excess of LGAC	214	47	464	227	167	297	222	212	305	239	3	148	2,545
Sales Tax Bond Fund	163	271	302	226	226	297	215	205	299	231	199	260	2,894
Real Estate Taxes in Excess of CW/CA Debt Service	41	57	34	54	61	72	73	31	32	31	29	17	532
All Other	35	59	18	(16)	1	219	32	2	174	79	59	409	1,071
Total Transfers from Other Funds	2,117	855	1,774	884	657	2,025	960	627	1,855	1,581	690	1,857	15,882
TOTAL RECEIPTS	8,217	3,363	6,614	3,553	3,042	7,143	3,683	2,906	7,069	5,339	3,448	7,266	61,643
DISBURSEMENTS:													
School Aid	188	2,489	1,617	169	600	1,379	638	1,178	1,625	275	450	6,682	17,290
Higher Education	19	8	598	450	132	54	442	33	213	39	338	466	2,792
All Other Education	23	261	52	151	75	72	337	32	298	54	307	357	2,019
Medicaid - DOH	973	1,253	803	1,016	1,145	598	893	1,208	960	917	815	651	11,232
Public Health	23	46	23	24	139	48	23	57	39	65	87	109	683
Mental Hygiene	2	0	235	1	2	234	160	1	235	101	121	247	1,339
Children and Families	62	58	170	30	104	262	66	80	127	191	75	375	1,600
Temporary & Disability Assistance	151	105	164	105	109	99	101	105	105	109	43	196	1,392
Transportation	0	23	1	0	25	0	0	24	13	0	11	1	98
Unrestricted Aid	0	11	387	2	1	91	11	1	188	1	1	70	764
All Other	8	19	196	25	38	37	(16)	42	44	207	216	233	1,049
Total Local Assistance Grants	1,449	4,273	4,246	1,973	2,370	2,874	2,655	2,761	3,847	1,959	2,464	9,387	40,258
Personal Service	447	525	435	578	440	437	510	432	563	438	432	449	5,686
Non-Personal Service	116	154	112	141	153	119	121	161	168	180	278	179	1,882
Total Departmental Operations	563	679	547	719	593	556	631	593	731	618	710	628	7,568
General State Charges	443	603	113	619	384	235	618	559	16	632	713	(13)	4,922
Debt Service	567	(187)	(61)	397	(2)	(253)	594	0	(2)	420	(18)	191	1,646
Capital Projects	66	111	95	(18)	126	200	(203)	26	(7)	147	174	510	1,227
State Share Medicaid	40	226	301	44	235	312	1	103	98	87	93	273	1,813
SUNY Operations	210	210	210	182	0	0	0	159	0	0	0	0	971
Other Purposes	110	83	102	35	101	588	182	107	715	33	21	968	3,045
Total Transfers to Other Funds	993	443	647	640	460	847	574	395	804	687	270	1,942	8,702
TOTAL DISBURSEMENTS	3,448	5,998	5,553	3,951	3,807	4,512	4,478	4,308	5,398	3,896	4,157	11,944	61,450
Excess/(Deficiency) of Receipts over Disbursements	4,769	(2,635)	1,061	(398)	(765)	2,631	(795)	(1,402)	1,671	1,443	(709)	(4,678)	193
CLOSING BALANCE	6,379	3,744	4,805	4,407	3,642	6,273	5,478	4,076	5,747	7,190	6,481	1,803	1,803

Source: NYS DOB.

Annual Information Statement

State of New York

June 19, 2013

TABLE OF CONTENTS

INTRODUCTION 1
Usage Notice 3

OVERVIEW OF THE STATE BUDGET PROCESS AND BUDGETARY AND ACCOUNTING PRACTICES 5
The State Budget Process 5
Significant Budgetary/Accounting Practices 6

FINANCIAL PLAN OVERVIEW 9
General Fund Cash-Basis Financial Plan 10
Risks and Uncertainties Related to the State Financial Plan 24

STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2014 THROUGH 2017 37
Introduction 37
Summary 37
Receipts 40
Disbursements 47

THE FOLLOWING SECTIONS ARE INCLUDED BY CROSS-REFERENCE

PRIOR FISCAL YEARS

ECONOMICS AND DEMOGRAPHICS

CAPITAL PROGRAM AND FINANCING PLAN

AUTHORITIES AND LOCALITIES

STATE GOVERNMENT EMPLOYMENT

STATE RETIREMENT SYSTEMS

LITIGATION AND ARBITRATION

EXHIBIT A - SELECTED STATE GOVERNMENT SUMMARY

EXHIBIT B - STATE-RELATED BOND AUTHORIZATIONS

EXHIBIT C - GAAP-BASIS FINANCIAL PLAN

EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

EXHIBIT F - GLOSSARY OF ACRONYMS

INTRODUCTION

This Annual Information Statement (AIS) is dated June 19, 2013 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the "State") and replaces the AIS dated May 11, 2012 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any current updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State's current financial projections, including summaries and extracts from the State's Enacted Budget Financial Plan (the "Financial Plan" or "Enacted Budget") for fiscal year 2014[1] (FY 2014) issued by the Division of the Budget (DOB) in May 2013. The Enacted Budget sets forth the State's official Financial Plan projections for FY 2014 through FY 2017. It includes, among other things, information on the major components of the General Fund gap-closing plan approved for FY 2014, future potential General Fund budget gaps, and multi-year projections of receipts and disbursements in the State's operating 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 "Financial Plan Overview — Risks and Uncertainties Related to the State Financial Plan").

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

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

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

[1] The fiscal year is identified by the calendar year in which it ends. For example, FY 2014 is the FY that began on April 1, 2013 and ends on March 31, 2014.

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 or condition, 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 condition 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, economic and environmental conditions, including climate change and extreme weather events; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; actions by the Federal government to reduce or disallow expected aid including Federal aid authorized or appropriated by Congress, but subject to sequestration, administrative actions, or other actions that would reduce aid to the State; and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS. Note that all FY 2013 financial results contained within this AIS are unaudited and preliminary.

The annual independent audit of this State's Basic Financial Statements is expected to be completed by July 29, 2013. Both the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting and the State's Basic Financial Statements are due by July 29, 2013, at which time the FY 2013 financial results will be final. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2012 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

In addition to regularly scheduled quarterly updates to 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 issuances. The State has filed this AIS with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.

USAGE NOTICE

This AIS has been prepared and made available by the State pursuant to its contractual obligations under various continuing disclosure agreements (CDAs) 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.

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

Neither this AIS nor any portion thereof may be: (a) 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 (b) 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.

OVERVIEW OF THE STATE BUDGET PROCESS AND BUDGETARY AND ACCOUNTING PRACTICES[2]

THE STATE BUDGET PROCESS

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

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 or reduce an item of appropriation recommended by the Governor. The Legislature may add distinct new 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, upon reconsideration, the items are 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 budget bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the enacted 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, new actions taken by the Governor or the Legislature, and other factors. As required by the State Finance Law, DOB issues updates to the State Financial Plan, generally issuing reports by July 30, October 30, and as part of the Executive Budget in January or February of each year.

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 law changes) 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.

[2] See "Exhibit A — Selected State Government Summary" herein for more information on budgetary and accounting practices.

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

Unless clearly noted otherwise, all financial information in this AIS is presented on a cash basis of accounting.

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 General Fund 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 if sufficient resources are, or are expected to be, available during the fiscal year for the State to: (a) make all planned payments, including Personal Income Tax (PIT) refunds, without the issuance of deficit notes or bonds or extraordinary cash management actions, (b) restore the balances in the Tax Stabilization Reserve and Rainy Day Reserve to levels at or above the levels on deposit when the fiscal year began, and (c) maintain other reserves, as required by law. For purposes of calculating budget balance, the General Fund includes transfers to and from other funds.

The General Fund is typically the financing source of last resort for the State's other major funds, which include 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.

From time to time, DOB will informally designate unrestricted balances in the General Fund for specific policy goals (e.g., the payment of costs related to potential labor contracts covering prior contract periods). These amounts are typically identified with the phrase "reserved for" and are not held in distinct accounts within the General Fund and may be used for other purposes.

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is funded with State resources. It includes financial activity not only in the General Fund, but also State-funded special revenue funds and debt service funds (spending from capital project funds and Federal funds is excluded). As more financial activity has occurred in funds outside of the General Fund, State Operating Funds has become, in DOB's view, a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (e.g., taxes, assessments, fees, tuition). The State Operating Funds perspective has the advantage of eliminating certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure, the transfer of money among funds, and the accounting of disbursements against appropriations in different funds. For example, the State funds its share of the Medicaid program from both the General Fund and Health Care Reform Act Funds, the latter being State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both of these fund types, giving a more complete accounting of State-funded Medicaid disbursements. For such reasons, the discussion of disbursement projections often emphasizes the State Operating Funds perspective.

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. 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.

Fund types of the State include: the General Fund; State Special Revenue Funds, which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal Special Revenue Funds, which receive certain Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction, maintenance 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 *pro forma* financial plan using, to the extent practicable, generally accepted accounting principles (GAAP), although this requirement is for informational purposes. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year. 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. However, GAAP is a financial reporting regime, not a budgeting system.

FINANCIAL PLAN OVERVIEW

The following table provides certain Financial Plan information for FY 2012, FY 2013, and FY 2014.

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

		FY 2013		FY 2014		
	FY 2012 Results	Revised [1]	Preliminary Unaudited Results	Before Actions [2]	Executive Amended [3]	Enacted
State Operating Funds Disbursements						
Size of Budget	$87,181	$89,621	$88,844	$91,926	$89,823	$90,225
Annual Growth	3.3%	2.8%	1.9%	3.5%	1.10%	1.55%
Other Disbursement Measures						
General Fund (with Transfers)	$56,489	$59,375	$58,960	$61,684	$60,888	$61,157
	2.0%	5.1%	4.4%	4.6%	3.27%	3.73%
State Funds (Including Capital)	$93,193	$95,791	$94,523	$97,908	$96,225	$96,381
	3.4%	2.8%	1.4%	3.6%	1.80%	1.97%
Capital Budget (Federal and State)	$7,836	$8,025	$7,539	$7,834	$8,242	$7,996
	-0.1%	2.4%	-3.8%	3.9%	9.32%	6.06%
Federal Operating Aid*	$38,487	$37,996	$36,714	$43,476	$42,996	$42,318
	-14.2%	-1.3%	-4.6%	18.4%	17.11%	15.26%
All Funds*	$133,504	$135,642	$133,097	$143,236	$141,061	$140,539
	-1.0%	1.6%	-0.3%	7.6%	5.98%	5.59%
Capital Budget (Including "Off-Budget")	$9,227	$9,683	$8,904	$9,398	$9,806	$9,448
	-0.6%	4.9%	-3.5%	5.5%	10.13%	6.11%
All Funds (Including "Off-Budget" Capital)*	$134,895	$137,300	$134,462	$144,800	$142,625	$141,991
	-1.0%	1.8%	-0.3%	7.7%	6.07%	5.60%
Inflation (CPI)	2.1%	1.8%	1.8%	2.1%	2.1%	2.0%
All Funds Receipts						
Taxes	$64,297	$65,922	$66,302	$69,095	$69,105	$69,351
	5.6%	2.5%	3.1%	4.2%	4.23%	4.60%
Miscellaneous Receipts	$23,837	$24,985	$24,036	$23,233	$23,889	$23,621
	3.0%	4.8%	0.8%	-3.3%	-0.61%	-1.73%
Federal Grants*	$44,611	$44,131	$42,839	$49,359	$47,948	$47,433
	-9.5%	-1.1%	-4.0%	15.2%	11.93%	10.72%
Total Receipts*	$132,745	$135,038	$133,177	$141,687	$140,942	$140,405
	-0.4%	1.7%	0.3%	6.4%	5.83%	5.43%
General Fund Budget Gaps						
FY 2014	n/a	n/a	n/a	($1,352)	$0	$0
FY 2015	n/a	n/a	n/a	($3,979)	($2,093)	($2,014)
FY 2016	n/a	n/a	n/a	($5,201)	($3,563)	($2,856)
FY 2017	n/a	n/a	n/a	($5,663)	($4,161)	($2,920)
General Fund Reserves						
Stabilization/ Rainy Day Reserve Funds	$1,787	$1,306	$1,306	$1,306	$1,306	$1,306
All Other Reserves/Balances	$1,306	$168	$304	$85	$335	$403
Total	$481	$1,474	$1,610	$1,391	$1,641	$1,709
State Workforce FTEs (Subject to Direct Executive Control)	119,579	119,728	119,756	n/a	119,601	120,468

[1] FY 2013 estimates, as updated with the FY 2014 Executive Budget, as amended.

[2] Before proposals/actions to eliminate the projected budget gap. The annual percentage change calculations in the FY 2014 "Before Actions" column have been updated for FY 2013 year-end results.

[3] The annual percentage change calculations in the FY 2014 "Executive Amended" column have been updated for FY 2013 year-end results.

* Includes Federal disaster aid for Superstorm Sandy, estimated at $577 million in FY 2013 and $5.1 billion in FY 2014, and additional Federal aid under the Affordable Care Act, estimated at approximately $600 million in FY 2014. Excluding disbursements for these purposes, All Funds disbursements are expected to total $134.9 billion in FY 2014, an increase of 1.75 percent. Also note that All Governmental Funds disbursements may exceed total receipts in a given fiscal year as the State draws down other available resources held in its various governmental fund balances.

GENERAL FUND CASH-BASIS FINANCIAL PLAN

SUMMARY OF PRELIMINARY UNAUDITED RESULTS FOR FY 2013 (ENDED MARCH 31, 2013)

General Fund receipts, including transfers from other funds, totaled $58.78 billion. Disbursements, including transfers to other funds, totaled $58.96 billion. The State ended FY 2013 with a General Fund balance of $1.61 billion, a decrease of $177 million from FY 2012 results, which reflects the difference between receipts and disbursements. The change in the General Fund balance from FY 2012 results reflects the planned use of balances set aside for: (a) the costs of labor settlements reached in FY 2013 that covered prior contract periods, and (b) disbursements from Community Projects Fund re-appropriations, offset by an increase in the undesignated fund balance.

Receipts for FY 2013 fell $281 million below projections reflected in the February 2013 AIS Update. Tax receipts exceeded planned levels by $251 million, with stronger than anticipated collections for business taxes ($214 million) and personal income taxes ($82 million) offset in part by lower receipts from sales and use taxes ($15 million) and other taxes ($30 million). Miscellaneous receipts and non-tax transfers were $532 million below planned levels. This was due in part to the timing of transfers from other funds to the General Fund, and to lower than expected miscellaneous receipts collections for certain fines and fees. All planned tax refunds were made according to schedule.

General Fund disbursements, including transfers to other funds, were $417 million lower than estimated in the February 2013 AIS Update. Disbursements for disaster assistance related to recent natural disasters, were approximately $100 million below estimated levels in FY 2013. These costs are now expected to be incurred by the General Fund in FY 2014. In addition, disbursements fell below planned levels in a number of areas, including, but not limited to, Mental Hygiene ($98 million), OCFS ($57 million), and the Judiciary ($36 million). Before the end of FY 2013, the State pre-paid from General Fund resources approximately $203 million in certain debt service not due until FY 2014.

The General Fund closing balance of $1.61 billion in FY 2013 was $136 million higher than estimated in the February 2013 AIS Update. The balance consisted of $1.47 billion in statutory reserves, $77 million reserved for labor settlements covering prior contract periods, $13 million reserved for debt management, and $100 million in an undesignated fund balance. The Enacted Budget assumes that an undesignated balance of $100 million at the close of FY 2013 will be used in FY 2014 to cover the timing of certain costs related to disaster assistance that were budgeted in FY 2013, but are now expected to be charged to the General Fund in FY 2014. See the description of FY 2013 in the “Prior Fiscal Years” section herein for more information.

OVERVIEW OF FY 2014 (ENDING MARCH 31, 2014)

In developing the Executive Budget proposal for FY 2014, DOB estimated that, if no corrective actions were taken, the State faced a projected General Fund budget gap of $1.35 billion for FY 2014. The General Fund budget gaps in future years were projected at $4.0 billion in FY 2015, $5.2 billion in FY 2016, and $5.7 billion in FY 2017. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and (b) the expected level of resources to pay for them. The General Fund gap estimates were based on a number of assumptions and projections developed by the DOB in consultation with other State agencies.

On January 22, 2013, the Governor submitted his Executive Budget proposal for FY 2014, and made amendments thereto through February 21, 2013, as permitted by law. On February 25, 2013, DOB issued the Executive Budget Financial Plan, as amended, which included projections for FY 2013 through FY 2017 that reflected the estimated impact of the Governor's Executive Budget proposal. The Governor's Executive Budget proposed measures (the “gap-closing plan”) that, if enacted without modification, were expected to be sufficient to eliminate the General Fund budget gap of $1.35 billion in FY 2014, and to reduce the future projected budget gaps to $2.1 billion in FY 2015, $3.6 billion in FY 2016, and $4.2 billion in FY 2017.

On March 28, 2013, the Legislature completed final action on the budget for FY 2014, which began on April 1, 2013. Consistent with past practice, the Legislature enacted the annual debt service appropriations in advance of the other appropriations (the debt service appropriations were passed on March 20, 2013). On April 10, 2013, the Governor completed his review of all budget bills, including the veto of certain line-item appropriations, none of which had a material impact on the Financial Plan.

DOB estimates that the Enacted Budget for FY 2014 is balanced in the General Fund on a cash basis, eliminating the gap in FY 2014 and reducing future projected budget gaps to $2.0 billion in FY 2015 and $2.9 billion in both FY 2016 and FY 2017. The following table summarizes the General Fund Enacted Budget for FY 2014, and compares it to FY 2013 results. See "Financial Plan Overview — Explanation of the FY 2014 Enacted Budget Gap-Closing Plan" for a detailed summary of the General Fund gap-closing plan for FY 2014, and “Financial Plan Overview — Risks and Uncertainties Related to the State Financial Plan” for a discussion of risks that have the potential to affect the Financial Plan.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

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

	FY 2013 Results	FY 2014 Enacted	Annual Change Dollar	Annual Change Percent
Opening Fund Balance	1,787	1,610	(177)	-9.9%
Receipts:				
Taxes:				
Personal Income Tax	26,884	28,488	1,604	6.0%
User Taxes and Fees[1]	9,112	6,548	(2,564)	-28.1%
Business Taxes	6,253	6,375	122	2.0%
Other Taxes	1,034	1,069	35	3.4%
Miscellaneous Receipts	3,504	3,096	(408)	-11.6%
Federal Receipts	62	2	(60)	-96.8%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,328	8,840	512	6.1%
Sales Tax in Excess of LGAC/Sales Tax Revenue Bond Debt Service[2]	2,416	5,440	3,024	125.2%
Real Estate Taxes in Excess of CW/CA Debt Service	541	532	(9)	-1.7%
All Other Transfers	649	866	217	33.4%
Total Receipts	58,783	61,256	2,473	4.2%
Disbursements:				
Local Assistance Grants	39,760	40,258	498	1.3%
Departmental Operations:[3]				
Personal Service	6,130	5,681	(449)	-7.3%
Non-Personal Service	1,726	1,883	157	9.1%
General State Charges	4,550	4,953	403	8.9%
Transfers to Other Funds:				
Debt Service	1,647	1,328	(319)	-19.4%
Capital Projects	916	1,227	311	34.0%
State Share Medicaid[4]	2,846	1,813	(1,033)	-36.3%
SUNY Operations[5]	340	971	631	185.6%
Other Purposes[6]	1,045	3,043	1,998	191.2%
Total Disbursements	58,960	61,157	2,197	3.7%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(177)	99	276	155.9%
Closing Fund Balance	1,610	1,709	99	6.1%
Statutory Reserves:				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	93	68	(25)	
Reserved For:				
Prior-Year Labor Agreements (2007-2011)	77	51	(26)	
Debt Management	13	263	250	
Undesignated Fund Balance	100	0	(100)	

Source: NYS DOB.

[1,2] The large decrease in the line labeled "User Taxes and Fees" and the large increase in the line labeled "Sales Tax in Excess of LGAC/Sales Tax Revenue Bond Debt Service" reflects in part the impact of legislation enacted with the FY 2014 Enacted Budget that creates a new sales tax revenue bond program. Pursuant to the legislation, the pledged receipts must first be deposited into the new Sales Tax Revenue Bond Tax Fund, an account within the General Debt Service Fund that will provide for the payment of Sales Tax Revenue bonds, and then transferred to the General Fund after payment of debt service.

[3,5] Effective with the academic year that began on July 2012, the State changed the process through which SUNY receives the State share of its operating support from direct General Fund spending to General Fund transfers.

[4,6] The annual decrease in "State Share Medicaid" and the annual increase in "Other Transfers" reflects in part changes in the accounting of State support for Mental Hygiene services due to reductions in Federal reimbursement rates, effective April 1, 2014.

RECEIPTS

General Fund receipts, including transfers from other funds, are expected to total $61.3 billion in FY 2014, an annual increase of $2.5 billion (4.2 percent). Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are expected to total $57.3 billion, an increase of $2.7 billion (5.0 percent).

General Fund personal income tax receipts, including transfers after payment of debt service on State PIT revenue bonds, are expected to increase by $2.1 billion (6 percent) from FY 2013. This primarily reflects increases in withholding and extension payments attributable to the 2012 tax year, partially offset by an expected increase in total taxpayer refunds and a decline in 2013 estimated payments.

General Fund user taxes and fees receipts for FY 2014, including transfers after the set aside of pledged receipts for debt service on New York Local Government Assistance Corporation (LGAC) and any Sales Tax Revenue Bonds, are estimated to total $12 billion in FY 2014, an increase of $460 million (4 percent) from FY 2013. In the chart on the previous page, the large decrease in the line labeled "User Taxes and Fees" and the large increase in the line labeled "Sales Tax in Excess of LGAC/Sales Tax Revenue Bond Debt Service" reflects in part the impact of legislation enacted with the FY 2014 Enacted Budget that creates a new Sales Tax Revenue Bond Program secured with dedicated revenues consisting of one cent of the State's four cent sales and use tax. Pursuant to the legislation, the pledged receipts must first be deposited into the new Sales Tax Revenue Bond Tax Fund, a sub-fund within the General Debt Service Fund that will provide for the payment of debt service on Sales Tax Revenue Bonds, and the balance to be transferred to the General Fund.

General Fund business tax receipts are estimated at $6.4 billion in FY 2014, an increase of $122 million (2 percent) from FY 2013 results. The estimate reflects growth in all business taxes except the corporate utilities tax and bank tax. Growth in corporate franchise, insurance, and petroleum business tax receipts reflect a continuation of patterns seen in FY 2013. Corporation and utilities tax receipts are expected to decline in FY 2014, and the extraordinary growth in bank tax receipts in FY 2013 is not expected to continue in FY 2014.

Other tax receipts in the General Fund are expected to total approximately $1.1 billion in FY 2014, an increase of $35 million (3.4 percent) from FY 2013. This mainly reflects an increase in expected estate tax receipts, offset in part by a decline in real estate transfer tax receipts. The estate tax increase is the result of an expected return in FY 2014 to a number of large estate payments consistent with historical experience. Real estate transfer tax receipts are expected to decline in FY 2014 following the acceleration of receipts from FY 2014 into FY 2013.

General Fund miscellaneous receipts are estimated at $3.1 billion in FY 2014, a decrease of $408 million. The decrease largely reflects a one-time payment in FY 2013 from a settlement between the Department of Financial Services (DFS) and Standard Chartered Bank, and lower motor vehicle fee receipts due to the cyclical nature of eight-year license renewals, offset by an expected deposit of $250 million from the State Insurance Fund (SIF) reserve release in connection with Workers' Compensation law changes enacted in the FY 2014 budget.

Non-tax transfers to the General Fund are expected to total $866 million, an increase of $217 million (33 percent) largely due to changes in accounting of certain receipts and greater resources from available fund balances.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, see "State Financial Plan Projections Fiscal Years 2014 through 2017" herein.

DISBURSEMENTS

General Fund disbursements, including transfers to other funds, are expected to total $61.2 billion in FY 2014, an increase of $2.2 billion (3.7 percent) from FY 2013 results. Local assistance grants are expected to total $40.3 billion, an annual increase of $498 million (1.3 percent). Included within local assistance grants, General Fund disbursements are expected to increase by $180 million for School Aid and $116 million for Medicaid.[3] All other local assistance grants, which include, among other things, payments for a range of social services, public health, education, and general purpose aid programs, are expected to increase by $200 million.

State operations disbursements in the General Fund are expected to total $7.6 billion in FY 2014, an annual decrease of $292 million (3.7 percent). Personal service costs are expected to decrease by $449 million, mainly reflecting one-time retroactive payments in FY 2013 made in connection with labor agreements covering prior contract periods. Non-personal service costs are expected to increase by $157 million in FY 2014, in large part due to the timing of certain costs related to disaster assistance.

General State charges are expected to total $5.0 billion, an annual increase of $403 million (8.9 percent). This mainly reflects an increase in the State's annual pension contribution of $412 million, driven by an increase to the State's pension contribution rate and an increase in the level of payments associated with prior year pension amortization. The State expects to continue to amortize pension costs in excess of the amortization thresholds established in law. In FY 2014, costs in excess of 12.5 percent of payroll for the Employees Retirement System (ERS) and 20.5 percent for the Police and Fire Retirement System (PFRS) are expected to be amortized.

General Fund transfers to other funds are expected to total $8.4 billion in FY 2014, a $1.6 billion increase from FY 2013. This increase is partially attributable to the accounting of SUNY operating support as a transfer rather than a direct State Operating expense in the General Fund, and a reduction in Federal aid for Mental Hygiene services, which results in higher State-share costs.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursements projections by major activity, see "State Financial Plan Projections Fiscal Years 2014 through 2017" herein.

CLOSING BALANCE

DOB projects that the State will end FY 2014 with a General Fund cash balance of $1.7 billion, an increase of $99 million from FY 2013 results. Balances in the State's principal "rainy day" reserve funds, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, are expected to remain unchanged in FY 2014. The combined balance of the two funds is equal to approximately 2.1 percent of estimated General Fund disbursements in FY 2014. The Community Projects Fund, which finances discretionary

[3] DOH Medicaid disbursements only. Medicaid-related expenses for Mental Hygiene are shown as a transfer from the General Fund on the line labeled "State Share Medicaid".

grants allocated by the Legislature and Governor, is expected to decrease by $25 million in FY 2014, reflecting disbursements from existing re-appropriations.

The Financial Plan continues to identify money in the General Fund balance to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for prior contract periods. The amount identified is calculated based on the "pattern" settlement for FY 2008 through FY 2011 that was agreed to by the State's largest unions. In FY 2014, DOB estimates the reserve will be reduced by $26 million to fund the FY 2014 costs of a labor settlement reached with NYSCOPBA in FY 2013 for prior contract periods. The remaining reserve will be reduced as labor agreements for prior periods are reached with other unions.

The Enacted Budget reserves $263 million for debt management purposes in FY 2014, an increase of $250 million from FY 2013 results. The increase is expected to be funded with certain reserves released by the SIF pursuant to Workers' Compensation Law changes enacted with the FY 2014 budget.

The Financial Plan assumes that the undesignated balance of $100 million at the close of FY 2013 will be used in its entirety in FY 2014 to cover the timing of certain costs related to disaster assistance that were expected in FY 2013, but are now expected to be incurred by the General Fund in FY 2014.

PROJECTED GENERAL FUND BUDGET GAPS

The General Fund budget gaps for future years are now projected at approximately $2.0 billion in FY 2015 and $2.9 billion in both FY 2016 and FY 2017. The following table summarizes the projected General Fund receipts and disbursements for FY 2015, FY 2016, and FY 2017. The projections reflect the expected impact of the FY 2014 Enacted Budget gap-closing plan.

FINANCIAL PLAN OVERVIEW

GENERAL FUND FINANCIAL PLAN CASH BASIS FY 2015 through FY 2017 (millions of dollars)			
	FY 2015 Projected	**FY 2016 Projected**	**FY 2017 Projected**
Receipts:			
Taxes:			
Personal Income Tax	29,423	31,541	33,619
User Taxes and Fees	6,814	7,094	7,275
Business Taxes	5,854	6,349	6,579
Other Taxes	1,144	1,159	1,169
Miscellaneous Receipts	3,551	2,682	2,653
Federal Receipts	0	0	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	9,124	9,572	10,066
Sales Tax in Excess of LGAC/Sales Tax Revenue Bond Debt Service	5,602	5,784	5,881
Real Estate Taxes in Excess of CW/CA Debt Service	608	683	739
All Other Transfers	764	719	722
Total Receipts	62,884	65,583	68,703
Disbursements:			
Local Assistance Grants	42,598	45,056	47,276
Departmental Operations:			
Personal Service	5,850	6,111	6,127
Non-personal Service	1,968	2,005	2,086
General State Charges	5,328	5,604	5,873
Transfers to Other Funds:			
Debt Service	1,483	1,452	1,345
Capital Projects	1,384	1,400	1,799
State Share Medicaid	1,338	1,311	1,279
SUNY Operations	971	971	971
Other Purposes	4,003	4,548	4,853
Total Disbursements	64,923	68,458	71,609
Reserve (Uses)/Deposits:			
Community Projects Fund	(35)	(33)	0
Prior-Year Labor Agreements (2007-2011)	10	14	14
Debt Management	0	0	0
Undesignated Fund Balance	0	0	0
Change in Reserves	(25)	(19)	14
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(2,014)	(2,856)	(2,920)

Source: NYS DOB.

EXPLANATION OF THE FY 2014 ENACTED BUDGET GAP-CLOSING PLAN

The table below itemizes the FY 2014 Enacted Budget gap-closing plan and for FY 2015 through FY 2017.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS
SUMMARY OF ENACTED BUDGET GAP-CLOSING PLAN
(millions of dollars)

	FY 2014	FY 2015	FY 2016	FY 2017
CURRENT SERVICES GAP ESTIMATES (BEFORE ACTIONS)[1]	**(1,352)**	**(3,979)**	**(5,201)**	**(5,663)**
SPENDING CONTROL	**1,351**	**838**	**730**	**931**
Agency Operations	**325**	**313**	**317**	**313**
Executive Agencies	95	158	165	177
Independent Officials/University System	62	29	28	14
Fringe Benefits/Fixed Costs	168	126	124	122
Local Assistance	**676**	**442**	**445**	**594**
Health Care	110	98	92	114
Social Services/Housing	92	203	182	196
Human Services COLA/Trends (All Agencies)	71	85	88	95
Education	429	20	79	218
School Aid	*402*	*7*	*51*	*190*
All Other	*27*	*13*	*28*	*28*
All Other Local Assistance	(26)	36	4	(29)
Debt Management	**350**	**83**	**(32)**	**24**
INITIATIVES/INVESTMENTS	**(699)**	**(757)**	**(886)**	**(1,122)**
Joint Legislative Additions[2]	(376)	(440)	(522)	(553)
Executive Budget Investments	(178)	(159)	(98)	(98)
Thruway Authority	(84)	(86)	(87)	(89)
Capital Commitment Plan (Debt Service Impact)	(5)	(25)	(87)	(277)
All Other	(56)	(47)	(92)	(105)
FEDERAL REVENUE REDUCTION PLAN	**0**	**(65)**	**(43)**	**282**
OPWDD Federal Rate Change[3]	(1,100)	(1,000)	(650)	(325)
State Savings Plan	500	480	272	272
Federal Resources	600	455	335	335
REVENUES/EXTENDERS	**389**	**723**	**2,080**	**2,139**
18-a Utility Assessment	255	472	396	358
Limit on High Income Charitable Contribution	70	140	140	70
PIT Extension	0	500	1,993	2,445
Middle Class Family Tax Credit	0	(410)	(410)	(410)
Extend and Reform Film Credit	0	0	0	(165)
Job Growth Package	0	(65)	(115)	(196)
All Other	64	86	76	37
OTHER CHANGES	**311**	**1,226**	**464**	**513**
Workers' Compensation Reform/SIF Reserve Release	250	1,000	250	250
Debt Management Set-Aside	(250)	0	0	0
Receipts Forecast Revisions (since Jan. 2013)	130	242	226	270
Undesignated Fund Balance (Timing for Disaster Assistance)	100	0	0	0
All Other	81	(16)	(12)	(7)
ENACTED BUDGET SURPLUS/(GAPS)	**0**	**(2,014)**	**(2,856)**	**(2,920)**

[1] All forecast revisions made since the release of the Executive Budget in January 2013 are accounted for in the appropriate categories of the gap-closing plan (e.g., spending reestimates in the category entitled "Spending Control").

[2] Restorations to Executive Budget proposals are reflected in the "Spending Control" and "Revenues/Extenders" categories.

[3] The current services gap estimates (i.e., the projected receipts and disbursements, prior to the actions and reestimates reflected in the Enacted Budget) had assumed the phase-down of Federal rates for State-Operated disability services beginning in FY 2016.

FINANCIAL PLAN OVERVIEW

The FY 2014 Enacted Budget gap-closing plan provides recurring savings and other actions over the Financial Plan period, reducing the General Fund budget gaps by a projected $2.0 billion in FY 2015, $2.3 billion in FY 2016, and $2.7 billion in FY 2017. The FY 2015 General Fund budget gap equals approximately 3.2 percent of projected General Fund receipts for FY 2015. In total, the combined General Fund budget gap estimates for FY 2014 through FY 2017 is approximately $7.8 billion. By comparison, the budget gap closed in FY 2012 alone was estimated at $10 billion.

During negotiations, the Governor and Legislature agreed to approximately $553 million in gross spending restorations and additions to the Executive Budget. Restorations, which are costs from the rejection of certain savings proposals contained in the Executive Budget, totaled approximately $177 million. The impact of the restorations are accounted for in "spending control". The largest restorations were in the areas of mental hygiene, health care, and education. Additions, which represent distinct new spending added to the Executive Budget by the Legislature, totaled approximately $376 million. The most significant additions were for School Aid and other education programs. The Governor and Legislature also reached agreement on the reprogramming of certain spending initiatives proposed in the Executive Budget.

Resources were identified to fund the restorations and additions, and to provide for a balanced budget in FY 2014. These include forecast revisions to receipts and disbursements, based on updated economic data, receipts collections, and year-end operating results for FY 2013. In addition, $500 million from the SIF reserve release related to Workers' Compensation Law changes has been redirected from PAYGO capital in FY 2014, as had been proposed in the Executive Budget, to reduce the budget gap in FY 2015. The total reserve release used to reduce the FY 2015 budget gap now totals $1.0 billion.

SPENDING CONTROL

AGENCY OPERATIONS

Agency Operations include salaries, wages, fringe benefits, and non-personal service costs (i.e., supplies, utilities). Reductions from the FY 2014 current-services forecast for agency operating costs contribute $325 million to the General Fund gap-closing plan for FY 2014.

- **Executive Agencies:** Continued workforce management, annualization of savings from closures of facilities, elimination of excess capacity, and efforts to right-size State government are expected to result in lower personal service and fringe benefits costs. The size of the Executive State workforce is projected to remain relatively constant at approximately 120,468 Full-Time Equivalents (FTEs). Additional savings are expected through operational efficiencies as agencies continue to redesign operations to improve service delivery, reduce costs, and eliminate duplicative functions.

- **Independent Officials/University Systems:** The budgets for the Legislature, Judiciary, State Comptroller, and the Department of Law do not reflect an annual increase in FY 2014 (compared to the FY 2013 estimates contained in the FY 2014 Executive Budget).

- **Fringe Benefits/Fixed Costs:** Savings for employee/retiree health care have been achieved through a lower than anticipated 2013 rate renewal increase for the Empire Plan. In addition, savings are expected by making monthly payments (rather than a single payment in March 2014) to the State's pension system to realize annual interest savings. The earlier payments during the year are expected to be possible due to the State's improved liquidity position.

LOCAL ASSISTANCE

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. Reductions from the FY 2014 current-services forecast for local assistance include both targeted actions and additional savings from the continuation of prior-year cost containment actions, which together contribute $676 million to the General Fund gap-closing plan. The most significant gap-closing actions in local assistance include:

- **Healthcare:** The Enacted Budget reduces disbursements for various public health programs by 5 percent, transfers funding for other public health programs between HCRA and the General Fund, reduces costs of the Excess Medical Malpractice program, and improves program administration. In addition, savings are realized from re-estimates to FY 2014 disbursement levels.

- **Social Services/Housing:** The Enacted Budget authorizes the use of supplemental Federal Temporary Assistance to Needy Families (TANF) funding for child care, which will provide General Fund savings in FY 2014. In addition, resources from the State of New York Mortgage Agency's (SONYMA's) excess Mortgage Insurance Fund (MIF) reserves will be used to support the Neighborhood and Rural Preservation Programs and the Rural Rental Assistance program in FY 2014 and FY 2015.

- **Human Services Cost-of-Living Adjustments (COLA)/Trends:** The Enacted Budget eliminates the automatic 1.4 percent human services "cost-of-living" increase for FY 2014, and maintains existing rates for mental hygiene programs, including various residential and day programs for individuals with developmental disabilities, and other health and human services programs. In addition, savings are realized from re-estimates to FY 2014 disbursement levels based on FY 2013 operating results.

- **Education:** Savings in FY 2014 are realized by the prepayment in March 2013 of School Aid otherwise payable in the first quarter of FY 2014 (the timing has no impact on a school year basis). Financial Plan savings are also realized by the recalculation of future School Aid growth under the statutory cap to reflect DOB's updated personal income forecast, among other things. In addition, certain school districts were not in compliance with the Annual Professional Performance Review by the January 17, 2013 deadline, and, as a result, they were not eligible for planned increases for the 2012-13 school year.

- **Other Local Programs:** Savings are expected to be achieved across multiple functions and program areas. Actions include delays to certain plans associated with mental health bed development, and the establishment of fraud protection mechanisms related to the STAR program. In addition, projected disbursements for several programs have been revised downward based on FY 2013 results.

DEBT MANAGEMENT

Savings have been realized by the pre-payment, in FY 2013, of debt service due in FY 2014. In addition, savings are expected from, among other things, refunding existing debt at lower interest rates.

INVESTMENTS/INITIATIVES

- **Joint Legislative Additions:** During negotiations, the Executive and Legislature agreed to approximately $553 million in gross spending restorations and additions to the Executive Budget proposal for FY 2014. Restorations, which are costs from the rejection of certain Executive Budget savings proposals totaled approximately $177 million. The largest restorations were in the areas of mental hygiene, health care, and education. Additions, which represent distinct new spending added to the Executive Budget proposal by the Legislature, totaled approximately $376 million. The most significant additions were for School Aid and other education programs.

- **Executive Budget Investments:** As part of budget negotiations, the Executive and Legislature reached agreement on the reprogramming of certain spending initiatives proposed in the Executive Budget. The largest of these were in the areas of education and health care.

- **Thruway Authority:** The personnel and fringe benefit costs for a unit of the New York State Police that handles traffic enforcement for the Thruway Authority, as well as certain operating costs of the Authority, will be financed from general revenues of the State. The State's assumption of these costs, which were previously financed by revenues generated from Thruway toll collections, will help the Thruway Authority maintain fiscal stability without an immediate toll increase.

- **Capital Commitment Plan:** Consistent with the long-term planning goals of New York Works, the DOB has for the first time formulated 10-year capital commitment and disbursement projections for State agencies. The total commitment and disbursement levels permissible over the 10-year capital planning horizon reflect, among other things, projected capacity under the State's debt limit, anticipated levels of Federal aid, and the timing of capital activity based on known needs and historical patterns. The Financial Plan reflects the estimated debt service costs from the capital plan.

- **All Other:** Other investments and initiatives include, among other things, an accelerated Payment in Lieu of Taxes (PILOT) payment to the City of Albany, the promotion of tourism and economic development opportunities in conjunction with Super Bowl XLVIII, and the advance of Tribal State Compact revenues to the City of Salamanca.

FEDERAL REVENUE REDUCTION PLAN

The Enacted Budget addresses reductions in Federal Medicaid revenue related to reimbursement for State-operated developmental disability services. (See "Financial Plan Overview — Risks and Uncertainties Related to the State Financial Plan" herein.) Savings in the future years of the Financial Plan depend on approval by the Federal government of specific aid. The following table: (a) summarizes the specific actions that are reflected in the Financial Plan for FY 2014 to address the decline in Federal funding, and (b) illustrates the impact of those actions on State Operating Funds.

FEDERAL REVENUE REDUCTION PLAN SUMMARY
SUMMARY OF ACTIONS
(millions of dollars)

	FY 2014
OPWDD Federal Rate Reduction	**(1,100)**
State Actions	**500**
OPWDD Savings Actions	90
Other State Actions	30
Global Medicaid Spending Cap - Underspending in FY 2013	200
MRT Investment Delays/Accelerated Reforms	180
Other Resources	**600**
Federal Aid for Emergency Medicaid/Other Costs	250
ACA Resources	100
Other Expected Federal Aid	250

IMPACT OF ACTIONS ON STATE OPERATING FUNDS SPENDING

Change in Available SOF Resources Due to Aid Reduction	**(820)**
Change in SOF Disbursements	**(820)**
OPWDD Savings Actions	*(90)*
Transfer of Costs to DOH Medicaid	***(730)***
Global Cap Underspending	(200)
MRT Investment Delays/Reform Acceleration	(180)
State MA Costs Financed with Eligible Federal Resources	(350)

REVENUES/EXTENDERS

- **18-a Utility Assessment:** The Temporary Utility Assessment on electric, gas, water and steam utilities is extended and phased out over three and one-half years beginning in FY 2015. The rate of 2 percent for public utilities will be lowered to 1.75 percent in FY 2016, 1.5 percent in FY 2017 and 0 percent in FY 2018. The rate of 1 percent for LIPA will decrease to 0.75 percent, 0.5 percent and 0 percent over the same timeframe.

- **High Income Charitable Contribution Deduction Limitation:** The Enacted Budget extends for three years, starting with tax year 2013, the existing limitation on charitable contribution deductions for New York State and New York City taxpayers with adjusted gross income over $10 million.

- **Warrantless Wage Garnishment:** The Enacted Budget allows Department of Taxation and Finance (DTF) to garnish wages of delinquent taxpayers without filing a warrant with the Department of State (DOS) or County Clerks. The warrant requirement is replaced with a faster public notification requirement. Warrants offer no additional protection for delinquent taxpayers and requiring counties to receive the warrants from DTF represents an unfunded mandate. Wages will only be garnished if a taxpayer fails to negotiate a repayment agreement with DTF.

- **Delinquent Taxpayers' Driver's Licenses:** The Enacted Budget creates a new program to aid in the enforcement of past-due tax liabilities by suspending, with certain exceptions, the New York State driver's licenses of taxpayers who owe taxes in excess of $10,000. A "past-due tax liability" refers to any tax liability that has become fixed and final such that the taxpayer no longer has any right to administrative or judicial review. The program will be modeled after the State's successful use of license suspensions to compel legally owed child support payments.

- **New York Film Production Tax Credit:** The Enacted Budget extends the Empire State film production tax credit totaling $420 million per year for an additional five years. Restrictions on the post-production portion of the credit will be reduced and additional reporting will be required to document the effectiveness of the credit in creating jobs. In 2015 through 2019, film and post production projects are eligible for an additional 10 percent credit for wages and salaries (excluding writers, directors, music directors, producers and performers) paid as part of projects undertaken in certain upstate New York counties.

- **Tax Modernization Provisions:** The tax modernization provisions enacted in 2011, and extended last year, are extended again until December 31, 2016. These provisions, including mandatory e-filing and e-payment for preparers and taxpayers, sales tax payment requirements, and segregated accounts for non-complying vendors, would have otherwise expired at the outset of the tax year 2013 filing season on December 31, 2013.

- **Tax Reductions:** The Enacted Budget includes several new tax reductions. These include a refundable $350 credit in each of tax years 2014-2016 to taxpayers with dependents under the age of 17, zero or positive tax liability, and income between $40,000 and $300,000; a refundable tax credit for tax years 2014-2018 for a portion of the minimum wage paid to students age 16-19; a phased in manufacturing tax rate reduction of 9.2 percent in tax year 2014, 12.3 percent in 2015, 15.4 percent in 2016 and 2017, and 25 percent effective tax year 2018; a refundable tax credit for hiring veterans; and a four year refundable tax credit capped at $6 million per year for tax years 2014 through 2017 for hiring unemployed, low-income, or at-risk youth in qualifying areas.

- **PIT Brackets and Rates with Indexing:** The Enacted Budget extends the December 2011 PIT reform program for three additional tax years, 2015-2017.

- **Historic Commercial Properties Rehabilitation Tax Credit:** This law change provides assurance to developers who are rehabilitating historic commercial property, or are considering doing so, by extending the existing $5 million per project tax credit for five years (2015-2019) and makes the credit refundable beginning in tax year 2015.

- **Historic Homes Rehabilitation Credit:** The Enacted Budget extends for five years the maximum credit amount of $50,000 (scheduled to revert to $25,000), and the refundability of the credit for persons with incomes under $60,000 (scheduled to revert to nonrefundable).

OTHER

- **Workers' Compensation Legislation:** The Workers' Compensation Board (WCB) assesses its administrative and special fund costs to the industry which includes carriers, the State agency for the State Insurance Fund (SIF), and the self-insurers including municipal self-insurers. Historically, SIF's share of the various assessments was based on their share of the total paid indemnity reported. As a result, prior to 2013 legislative changes, accounting standards required SIF to accrue and fund a long term assessment liability on its financial statements. Based upon a review of SIF's financial statements, it had a WCB assessment liability in excess of $2 billion. Legislation passed in 2013 includes a complete redesign of the assessment process to an employer-based assessment that will require carriers to collect the necessary amounts from the employers and remit amounts directly to the WCB. As a result of this legislation, SIF's assessments will not be based on the long-term indemnity. Therefore, accounting standards no longer require SIF to accrue a long term assessment liability. Additionally, the legislation states: "Effective immediately, notwithstanding any law to the contrary, pursuant to the provisions of this chapter, the assessment reserves held by the state insurance fund for the payment of future assessments are no longer required and all funds and investments held by the state insurance fund related to the assessment reserves shall be transferred to the chair of the workers' compensation board as soon as possible." The legislation goes on to describe how the funds will be incrementally transferred from the WCB to the State's General Fund from April 1, 2013 to April 1, 2016. As a result of the legislation, SIF is expected to release approximately $2 billion in reserves that would no longer be required to fund future liabilities under the assessment and accounting changes provided for in the law. The Financial Plan assumes $250 million of released reserves will be used in FY 2014 for debt management purposes, and $1.5 billion will be used to reduce budget gaps in future years ($1 billion in FY 2015 and $250 million in both FY 2018 and FY 2019). The remaining amounts of reserves being released are expected to be used to stabilize SIF premiums for a period of time.

- **Debt Management Set-Aside:** The Enacted Budget sets aside an additional $250 million for debt management purposes, which is expected to be financed with $250 million from the release of SIF reserves.

- **Tax Receipts Forecast Revisions:** This reflects the net impact of changes to the tax receipts forecast since the release of the original Executive Budget submission in January 2013. It includes adjustments made in the amended Executive Budget Financial Plan and as part of the consensus revenue forecasting process undertaken with the Legislature in March 2013.

- **Undesignated Fund Balance:** The Financial Plan assumes that the undesignated balance of $100 million at the close of FY 2013 will be used in FY 2014 to cover the timing of certain costs related to disaster assistance that were budgeted in FY 2013, but are now expected to be charged to the General Fund in FY 2014.

RISKS AND UNCERTAINTIES RELATED TO THE STATE FINANCIAL PLAN

GENERAL

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

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

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

BUDGET RISKS AND UNCERTAINTIES

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

The Financial Plan projections assume that School Aid and Medicaid disbursements will be limited to the growth in NYS personal income and the ten-year average growth in the Medicaid component of Consumer Price Index (CPI), respectively, however, the Enacted Budget authorizes spending for School Aid to increase in excess of the growth in personal income for SY 2014.

State law grants the Executive certain powers to achieve the Medicaid savings assumed in the Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated in the Enacted Budget. In addition, savings are dependent upon timely Federal approvals, revenue performance in the State's HCRA fund (which finances approximately one-third of the DOH State-share costs of Medicaid), and the participation of health care industry stakeholders.

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

FEDERAL ISSUES

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. Any reduction in Federal funding levels could have a materially adverse impact on the State's Financial Plan. In addition, the Enacted Budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. Issues of particular concern are described below.

FEDERAL REIMBURSEMENT FOR STATE MENTAL HYGIENE SERVICES

The Federal government lowered Medicaid developmental disability center payment rates, effective April 1, 2013, which will reduce Federal funding to the State by approximately $1.1 billion beginning in FY 2014. The Enacted Budget includes a plan to address the loss in Federal aid, including $90 million in OPWDD savings associated with reduced administrative costs, enhanced audit recoveries and improved program efficiencies. The plan is subject to implementation risks and is dependent, in part, on the approval of the Federal government. As described below, the Federal Centers for Medicare and Medicaid Services (CMS) may seek to retroactively recover Federal funds regarding this matter.

AUDIT DISALLOWANCE

In addition to the reductions in rates that commenced on April 1, 2013, on February 8, 2013, the U.S. Department of Health & Human Services Office of the Inspector General, at the direction of the Federal CMS, began a review to determine the allowability of Medicaid costs for services provided in prior years to the Medicaid population in New York State-Operated Intermediate Care Facilities for the Developmentally Disabled (ICF/DD). The initial review period includes claims for services provided during the period April l, 2010 through March 31, 2011. As a result of this review, CMS may seek to recover Federal funds for any payments that it determines to have been in excess of Federal requirements. The State has prospectively resolved CMS concerns regarding its payments to ICF/DDs with a State plan change effective April 1, 2013, and continues to have discussions with CMS to resolve these concerns related to the April 1, 2010 through March 31, 2011 period. As noted above, adverse action by the Federal government relative to the allowability of Medicaid costs or services in years prior to FY 2014 is expected to result in a reduction in Federal aid of an estimated $1.1 billion annually. A comparable amount of Federal aid is at risk for any prior period that may be pursued by CMS. Matters of this type are sometimes resolved with a prospective solution (as already commenced by the State), and the State is not aware of any similar attempts by the Federal government to retroactively recover Federal aid of this magnitude that was paid pursuant to an approved State plan. The State continues to seek CMS approval to proceed with the development of a sustainable system of service funding and delivery for individuals with developmental disabilities. However, there can be no assurance that Federal action in this matter will not result in materially adverse changes to the Enacted Budget Financial Plan.

BUDGET CONTROL ACT

The Federal Budget Control Act (BCA) of 2011 imposed annual caps on Federal discretionary spending over a ten-year period and mandated an additional $1.2 trillion in deficit reduction, which, if not enacted, would be achieved through the sequestration of funds in Federal Fiscal Year (FFY) 2013 and lowered discretionary spending caps in the following years. As the required deficit reduction was not achieved by the March 1, 2013 deadline, an across-the-board 5 percent reduction in FFY 2013 funding for Federal nondefense discretionary programs was implemented. If Congress does not act to otherwise achieve the BCA deficit reduction requirements, DOB estimates that New York State and local governments could lose approximately $5 billion in Federal funding over nine years, mostly from reductions in “pass-through” aid to individuals, school districts, not-for-profit providers, and other beneficiaries.

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a “health care conversion”), subject to a number of terms, conditions, and approvals. Under State law, the State is entitled to proceeds from a health care conversion and such proceeds must be used for health care related expenses. The Enacted Budget counts on conversion proceeds of $175 million in FY 2014, and $300 million annually in FY 2015, FY 2016, and FY 2017. In recent years, the Financial Plan has counted on similar amounts from conversions, which have not been realized. It is expected that any proceeds received will be deposited into the HCRA account. If estimated proceeds from health care conversions are not realized on the timetable or at the levels assumed in the Enacted Budget, the State may be required to take other actions, such as reducing planned spending in HCRA, or financing additional health care expenses in the General Fund, or both.

STATUS OF CURRENT LABOR NEGOTIATIONS (CURRENT CONTRACT PERIOD)

The State has labor contracts with its two largest employee unions, CSEA and PEF, as well as NYSPBA (representing the APSU bargaining unit, formerly ALES), NYSCOPBA, Council 82, and UUP. The State has labor contracts with approximately 90 percent of unionized State employees. Generally, the contracts provide for no across-the-board salary increases for FY 2012 through FY 2014, increases to employee health insurance contributions, and a temporary reduction in employee compensation through a deficit reduction program (DRP). Employees will receive a 2 percent salary increase in both FY 2015 and FY 2016; and, at the end of their contract term, the value of FY 2013 deficit reduction adjustments. The PEF and NYSPBA contracts generally mirror the provisions for the other unions, but cover a four-year period, whereas the others cover a five-year period. PEF and NYSPBA-represented employees will receive a 2 percent salary increase in FY 2015. PEF-represented employees will be repaid all DRP adjustments at the end of their contract in lieu of the $1,000 lump sum payment. Employees represented by the UUP ratified their agreement with the State on June 4, 2013. The agreement contains no general salary increases until 2014 and 2015 when there will be 2 percent general salary increases awarded in each year, payments to be awarded by the Chancellor, and performance incentive lump sum payment awarded by campus presidents. UUP-represented employees will also have a DRP. Employees in the unions that have reached settlements with the State received contingent layoff protection through FY 2013 and continued protection for the remaining term of the agreements. Reductions in force due to management decisions to close or restructure facilities authorized by legislation, SAGE Commission determinations, or material or unanticipated changes in the State's fiscal circumstances are not covered by this protection.

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Enacted Budget continues to identify a portion of the General Fund balance to cover the costs of a pattern settlement with unions that have not agreed to contracts for prior contract periods. The amount is calculated based on the general salary increases agreed to by the State’s largest unions for the same period. There can be no assurance that actual settlements related to prior periods will not exceed the amounts reserved. In addition, the State’s ability to fund the amounts reserved in FY 2014 and beyond depends on the achievement of balanced budgets in those years. The Enacted Budget does not include reserves for settlements covering the current contract period (i.e., starting in FY 2012).

CURRENT CASH-FLOW PROJECTIONS

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

DOB expects that the State will have sufficient liquidity to make payments as they become due throughout FY 2014, but that the General Fund may, from time to time on a daily basis, need to borrow resources temporarily from other funds in STIP. As noted above, 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 table below provides an estimate of month-end balances for FY 2014.

ACTUAL AND PROJECTED MONTH-END CASH BALANCES
FY 2014
(millions of dollars)

	General Fund	Other Funds	All Funds
April (Results)	6,379	3,175	9,554
May (Results)	3,744	3,765	7,509
June (Projected)	3,918	2,512	6,430
July (Projected)	3,920	2,795	6,715
August (Projected)	3,293	3,664	6,957
September (Projected)	5,005	1,471	6,476
October (Projected)	4,219	2,219	6,438
November (Projected)	2,817	2,153	4,970
December (Projected)	4,166	634	4,800
January (Projected)	6,061	2,646	8,707
February (Projected)	6,125	2,612	8,737
March (Projected)	1,709	2,307	4,016

PENSION AMORTIZATION

Under legislation enacted in August 2010, the State and local governments may amortize (defer paying) a portion of their annual pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by public employers in a given fiscal year, but results in higher costs overall when repaid with interest. The legislation enacted a formula to set amortization thresholds for each year. The amortization thresholds may increase or decrease by up to one percentage point annually. Pension contribution costs in excess of the amortization thresholds, which, in FY 2014 will be 12.5 percent of payroll for the Employees Retirement System (ERS) and 20.5 percent for the Police and Fire Retirement System (PFRS), may be amortized.

The Enacted Budget forecast assumes that the State will continue to amortize a portion of its pension costs, pursuant to the FY 2011 legislation. The State's minimum ERS pension contribution rate, as a percentage of payroll, was 9.5 percent in FY 2011, 10.5 percent in FY 2012, and 11.5 percent in FY 2013. DOB projects the rate to be 12.5 percent in FY 2014, 13.5 percent in FY 2015, 14.5 percent in FY 2016, and 15.5 percent in FY 2017. The FY 2018 amortization threshold is projected by DOB to equal the normal contribution rate of 15.6 percent of payroll. Therefore, no amortization of ERS costs will be applicable for FY 2018 and beyond.

The State's minimum PFRS pension contribution rate was 17.5 percent in FY 2011, 18.5 percent in FY 2012 and 19.5 percent in FY 2013. DOB projects the rate to be 20.5 percent in FY 2014, 21.5 percent in FY 2015, 22.5 percent in FY 2016, and 23.5 percent in FY 2017. The PFRS amortization threshold is also projected to equal the normal contribution rate of 23.7 percent by FY 2018. . Therefore, no amortization of ERS costs will be applicable for FY 2018 and beyond. These projected contribution rates, however, are a function of projected market returns and future actuarial assumptions with the next quinquennial study to take place in 2015 and are subject to change.

The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization thresholds. In addition, the State is required to begin repayment of the amounts amortized beginning in the fiscal year immediately following the amortizations. Repayment of the amortized amounts is required to be made over a period of not more than ten years at an interest rate to be determined by the State Comptroller annually for amounts amortized in that year and with the rate fixed for the entire term of that amortization.

In March of 2013, the State made pension payments to NYSLRS that totaled $1.181 billion for FY 2013, and amortized $674 million. In addition, the State's Office of Court Administration (OCA) made its pension payment of $189 million, and amortized $104 million. The $778 million in total deferred payments will be repaid with interest over the next ten years, beginning in FY 2014.

For amounts amortized in FY 2011, FY 2012, and FY 2013, the State Comptroller set interest rates of 5 percent, 3.75 percent and 3 percent, respectively. The Enacted Budget forecast assumes that both the State and OCA will elect to amortize pension costs in future years, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 3 percent (per annum) over ten years from the date of each deferred payment, consistent with the interest rate charged on the FY 2013 amortized amounts.

The following table, which summarizes pension contributions and projections for future fiscal years, reflects the "Normal Costs" of pension contributions as the amount the State would contribute to fund pensions before amortization, along with actual "New Amortized Amounts" in prior years and assumed "New Amortized Amounts" in upcoming years. The repayment costs (principal and interest) associated with these amortizations are reflected as the "Amortization Payment." Consistent with these amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that: (a) the State make additional contributions in upcoming fiscal years, above the actuarially required contribution, and (b) once all outstanding amortizations are paid off, additional contributions be set aside as reserves for rate increases, to be invested by the State Comptroller and used to offset future rate increases.

As noted above, DOB's most recent pension contribution rate forecast assumes that the normal contribution rate will equal the amortization threshold in FY 2018. Therefore, the State will not have the option to amortize any of its pension costs in 2018, or in the immediately succeeding fiscal years. Projections in the following table are based on certain DOB assumptions about actuarial factors on investment earnings and benefits to be paid, and while DOB believes such assumptions to be reasonable, actual results may vary from the projections provided in the following table, and such variances could be substantial.

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

Fiscal Year	Normal Costs[2]	New Amortized Amounts	Amortization Payment	Total
2011 Actual	1,552.8	(249.6)	0.0	1,303.2
2012 Actual	2,041.7	(562.9)	32.3	1,511.1
2013 Actual	2,084.3	(778.5)	100.9	1,406.7
2014 Projected	2,481.6	(858.0)	192.1	1,815.7
2015 Projected	2,509.9	(744.0)	292.7	2,058.6
2016 Projected	2,103.4	(262.7)	379.9	2,220.6
2017 Projected	1,883.4	(44.6)	410.7	2,249.5
2018 Projected	1,891.2	0.0	416.0	2,307.2
2019 Projected	1,904.1	0.0	416.0	2,320.1
2020 Projected	1,941.1	0.0	416.0	2,357.1
2021 Projected	1,967.0	0.0	416.0	2,383.0
2022 Projected	1,980.7	0.0	383.6	2,364.3
2023 Projected	1,968.1	0.0	315.1	2,283.2
2024 Projected	1,942.0	0.0	223.8	2,165.8
2025 Projected	1,913.3	0.0	123.2	2,036.5
2026 Projected	1,870.1	0.0	36.0	1,906.1

Source: NYS DOB.

[1]Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this AIS include such pension disbursements.

[2] Includes payments from amortization prior to FY 2011. Such prior amortization payments will end in FY 2017.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

State employees become eligible for post-employment benefits (health insurance) if they reach retirement while working for the State, are enrolled in New York State Health Insurance Program (NYSHIP) (or are enrolled in the State's opt-out program) at the time they have reached retirement, and have at least ten years of NYSHIP benefits eligible service. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a PAYGO basis as required by law.

In accordance with Governmental Accounting Standards Board (GASB) Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2012, 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 to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

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

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

An updated actuarial valuation of OPEB liabilities was also performed as of April 1, 2012. The unfunded actuarial accrued liability for FY 2013 is $66.5 billion ($54.3 billion for the State and $12.2 billion for SUNY). The annual OPEB cost totaled $3.4 billion ($2.6 billion for the State and $0.8 billion for SUNY). The unfunded actuarial accrued liability and annual OPEB cost for the State detailed in this paragraph are unaudited. Audited amounts will ultimately be reflected in the Basic Financial Statements for the State and SUNY for FY 2013.

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

There is no provision in the current Financial Plan to pre-fund OPEB liabilities. If such liabilities were pre-funded, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of 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 conditions.

LITIGATION

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

UPDATE ON STORM RECOVERY

In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties, and was soon followed by the September 2011 Tropical Storm Lee which caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. Little more than one year later, on October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms presents economic and financial risks to the State. Major disaster response and recovery activities have been ongoing. In January 2013, the Federal government approved approximately $60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide, of which New York anticipates receiving $30 billion. The State expects to receive $5.1 billion in extraordinary Federal assistance during FY 2014 specifically for Superstorm Sandy expenses. There can be neither the assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities, nor that such Federal disaster aid will be provided on the expected schedule.

CLIMATE CHANGE ADAPTATION

Climate change is expected to cause long-term threats to physical and biological systems. Potential hazards and risks related to climate change for the State include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years, including Superstorm Sandy, Hurricane Irene, and Tropical Storm Lee, have demonstrated vulnerabilities in the State's infrastructure, including mass transit systems, power transmission and distribution systems, and other critical lifelines, to extreme weather events, including coastal flooding caused by storm surges. Significant long-term planning and investment by the Federal government, State, and municipalities is expected to be needed to adapt existing infrastructure to the risks posed by climate change.

FINANCIAL CONDITION OF NEW YORK STATE LOCALITIES

The fiscal demands on the State may be affected by the fiscal conditions of New York City and potentially other localities, which rely in part on State aid to balance their budgets and meet their cash requirements. Certain localities outside New York City, including cities, and counties, have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. For more information, see the section entitled "Authorities and Localities" later in this AIS.

BOND MARKET

Implementation of the Enacted Budget is dependent on the State's ability to market its bonds successfully. The State finances much of its capital spending in the first instance from the General Fund or STIP, which it then reimburses with proceeds from the sale of bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, it can adversely affect the State's overall cash position and capital funding plan. The success of projected public sales will, among other things, 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.

CAPITAL COMMITMENT PLAN AND DEBT REFORM ACT LIMIT

The New York Works Task Force was formed in FY 2013 to assist in the coordination of long-term capital planning among State agencies and public authorities. Consistent with the long-term planning goals of New York Works, the DOB has for the first time formulated 10-year capital commitment and disbursement projections for State agencies. The total commitment and disbursement levels permissible over the 10-year capital planning horizon reflect, among other things, projected capacity under the State's debt limit, anticipated levels of Federal aid, and the timing of capital activity based on known needs and historical patterns.

The Debt Reform Act of 2000 restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The Act limits the amount of new State-supported debt to 4 percent of State personal income and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001 and was fully phased-in at 4 percent of personal income during FY 2011, while the cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001 and will increase until it is fully phased in at 5 percent during FY 2014. For FY 2012, the last year for which a calculation has been completed, the State was in compliance with the statutory caps based on calendar year 2011 personal income and FY 2012 debt outstanding. The FY 2013 calculation is expected to be completed in October 2013.

Current projections estimate that debt outstanding and debt service will continue to remain below the limits imposed by the Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $3.6 billion in FY 2013 to $560 million in FY 2016. This includes the estimated impact of the bond-financed portion of increased capital commitment levels included in the 10-year capital planning projections and debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Going forward, bonds issued under the newly created SUNY Dormitory Facilities Revenue credit will not be included in the State's calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

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	Supported Debt Outstanding
FY 2013	1,029,227	4.00%	41,169	37,523	3,647	3.65%	0.35%	15,011	52,534
FY 2014	1,053,199	4.00%	42,128	40,432	1,696	3.84%	0.16%	13,661	54,093
FY 2015	1,113,934	4.00%	44,557	43,639	919	3.92%	0.08%	11,940	55,579
FY 2016	1,176,932	4.00%	47,077	46,517	560	3.95%	0.05%	10,560	57,077
FY 2017	1,241,836	4.00%	49,673	48,902	772	3.94%	0.06%	9,019	57,921
FY 2018	1,308,517	4.00%	52,341	50,657	1,683	3.87%	0.13%	7,503	58,161

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Capacity	DS as a % of Revenue	% Capacity	Debt Service Prior to April 1, 2000	Total State-Debt Service
FY 2013	133,174	4.98%	6,637	3,678	2,959	2.76%	2.22%	2,460	6,138
FY 2014	140,405	5.00%	7,020	3,925	3,095	2.80%	2.20%	1,804	5,729
FY 2015	143,404	5.00%	7,170	4,211	2,960	2.94%	2.06%	1,881	6,091
FY 2016	148,146	5.00%	7,407	4,594	2,813	3.10%	1.90%	1,859	6,453
FY 2017	154,031	5.00%	7,702	4,988	2,713	3.24%	1.76%	1,766	6,754
FY 2018	156,302	5.00%	7,815	5,328	2,487	3.41%	1.59%	1,711	7,039

DEBT FINANCING CHANGES

SALES TAX REVENUE BOND PROGRAM

Legislation enacted with the FY 2014 Enacted Budget creates a new Sales Tax Revenue Bond Program. The legislation creates the Sales Tax Revenue Bond Tax Fund, a sub-fund within the General Debt Service Fund that will provide for the payment of these bonds. The new Sales Tax Revenue Bonds will be secured by the pledge of payments from this fund, which will receive 1 percent of the State's 4 percent sales and use tax receipts. With a limited exception, upon the satisfaction of all of the obligations and liabilities of LGAC, the amount of sales tax receipts directed to this fund will increase to 2 percent. Tax receipts in excess of debt service requirements will be transferred to the State's General Fund.

DOB expects the first Sales Tax Revenue Bond issue to close in the third quarter of FY 2014 and that the Sales Tax Revenue Bonds will be used interchangeably with PIT bonds to finance most of the State capital needs. Based on current projections and anticipated coverage requirements, the State expects to issue about $1 billion of Sales Tax Revenue Bonds annually.

SUNY DORMITORY FACILITIES REVENUE BOND PROGRAM

Legislation included in the FY 2014 Enacted Budget creates a new bonding program for SUNY Dormitory Facilities. The new bonding program will be supported solely by third party revenues generated by student rents. All rental revenues will flow to the newly created Dormitory Facilities Revenue Fund held by the Commissioner of Taxation and Finance and owned by DASNY for the payment of debt service without an appropriation. Unlike the existing program, the new program will not include a SUNY general obligation pledge, thereby eliminating any recourse to the State. Accordingly, such bonds will not be classified as State-supported debt for purposes of the Debt Reform Act. It is expected that future SUNY Dormitory Facilities capital needs will be funded through the new credit. Under this legislation, the existing SUNY Dormitory Facilities lease revenue bonds and associated debt service will continue to be counted as State-supported debt until they are refunded into the new program or are paid off at maturity.

SECURED HOSPITAL PROGRAM

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf to pay for the cost of upgrading their primary health care facilities. In the event of shortfalls in revenues to pay debt service on the Secured Hospital bonds (which include hospital payments made under loan agreements between DASNY and the hospitals and certain reserve funds held by the applicable trustees for the bonds) the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State Medical Care Facilities Financing Agency (MCFFA) and by the Dormitory Authority of the State of New York (DASNY) through the Secured Hospital Program. . As of March 31, 2013, there was approximately $421 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the six remaining hospitals in the program, two are experiencing significant operating losses that have impaired their ability to remain current on their loan agreements with DASNY. In relation to the Secured Hospital Program, the State plans to pay debt service costs of $13 million in FY 2014, approximately $30 million annually for FY 2015 through FY 2017, and $17 million in FY 2018. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for two hospitals that currently are not meeting the terms of their legal agreements with DASNY, as well as the debt service costs of a third hospital that is now closed. The State has estimated additional exposure of up to $44 million annually, if all hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

SUNY DOWNSTATE HOSPITAL

To address the deteriorating financial condition of SUNY Downstate Hospital, legislation included in the FY 2014 Enacted Budget required the Chancellor of SUNY to submit to the Governor and the Legislature a sustainability plan for the Downstate Hospital on or before June 1, 2013, and upon approval by both the Commissioner of Health and the Director of Budget, for the Chancellor of SUNY to initiate implementation of such plan by June 15, 2013. Specifically, the legislation required the sustainability plan to: 1) set forth recommendations necessary to achieve financial stability for Downstate Hospital, and 2) preserve the academic mission of Downstate Hospital's medical school. In accordance with this legislation, the Chancellor of SUNY submitted a sustainability plan for Downstate Hospital on May 31, 2013, and supplemented the plan with changes in a letter dated June 13, 2013. The supplemented plan was approved by both the Commissioner of Health and the Director of the Budget on June 13, 2013. As part of the approved sustainability plan, State financial assistance will be made available based on the implementation of specific initiatives necessary to achieve the financial milestones included in the sustainability plan**.**

2013 LEGISLATIVE SESSION

The State's 2013 legislative session is expected to end on June 20, 2013. Impacts to the State's financial plan from end-of-session legislative activity are not expected to result in material and adverse differences to the estimates for the current fiscal year contained in this AIS. However, certain tax law changes under consideration related to the creation of "tax-free zones", if enacted, would likely reduce anticipated revenue growth starting in FY 2015. The potential loss in tax receipts in future years will depend on the final provisions and implementation of the legislation. DOB expects to update its multi-year projections of receipts and disbursements with the first quarterly update to the AIS to reflect the fiscal impact, if any, of all legislation enacted in the remainder of the session.

STATE FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2014 THROUGH 2017

INTRODUCTION

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2014 Enacted Budget actions. The section includes preliminary FY 2013 results and projections for FY 2014 through FY 2017, with an emphasis on the FY 2014 projections.

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

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

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

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this AIS. Accordingly, in terms of the outyear projections, the first outyear of the FY 2014 budget, FY 2015, 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 2014 and leaves projected budget gaps that total approximately $2.0 billion in FY 2015, $2.9 billion in FY 2016, and $2.9 billion in FY 2017. The net operating shortfalls in State Operating Funds is projected at $2.0 billion in FY 2015, $2.7 billion in FY 2016 and $2.6 billion in FY 2017.

The annual budget gaps 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. Budget gaps in other funds are typically financed by the General Fund.

STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2014 THROUGH 2017

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

GENERAL FUND PROJECTIONS

GENERAL FUND PROJECTIONS
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts					
Taxes (After Debt Service)	54,568	57,292	58,569	62,182	65,328
Miscellaneous Receipts/Federal Grants	3,566	3,098	3,551	2,682	2,653
Other Transfers	649	866	764	719	722
Total Receipts	**58,783**	**61,256**	**62,884**	**65,583**	**68,703**
Disbursements					
Local Assistance Grants	39,760	40,258	42,598	45,056	47,276
School Aid	17,110	17,290	18,573	19,390	20,519
Medicaid	11,109	11,225	11,391	12,136	12,631
All Other	11,541	11,743	12,634	13,530	14,126
State Operations	7,856	7,564	7,818	8,116	8,213
Personal Service	6,130	5,681	5,850	6,111	6,127
Non-Personal Service	1,726	1,883	1,968	2,005	2,086
General State Charges	4,550	4,953	5,328	5,604	5,873
Transfers to Other Funds	6,794	8,382	9,179	9,682	10,247
Debt Service	1,647	1,328	1,483	1,452	1,345
Capital Projects	916	1,227	1,384	1,400	1,799
Mental Hygiene State Share Medicaid	2,846	1,813	1,338	1,311	1,279
SUNY Operations	340	971	971	971	971
All Other	1,045	3,043	4,003	4,548	4,853
Total Disbursements	**58,960**	**61,157**	**64,923**	**68,458**	**71,609**
Change in Reserves	**(177)**	**99**	**(25)**	**(19)**	**14**
Prior-Year Labor Agreements (2007-11)	(206)	(26)	10	14	14
Community Projects Fund	(9)	(25)	(35)	(33)	0
Debt Management	0	250	0	0	0
Undesignated Fund Balance	38	(100)	0	0	0
Budget Surplus/(Gap) Projections	**0**	**0**	**(2,014)**	**(2,856)**	**(2,920)**

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts					
Taxes	64,932	67,951	69,765	74,014	77,722
Miscellaneous Receipts/Federal Grants	20,142	19,299	20,329	19,437	19,576
Total Receipts	**85,074**	**87,250**	**90,094**	**93,451**	**97,298**
Disbursements					
Local Assistance Grants	58,578	59,564	62,218	64,871	67,288
School Aid	20,163	20,471	21,692	22,514	23,641
STAR	3,286	3,419	3,602	3,704	3,805
Other Education Aid	1,927	2,032	2,091	2,197	2,328
Higher Education	2,629	2,825	2,911	2,994	3,066
Medicaid[1]	15,879	16,230	16,780	17,591	18,248
Public Health/Aging	2,040	2,222	1,997	1,989	1,960
Mental Hygiene	3,602	2,833	3,450	3,967	4,173
Social Services	3,031	2,996	3,050	3,146	3,242
Transportation	4,303	4,745	4,831	4,910	4,995
Local Government Assistance	754	764	769	782	794
All Other	964	1,027	1,045	1,077	1,036
State Operations	17,683	17,824	18,246	18,846	19,155
Personal Service	12,403	12,357	12,637	13,071	13,204
Non-Personal Service	5,280	5,467	5,609	5,775	5,951
General State Charges	6,437	7,089	7,531	7,952	8,285
Pension Contribution	1,601	2,013	2,256	2,418	2,446
Health Insurance (Active Employees)	1,720	1,824	1,945	2,060	2,232
Health Insurance (Retired Employees)	1,409	1,491	1,531	1,651	1,788
All Other	1,707	1,761	1,799	1,823	1,819
Debt Service	6,138	5,743	6,123	6,482	6,783
Capital Projects	8	5	5	5	5
Total Disbursements	**88,844**	**90,225**	**94,123**	**98,156**	**101,516**
Net Other Financing Sources/(Uses)	4,283	2,885	2,080	2,028	1,601
Net Operating Surplus/(Deficit)	**513**	**(90)**	**(1,949)**	**(2,677)**	**(2,617)**
Reconciliation to General Fund Gap:					
Designated Fund Balances:	(513)	90	(65)	(179)	(303)
General Fund	177	(99)	25	19	(14)
Special Revenue Funds	(737)	248	(96)	(205)	(268)
Debt Service Funds	47	(59)	6	7	(21)
General Fund Budget Gap	**0**	**0**	**(2,014)**	**(2,856)**	**(2,920)**

[1] This value does not include HCRA Indigent Care payments to SUNY institutions, which have been reclassified as transfers for reporting purposes.

RECEIPTS

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

OVERVIEW OF THE RECEIPTS FORECAST

- New York's economic recovery continued in FY 2013, with all major tax groups registering gains compared with the prior year. Personal income tax payments grew stronger during the final quarter of the fiscal year, mainly as the result of anticipated Federal tax law changes. Sales tax receipts increased by one percent (despite the full return of the clothing exemption), business tax receipts registered another large annual gain, and other tax receipts benefitted from real estate gains taken in advance of Federal tax law changes which took effect in 2013. Continuing economic growth is expected to yield a fourth consecutive year of growth in receipts during FY 2014.

- After climbing 7.7 percent in FY 2012, base receipts adjusted for tax law changes grew by 5.8 percent in FY 2013 and are expected to increase by 4.6 percent in FY 2014.

- Corporate profits are expected to record a fifth consecutive year of growth in calendar year 2013, albeit at a slower rate when compared to the growth rates of recent years.

- After accounting for law changes, consumer and business spending on taxable goods and services rose for the third consecutive year in FY 2013, growing 3.2 percent, and is estimated to rise 3.1 percent in FY 2014.

- Personal income tax liability growth is expected to slow in tax year 2013. Capital gains, dividend payouts, and wage shifting taken in advance of Federal tax rate hikes artificially inflated tax year 2012 liability growth. These liability components are expected to grow more slowly, or even decline in tax year 2013.

- Significant risks or uncertainties, such as budget disputes at the Federal level or an energy price shock or a natural disaster, could impact economic growth, and therefore receipts growth, in FY 2014.

All Funds receipts are projected to total $140.4 billion, an increase of $7.2 billion (5.4 percent) from FY 2013 results. The table below summarizes the receipts projections for FY 2014 and FY 2015.

TOTAL RECEIPTS
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Annual $ Change	Annual % Change	FY 2015 Projected	Annual $ Change	Annual % Change
General Fund	**58,783**	**61,256**	**2,473**	**4.2%**	**62,884**	**1,628**	**2.7%**
Taxes	43,283	42,480	(803)	-1.9%	43,235	755	1.8%
Miscellaneous Receipts	3,504	3,096	(408)	-11.6%	3,551	455	14.7%
Federal Grants	62	2	(60)	-96.8%	0	(2)	-100.0%
Transfers	11,934	15,678	3,744	31.4%	16,098	420	2.7%
State Funds	**90,304**	**92,866**	**2,562**	**2.8%**	**96,035**	**3,169**	**3.4%**
Taxes	66,302	69,351	3,049	4.6%	71,194	1,843	2.7%
Miscellaneous Receipts	23,838	23,435	(403)	-1.7%	24,763	1,328	5.7%
Federal Grants	164	80	(84)	-51.2%	78	(2)	-2.5%
All Funds	**133,177**	**140,405**	**7,228**	**5.4%**	**143,405**	**3,000**	**2.1%**
Taxes	66,302	69,351	3,049	4.6%	71,194	1,843	2.7%
Miscellaneous Receipts	24,036	23,621	(415)	-1.7%	24,949	1,328	5.6%
Federal Grants	42,839	47,433	4,594	10.7%	47,262	(171)	-0.4%

This change in taxes and transfers reflects an Enacted Budget accounting change that will first deposit 25 percent of sales tax receipts that were formerly directed to the General Fund into the new Sales Tax Revenue Bond Fund. The balance will be transferred to the General Fund after the payment of debt service.

Base growth of 4.6 percent in tax receipts is estimated for FY 2014, after adjusting for law changes, and is projected to be 4.8 percent in FY 2015. These projected increases in overall base growth in tax receipts are dependent on many factors:

- Continued growth in a broad range of economic activities;
- Improving profitability and moderate wage growth;
- Recovery in the real estate market, particularly the residential market; and
- Increases in consumer spending as a result of wage and employment gains.

PERSONAL INCOME TAX

PERSONAL INCOME TAX
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
General Fund[1]	**26,884**	**28,488**	**6.0%**	**29,423**	**3.3%**	**31,541**	**7.2%**	**33,619**	**6.6%**
Gross Collections	47,443	50,421	6.3%	52,637	4.4%	56,208	6.8%	59,553	6.0%
Refunds[2]	(7,216)	(7,878)	9.2%	(8,603)	9.2%	(9,215)	7.1%	(9,654)	4.8%
STAR	(3,286)	(3,419)	4.0%	(3,602)	5.4%	(3,704)	2.8%	(3,805)	2.7%
RBTF	(10,057)	(10,636)	5.8%	(11,009)	3.5%	(11,748)	6.7%	(12,475)	6.2%
State Funds	**40,227**	**42,543**	**5.8%**	**44,034**	**3.5%**	**46,993**	**6.7%**	**49,899**	**6.2%**
Gross Collections	47,443	50,421	6.3%	52,637	4.4%	56,208	6.8%	59,553	6.0%
Refunds[2]	(7,216)	(7,878)	9.2%	(8,603)	9.2%	(9,215)	7.1%	(9,654)	4.8%

[1]Excludes Transfers.

[2]FY 2013 results reflect DOB inclusion of the State-City offset in the "Refunds" category.

State Funds PIT receipts for FY 2014 are projected to be $42.5 billion, an increase of $2.3 billion (5.8 percent) from FY 2013. This primarily reflects increases in withholding and extension payments attributable to the 2012 tax year, partially offset by an increase in total refunds and a decline in 2013 estimated payments.

General Fund income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State Personal Income Tax Revenue Bonds. General Fund income tax receipts for FY 2014 of $28.5 billion are expected to increase by $1.6 billion (6 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $10.6 billion and the STAR transfer is projected to be $3.4 billion.

State Funds income tax receipts for FY 2015 of $44 billion are projected to increase $1.5 billion (3.5 percent) from the prior year. This primarily reflects increases of $2.3 billion (7.1 percent) in withholding and $1.4 billion (16.4 percent) in estimated payments related to tax year 2014, partially offset by a decline of $1.6 billion (30.5 percent) in extension payments related to tax year 2013 and a $725 million (9.2 percent) increase in total refunds.

General Fund income tax receipts for FY 2015 of $29.4 billion are projected to increase by $935 million (3.3 percent) from the prior year. RBTF deposits are projected to be $11 billion, and the STAR transfer is projected to be $3.6 billion.

State Funds income tax receipts of $47 billion in FY 2016 are projected to increase $3 billion (6.7 percent) from the prior year. Gross receipts are projected to increase 6.8 percent and reflect withholding that is projected to grow by $2.3 billion (6.6 percent) and estimated payments related to tax year 2015 that are projected to grow by $820 million (8.1 percent). The aforementioned three-year extension of the December 2011 income tax reform contributes $893 million to the projected withholding increase and $1.1 billion to the projected increase in estimated payments. Payments from extensions for tax year 2014 are projected to increase by $278 million (7.8 percent) and final returns are expected to increase $100 million (4.6 percent). Delinquencies are projected to increase $40 million (3.2 percent) from the prior year. Total refunds are projected to increase by $612 million (7.1 percent) from the prior year.

General Fund income tax receipts for FY 2016 of $31.5 billion are projected to increase by $2.1 billion (7.2 percent) from the prior year.

State Funds income tax receipts are projected to increase by $2.9 billion (6.2 percent) in FY 2017 to reach $49.9 billion, while General Fund receipts are projected to be $33.6 billion.

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
General Fund[1]	**9,112**	**6,548**	**-28.1%**	**6,814**	**4.1%**	**7,094**	**4.1%**	**7,275**	**2.6%**
Sales Tax	8,423	5,866	-30.4%	6,133	4.6%	6,415	4.6%	6,599	2.9%
Cigarette and Tobacco Taxes	443	431	-2.7%	425	-1.4%	418	-1.6%	410	-1.9%
Alcoholic Beverage Taxes	246	251	2.0%	256	2.0%	261	2.0%	266	1.9%
State Funds	**14,615**	**15,116**	**3.4%**	**15,689**	**3.8%**	**16,275**	**3.7%**	**16,640**	**2.2%**
Sales Tax	11,989	12,530	4.5%	13,101	4.6%	13,695	4.5%	14,085	2.8%
Cigarette and Tobacco Taxes	1,551	1,491	-3.9%	1,466	-1.7%	1,436	-2.0%	1,405	-2.2%
Motor Fuel Tax	492	500	1.6%	504	0.8%	507	0.6%	510	0.6%
Highway Use Tax	145	140	-3.4%	143	2.1%	151	5.6%	149	-1.3%
Alcoholic Beverage Taxes	246	251	2.0%	256	2.0%	261	2.0%	266	1.9%
Taxicab Surcharge	83	90	8.4%	100	11.1%	101	1.0%	101	0.0%
Auto Rental Tax	109	114	4.6%	119	4.4%	124	4.2%	124	0.0%

[1]Excludes Transfers.

State Funds user taxes and fees receipts for FY 2014 are estimated to be $15.1 billion, an increase of $501 million (3.4 percent) from FY 2013. Sales tax receipts are expected to increase by $541 million (4.5 percent) from the prior year as the result of base growth (i.e., absent law changes) of 3.1 percent (due in part to strong vehicle sales) and the impact of new enforcement initiatives. Cigarette and tobacco collections are estimated to decline by $60 million (3.9 percent), primarily reflecting trend declines and a continuation of reductions in tax stamp sales, particularly in NYC.

General Fund user taxes and fees receipts for FY 2014 are estimated to total $6.5 billion in FY 2014, a decrease of nearly $2.6 billion (28.1 percent) from FY 2013. This decrease reflects an Enacted Budget accounting change that will first deposit 25 percent of sales tax receipts that were formerly directed to the General Fund into the new Sales Tax Revenue Bond Fund. The balance will be transferred to the General Fund after the payment of debt service. Absent this redistribution, General Fund sales tax receipts are estimated to increase by $378 million (4.5 percent) from the prior year. Also, there is an estimated decline in cigarette and tobacco collections of $12 million (2.7 percent) from FY 2013.

State Funds user taxes and fee receipts for FY 2015 are projected to be $15.7 billion, an increase of $573 million (3.8 percent) from FY 2014. The increase in sales tax receipts of $571 million (4.6 percent) reflects sales tax base growth of 4.4 percent due to expected increased consumer activity based on strong projected disposable income growth. Cigarette and tobacco tax receipts are projected to decline by $25 million (1.7 percent).

General Fund user taxes and fees receipts are projected to total $6.8 billion in FY 2015, an increase of $266 million (4.1 percent) from FY 2014. This increase largely reflects the projected increase in State Funds sales tax receipts discussed above.

State Funds user taxes and fees are projected to be $16.3 billion in FY 2016 and $16.6 billion in FY 2017, representing increases of $586 million (3.7 percent) and $365 million (2.2 percent), respectively, from the prior year. These increases represent base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
General Fund	**6,253**	**6,375**	**2.0%**	**5,854**	**-8.2%**	**6,349**	**8.5%**	**6,579**	**3.6%**
Corporate Franchise Tax	2,624	2,934	11.8%	2,237	-23.8%	2,595	16.0%	2,721	4.9%
Corporation and Utilities Tax	686	603	-12.1%	646	7.1%	662	2.5%	678	2.4%
Insurance Tax	1,346	1,418	5.3%	1,468	3.5%	1,523	3.7%	1,540	1.1%
Bank Tax	1,597	1,420	-11.1%	1,503	5.8%	1,569	4.4%	1,640	4.5%
State Funds	**8,465**	**8,638**	**2.0%**	**8,195**	**-5.1%**	**8,750**	**6.8%**	**9,046**	**3.4%**
Corporate Franchise Tax	3,009	3,379	12.3%	2,704	-20.0%	3,085	14.1%	3,234	4.8%
Corporation and Utilities Tax	895	788	-12.0%	833	5.7%	854	2.5%	881	3.2%
Insurance Tax	1,509	1,587	5.2%	1,644	3.6%	1,706	3.8%	1,730	1.4%
Bank Tax	1,912	1,694	-11.4%	1,789	5.6%	1,870	4.5%	1,956	4.6%
Petroleum Business Tax	1,140	1,190	4.4%	1,225	2.9%	1,235	0.8%	1,245	0.8%

State Funds business tax receipts for FY 2014 are estimated at $8.6 billion, an increase of $173 million (2 percent) from the prior year. The estimate reflects growth across all taxes except the corporate utilities tax and bank tax. Growth in corporate franchise, insurance, and petroleum business tax receipts reflect a continuation of growth seen in FY 2013. Corporation and utilities tax receipts are expected to decline in FY 2014, and the extraordinary FY 2013 growth in bank tax receipts is not expected to continue in FY 2014.

General Fund business tax receipts for FY 2014 of $6.4 billion are estimated to increase by $122 million (2 percent) from FY 2013 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

State Funds business tax receipts for FY 2015 of $8.2 billion are projected to decrease $443 million (5.1 percent) from the prior year. This decrease primarily reflects the first year of the repayment of deferred tax credits to taxpayers. Excluding this payback, FY 2015 receipts would show virtually no change from FY 2014.

General Fund business tax receipts for FY 2015 of $5.9 billion are projected to decrease $521 million (8.2 percent) from the prior year for the reasons cited above.

State Funds business tax receipts for FY 2016 and FY 2017 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. State Funds business tax receipts are projected to increase to $8.8 billion (6.8 percent) in FY 2016, and increase to $9 billion (3.4 percent) in FY 2017. General Fund business tax receipts are expected to increase to $6.3 billion (8.5 percent) in FY 2016 and increase to $6.6 billion (3.6 percent) in FY 2017.

OTHER TAXES

OTHER TAXES (millions of dollars)	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
General Fund[1]	**1,034**	**1,069**	**3.4%**	**1,144**	**7.0%**	**1,159**	**1.3%**	**1,169**	**0.9%**
Estate Tax	1,014	1,050	3.6%	1,125	7.1%	1,140	1.3%	1,150	0.9%
Gift Tax	1	0	N/A	0	N/A	0	N/A	0	N/A
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
State Funds	**1,790**	**1,809**	**1.1%**	**1,954**	**8.0%**	**2,044**	**4.6%**	**2,109**	**3.2%**
Estate Tax	1,014	1,050	**3.6%**	1,125	7.1%	1,140	1.3%	1,150	0.9%
Gift Tax	1	0	N/A	0	N/A	0	N/A	0	N/A
Real Estate Transfer Tax	756	740	-2.1%	810	9.5%	885	9.3%	940	6.2%
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

[1]Excludes Transfers.

State Funds other tax receipts for FY 2014 are estimated to be $1.8 billion, an increase of $19 million (1.1 percent) from FY 2013. This mainly reflects an increase of $36 million (3.6 percent) in estate tax receipts, partially offset by a decline of $16 million (2.1 percent) in real estate transfer tax receipts. The estate tax increase is the result of an expected return in FY 2014 to a number of super-large estate payments (payments of over $25 million) consistent with long-term trends. The FY 2014 real estate transfer tax estimate reflects the spin-up of money from FY 2013 into FY 2014 caused by the uncertainty surrounding the fiscal cliff negotiations, which more than offsets improvements in FY 2014 market pricing.

General Fund other tax receipts are expected to be nearly $1.1 billion in FY 2014, an increase of $35 million (3.4 percent) from FY 2013. This reflects the change in estate tax receipts mentioned above.

State Funds other tax receipts for FY 2015 are projected to be just under $2 billion, an increase of $145 million (8 percent) from FY 2014. This reflects strong projected growth in both the real estate transfer and estate taxes.

General Fund other tax receipts are expected to total more than $1.1 billion in FY 2015. This reflects an increase of $75 million (7.1 percent) in estate tax receipts from the prior year due to a projected increase in household net worth.

The FY 2016 State Funds receipts projection for other taxes is over $2 billion, an increase of $90 million (4.6 percent) from FY 2015. Growth in the estate tax is projected to follow forecast increases in household net worth. Receipts from the real estate transfer tax are also projected to increase, reflecting continuing growth in the residential and commercial real estate markets.

The FY 2017 State Funds receipts projection for other taxes is $2.1 billion, an increase of $65 million (3.2 percent) from FY 2016. Moderate growth is projected in estate tax collections, following forecast increases in household net worth. Real estate transfer tax collections are projected to grow as a result of increases in the value of real property transfers.

General Fund other tax receipts for FY 2016 are projected to grow by $15 million (1.3 percent) entirely due to the modest growth in the estate tax noted above. General Fund other tax receipts for FY 2017 are projected to increase by $10 million (0.9 percent), also due to the small estate tax growth noted above.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
General Fund	**3,566**	**3,098**	**-13.1%**	**3,551**	**14.6%**	**2,682**	**-24.5%**	**2,653**	**-1.1%**
Miscellaneous Receipts	3,504	3,096	-11.6%	3,551	14.7%	2,682	-24.5%	2,653	-1.1%
Federal Grants	62	2	-96.8%	0	-100.0%	0	N/A	0	N/A
State Funds	**24,002**	**23,515**	**-2.0%**	**24,841**	**5.6%**	**24,332**	**-2.0%**	**23,780**	**-2.3%**
Miscellaneous Receipts	23,838	23,435	-1.7%	24,763	5.7%	24,254	-2.1%	23,702	-2.3%
Federal Grants	164	80	-51.2%	78	-2.5%	78	0.0%	78	0.0%
All Funds	**66,875**	**71,054**	**6.2%**	**72,211**	**1.6%**	**72,682**	**0.7%**	**74,853**	**3.0%**
Miscellaneous Receipts	24,036	23,621	-1.7%	24,949	5.6%	24,440	-2.0%	23,888	-2.3%
Federal Grants	42,839	47,433	10.7%	47,262	-0.4%	48,242	2.1%	50,965	5.6%

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total $23.6 billion in FY 2014, a decrease of $415 million from FY 2013. The General Fund component of the All Funds miscellaneous receipts represent $3.1 billion in FY 2014, a decrease of $408 million from FY 2013 results, largely due to the one-time receipt during FY 2013 of $340 million as part of a settlement between DFS and Standard Chartered Bank, and lower motor vehicle fee receipts due to the cyclical nature of eight-year license renewals. Significant changes outside of the General Fund include projected increases in HCRA, SUNY income, and growth in bond proceeds funding for several capital improvement projects, offset by a decline in debt service receipts that is largely associated with the restructuring of the SUNY Dormitory bonding program which removes associated receipts from the State's All Governmental Funds budget.

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, School Aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in Federally-reimbursed spending. Accordingly, DOB typically plans for Federal reimbursement to be received in the State fiscal year in which spending occurs, but timing sometimes varies. All Funds Federal grants are projected to total $47.4 billion in FY 2014, an increase of $4.6 billion from FY 2013, driven primarily by additional Federal funding for disaster assistance costs, as well as the annual impact of increased Federal spending associated with the ACA.

All Funds miscellaneous receipts are projected to increase by $1.3 billion in FY 2015, the General Fund component of which is $455 million and primarily reflects new resources from the planned transfer of $500 million from the SIF release related to Workers' Compensation changes. Other projected State fund increases to miscellaneous receipts include bond proceeds for capital projects, HCRA, debt service, and SUNY income from tuition revenues.

All Funds Federal grants are projected to decrease by $171 million in FY 2015, driven primarily by the timing of Federal disaster assistance costs, the majority of which is expected to be disbursed during FY 2014.

All Funds miscellaneous receipts decrease by $509 million in FY 2016, driven by the decline in General Fund resources transferred from SIF, partially offset by a projected increase in miscellaneous receipts from bond proceeds available to fund capital improvement projects. All Funds miscellaneous receipts decrease by $552 million in FY 2017, driven by a projected decrease in miscellaneous receipts for capital projects, partially offset by increases in SUNY income and HCRA revenue collections.

Annual Federal grants growth of $980 million in FY 2016 and $2.7 billion in FY 2017 is primarily due to growth in Medicaid spending, reflecting the continued impact of spending associated with the ACA.

DISBURSEMENTS

General Fund disbursements in FY 2014 are estimated to total $61.2 billion, an increase of $2.2 billion (3.7 percent) over preliminary FY 2013 results. State Operating Funds disbursements for FY 2014 are estimated to total $90.2 billion, an increase of $1.4 billion (1.6 percent) over preliminary FY 2013 results.

The multi-year disbursements projections take into account agency staffing levels, program caseloads, funding formulas contained in State and Federal law, inflation and other factors. Factors that affect spending estimates vary by program. For example, public assistance 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.

Total disbursements in FY 2014 are estimated at $61.2 billion in the General Fund and $90.2 billion in State Operating Funds. Over the multi-year Financial Plan, State Operating Funds spending projections assume Medicaid and School Aid will grow at their statutorily-indexed rates. The projections do not reflect any potential impact of automatic Federal spending reductions that were triggered on March 1, 2013, most of which is “pass-through” aid.

Medicaid, education, pension costs, employee and retiree health benefits, and debt service are significant drivers of annual spending growth.

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at $59.6 billion in FY 2014 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

		Forecast			
	FY 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Medicaid					
Medicaid Caseload	4,812,715	5,176,084	6,110,639	6,169,418	6,198,080
- Family Health Plus Caseload	446,259	467,246	0	0	0
- Child Health Plus Caseload	344,000	356,000	368,000	380,000	392,000
State Takeover of County/NYC Costs	$1,613	$1,690	$1,665	$1,800	$2,168
- Family Health Plus	$477	$528	$219	$0	$0
- Medicaid	$1,136	$1,162	$1,446	$1,800	$2,168
Education					
School Aid (School Year)	$20,236	$21,228	$21,950	$22,784	$24,037
Education Growth	3.0	4.9	3.4	3.8	5.5
Higher Education					
Public Higher Education Enrollment (FTEs)	567,473	566,707	565,941	565,078	564,880
Tuition Assistance Program Recipients	309,921	310,065	310,065	310,065	310,065
Public Assistance Caseloads					
Family Assistance Program	256,566	249,528	243,345	238,262	233,706
Safety Net Program - Families	122,368	118,706	115,450	112,747	110,279
Safety Net Program - Singles	187,254	185,777	184,815	184,361	184,385
Mental Hygiene					
Total Mental Hygiene Community Beds	90,394	92,977	97,514	100,245	102,239
- OMH Community Beds	38,778	40,707	44,644	46,778	48,222
- OPWDD Community Beds	39,536	40,091	40,621	41,121	41,621
- OASAS Community Beds	12,080	12,179	12,249	12,346	12,396
Prison Population (Corrections)	54,617	54,300	54,000	53,800	53,700

Note: Dollar amounts in table are in millions. FY 2013 results are preliminary and are subject to revision.

EDUCATION

SCHOOL AID

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

SCHOOL YEAR (JULY 1 -JUNE 30)

School Aid will increase by $992 million in 2013-14 school year, a 4.9 percent increase from 2012-13 school year[4]. In addition, $75 million of competitive grant funding is provided for several key initiatives recommended by the *New* NY Education Reform Commission in its Preliminary Report to the Governor, including pre-kindergarten and extended learning, bringing the total annual education aid increase to $1.067 billion. The Enacted Budget also includes a new two-year appropriation that continues Education Law provisions to tie future School Aid increases to the rate of growth in New York State personal income.

Projected School Aid funding is a function of both a personal income growth index used to determine allowable growth, and future legislation to allocate the allowable increases. Current law prescribes allowable growth to include spending for new competitive grant programs to reward school districts that demonstrate significant student performance improvements or 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 allowable growth is allocated pursuant to a chapter of law for purposes including, but not limited to, additional spending for competitive grants, increases in Foundation Aid, or restoration of the Gap Elimination Adjustment.

Based on updated estimates of personal income growth, School Aid is projected to increase by an additional $722 million in school year (SY) 2015 and $834 million in SY 2016. School Aid is projected to reach an annual total of $24.0 billion in SY 2017.

SCHOOL AID AND *NEW* NY EDUCATION REFORM INITIATIVES - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)
(millions of dollars)

	SY 2013	SY 2014	Change	SY 2015	Change	SY 2016	Change	SY 2017	Change
School Aid	$20,236	$21,228	$992	$21,950	$722	$22,784	$834	$24,037	$1,253
			4.9%		3.4%		3.8%		5.5%
New NY Education Reform Initiatives	$0	$75	$75	$75	$0	$75	$0	$75	$0
Total	**$20,236**	**$21,303**	**$1,067**	**$22,025**	**$722**	**$22,859**	**$834**	**$24,112**	**$1,253**
			5.3%		**3.4%**		**3.8%**		**5.5%**

[4] This amount reflects the annual increase in formula-based aids in the computer runs produced by the Department of Education in support of the Enacted Budget, plus the annual increase in categorical and other aids, including competitive Performance Improvement and Management Efficiency grants.

STATE FISCAL YEAR

The State finances School Aid and New NY Education Reform Initiatives from General Fund receipts and from Lottery Fund receipts, including VLTs, which are accounted for and disbursed from a dedicated 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 on a State fiscal year basis.

SCHOOL AID AND EDUCATION REFORM AID - STATE FISCAL YEAR BASIS
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**20,163**	**20,471**	**1.5%**	**21,692**	**6.0%**	**22,514**	**3.8%**	**23,641**	**5.0%**
General Fund Local Assistance	17,110	17,289	1.0%	18,573	7.4%	19,390	4.4%	20,519	5.8%
General Fund Lottery Aid Guarantee	0	10	N/A	0	N/A	0	0.0%	0	0.0%
Core Lottery Aid	2,217	2,230	0.6%	2,225	-0.2%	2,227	0.1%	2,225	-0.1%
VLT Lottery Aid	857	881	2.8%	894	1.5%	897	0.3%	897	0.0%
VLT Aid Balance Roll	(21)	21	N/A	0	N/A	0	0.0%	0	0.0%
Other Lottery Fund Resources	0	40	N/A	0	N/A	0	0.0%	0	0.0%

State spending for School Aid and New NY Education Reform Initiatives is projected to total $20.5 billion in FY 2014. In future years, receipts available to finance this category of aid from core lottery sales are projected to remain stable, while VLT receipts are anticipated to increase through FY 2015 as a result of the recent implementation of the VLT facility at the Aqueduct Racetrack. In addition to State aid, school districts receive approximately $3 billion annually in Federal categorical aid.

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; pre-kindergarten 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 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 50 professions.

OTHER EDUCATION
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**1,927**	**2,032**	**5.4%**	**2,091**	**2.9%**	**2,197**	**5.1%**	**2,328**	**6.0%**
Special Education	1,352	1,418	4.9%	1,522	7.3%	1,626	6.8%	1,751	7.7%
All Other Education	575	614	6.8%	569	-7.3%	571	0.4%	577	1.1%

Special education growth is primarily driven by an increase in program costs and enrollment for preschool special education and the summer school special education programs. The increase in other education spending for FY 2014 over FY 2013 is driven primarily by one-time costs associated with targeted aid and grants, which are not projected to continue beyond FY 2014.

In order to enhance oversight of the preschool special education program, the FY 2014 Enacted Budget also supports the expansion of State and county audit capabilities and the development of data systems to enhance analysis of available program data.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2014 are: the basic school property tax exemption for homeowners with income under $500,000 (55 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (27 percent), and a flat refundable credit and rate reduction for income-eligible New York City resident personal income taxpayers (18 percent).

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**3,286**	**3,419**	**4.0%**	**3,602**	**5.4%**	**3,704**	**2.8%**	**3,805**	**2.7%**
Basic Exemption	1,857	1,896	2.1%	1,997	5.3%	2,052	2.8%	2,106	2.6%
Enhanced (Seniors)	841	912	8.4%	986	8.1%	1,014	2.8%	1,040	2.6%
New York City PIT	588	611	3.9%	619	1.3%	638	3.1%	659	3.3%

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 will receive a $63,300 exemption in FY 2014. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

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

The FY 2014 Enacted Budget establishes a STAR re-registration and anti-fraud program. This program is expected to eliminate waste, fraud and abuse in the STAR exemption by (1) authorizing DTF to require all recipients of a Basic STAR exemption to be registered with the Department, and (2) strengthening the penalties for fraud while tightening the standards and procedures for determining eligibility.

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 educational facilities capital projects at the universities. This is not reflected in the annual spending totals for the universities. State debt service payments for capital projects at SUNY and CUNY are expected to total about $1.4 billion in FY 2014.

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

Annual growth by CUNY in FY 2014 reflects the net impact of enrollment changes at community colleges, additional fringe benefit costs, and the timing of aid payments across State fiscal years. Growth in HESC reflects the rising cost of higher education tuition and the consequent demand for increased tuition assistance. SUNY local assistance reflects an increase in community college aid, which fully annualizes in the outyears.

HIGHER EDUCATION
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**2,629**	**2,825**	**7.5%**	**2,911**	**3.0%**	**2,994**	**2.9%**	**3,066**	**2.4%**
City University	**1,220**	**1,345**	**10.2%**	**1,401**	**4.2%**	**1,470**	**4.9%**	**1,548**	**5.3%**
City University	1,026	1,130	10.1%	1,185	4.9%	1,254	5.8%	1,332	6.2%
Community College	194	215	10.8%	216	0.5%	216	0.0%	216	0.0%
Higher Education Services	**947**	**1,004**	**6.0%**	**1,018**	**1.4%**	**1,032**	**1.4%**	**1,026**	**-0.6%**
Tuition Assistance Program	893	948	6.2%	959	1.2%	972	1.4%	966	-0.6%
Aid for Part Time Study	14	12	-14.3%	12	0.0%	12	0.0%	12	0.0%
Scholarships/Awards	40	44	10.0%	47	6.8%	48	2.1%	48	0.0%
State University	**462**	**476**	**3.0%**	**492**	**3.4%**	**492**	**0.0%**	**492**	**0.0%**
State University	457	472	3.3%	485	2.8%	485	0.0%	485	0.0%
Other/Cornell	5	4	-20.0%	7	75.0%	7	0.0%	7	0.0%

Note: State support for SUNY four-year institutions is funded through State operations rather than local assistance.

Growth in spending for higher education over the multi-year Financial Plan period largely reflects aid to New York City for reimbursement of CUNY senior college operating expenses associated with the rising contribution rates for fringe benefits.

HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The DOH works with the local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts. The Medicaid program finances inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, FHP (a State-administered program to provide comprehensive health insurance for low-income families which do not meet certain Medicaid-eligibility thresholds), 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 Financial Plan estimates for mental hygiene agencies, child welfare programs and DOCCS.

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York State's Medicaid spending is projected to total approximately $55.7 billion in FY 2014, including the local contribution[5].

The Enacted Budget reflects continuation of the Medicaid spending cap enacted in FY 2012, and recommends funding consistent with its provisions. The cap is based on the ten-year average change in the medical component of the CPI. Statutory changes approved with the FY 2012 Enacted Budget to grant the Executive certain administrative powers to help hold Medicaid spending to the capped level were amended through legislation included in the FY 2014 Enacted Budget to provide flexibility to adjust Medicaid projections to meet unanticipated costs resulting from events such as a natural or other type of disaster. The statutory provisions of the Medicaid spending cap have been extended through FY 2015, pursuant to authorization included in the FY 2014 Enacted Budget. The cap itself remains in place, and the Financial Plan assumes that statutory authority will be extended in subsequent years.

Based on updated data, the allowable growth under the cap is 3.9 percent. The FY 2014 Enacted Budget also eliminates the FHP program effective January 1, 2015. The majority of the population receiving health care benefits through FHP will begin receiving more robust health care benefits through the Medicaid program, pursuant to new Medicaid eligibility thresholds and increased Federal payments pursuant to the ACA. The remaining FHP population, those above Medicaid levels, will be eligible for Federal tax credits in the Health Insurance Exchange and the State will pay all additional out-of-pocket costs for these individuals. The proposed transition to the Exchange is expected to provide savings to the State of $59.0 million in FY 2015, and $67.5 million thereafter.

[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 local social services districts. The FY 2013 Enacted Budget amended these statutory indexing provisions by implementing a three-year phased-takeover of the local share of growth above the previous year's enacted levels beginning in April 2013 for Calendar Year 2013, with the State assuming all growth in County Year 2015. This initiative is expected to save local governments nearly $1.2 billion between FY 2013 and FY 2017, as compared to levels assumed under previous statute.

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

	FY 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Department of Health					
DOH State Share	15,900	16,421	16,977	17,805	18,474
Local Assistance	15,879	16,230	16,780	17,591	18,248
State Operations[2]	21	191	197	214	226
Annual $ Change - DOH Only		521	556	828	669
Annual % Change - DOH Only		3.3%	3.4%	4.9%	3.8%
Other State Agencies					
Mental Hygiene	4,758	4,903	5,430	6,019	6,141
Foster Care	89	87	90	94	98
Education	17	0	0	0	0
Corrections	0	12	12	13	13
Total State Share (All Agencies)	**20,764**	**21,423**	**22,509**	**23,931**	**24,726**
Annual $ Change - Total State Share		659	1,086	1,422	795
Annual % Change - Total State Share		3.2%	5.1%	6.3%	3.3%

[1] Medicaid services growth is indexed to the 10-year average of CPI Medical, currently 3.9 percent. Financial Plan spending is adjusted for the inclusion of Medicaid State Operations spending (formerly outside the Medicaid Cap), which is supporting expanded functions pursuant to the phased-in takeover of local administrative responsibilities, and the decision of Monroe County to participate in the Medicaid local cap program, rather than continuing the sales tax intercept option. Finally, the State Share of Medicaid is adjusted for increased Federal Financial Participation beginning in January 2014.

[2] Increased State Operations costs in FY 2014 reflects the transfer of the Office of Health Insurance Programs to Medicaid from Public Health without new spending.

Factors affecting the level of Medicaid spending growth that must be managed within the cap include Medicaid enrollment, costs of provider health care services (particularly in managed care) and levels of utilization. The number of Medicaid recipients, including FHP, is expected to exceed 5.6 million at the end of FY 2014, an increase of 7.3 percent from the FY 2013 caseload of 5.3 million, a result mainly attributable to expanded eligibility pursuant to the ACA. Under the provisions of the ACA, the Federal government is expected to finance a greater share of Medicaid costs, the impact of which is expected to lower future growth in the State share of Medicaid costs beginning in FY 2014.

Total “state share” Medicaid, which includes Medicaid costs of State agencies in addition to DOH, reflects downward spending adjustments of $820 million in FY 2014, $535 million in FY 2015, and $357 million thereafter. This is attributable to the impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services. To compensate for the reduced Federal reimbursement for services provided, the State is undertaking various actions to reduce overall costs while minimizing any impact on service delivery. These actions include shifting a portion of OPWDD Medicaid costs to DOH, the impact of which is expected to be managed on a neutral Financial Plan basis through the implementation of several actions, including comprehensive program reforms consistent with other states to generate Federal reimbursement for services already being provided, and the management of certain MRT investment initiatives. These savings are valued at $730 million in FY 2014, $445 million in FY 2015, and $267 million in each of FYs 2016 and 2017, and are part of the Mental Hygiene Stabilization Fund within the DOH global spending cap.

The FY 2013 Enacted Budget included authorization for the State to take over administration of the Medicaid program, and to cap spending on local Medicaid administration at FY 2012 appropriation levels. The FY 2013 Enacted Budget also provided Medicaid spending relief for all counties and New York City by reducing growth in local Medicaid payments. These changes are expected to provide fiscal and administrative relief to local governments.

As allowed under the FY 2013 Enacted Budget legislation, Monroe County, which had previously authorized a State intercept of sales tax in lieu of payment for its portion of the local share of Medicaid, chose to enter the Medicaid program effective February 1, 2013. Monroe County is expected to benefit in the long-term from entering the local cap program, as future costs associated with its Medicaid growth will be paid for by the State under the phased-in takeover initiative.

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

DEPARTMENT OF HEALTH MEDICAID[1]
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
State Operating Funds	**15,900**	**16,421**	**3.3%**	**16,977**	**3.4%**	**17,805**	**4.9%**	**18,474**	**3.8%**
Total General Fund - Local	11,109	11,225	1.0%	11,391	1.5%	12,136	6.5%	12,631	4.1%
Total General Fund - State Operations	21	191	809.5%	197	3.1%	214	8.6%	226	5.6%
Other State Funds Support	4,770	5,005	4.9%	5,389	7.7%	5,455	1.2%	5,617	3.0%
HCRA Financing	3,214	3,444	7.2%	3,812	10.7%	3,878	1.7%	4,040	4.2%
Indigent Care Support	767	776	1.2%	792	2.1%	792	0.0%	792	0.0%
Provider Assessment Revenue	783	785	0.3%	785	0.0%	785	0.0%	785	0.0%
Other	6	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

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

The FY 2014 Enacted Budget transfers all administrative costs, including those State resources associated with the local Medicaid takeover program, from the Public Health budget to the Medicaid budget. This change will align operational resources with programmatic responsibilities, and provide the necessary flexibility for meeting emerging needs during the course of the year. Using additional efficiencies gained from the local Medicaid takeover, this change is expected to avoid State General Fund costs of approximately $32 million in FY 2014, $50 million in FY 2015, and $67 million annually thereafter, without placing additional fiscal pressure on the Medicaid Global Cap.

Ongoing MRT efforts have identified a variety of other programmatic efficiencies and re-investments which are expected to improve overall service delivery within the health care industry, but which are not expected to have a significant net financial impact on the State's Medicaid program.

PUBLIC HEALTH/AGING PROGRAMS

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

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

Many public health programs, such as the EI and GPHW programs, are run by county health departments, which are 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.

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**2,040**	**2,222**	**8.9%**	**1,997**	**-10.1%**	**1,989**	**-0.4%**	**1,960**	**-1.5%**
Public Health	**1,927**	**2,108**	**9.4%**	**1,877**	**-11.0%**	**1,862**	**-0.8%**	**1,828**	**-1.8%**
Child Health Plus	364	380	4.4%	446	17.4%	378	-15.2%	304	-19.6%
General Public Health Work	247	215	-13.0%	237	10.2%	233	-1.7%	238	2.1%
EPIC	98	170	73.5%	207	21.8%	237	14.5%	258	8.9%
Early Intervention	144	151	4.9%	167	10.6%	171	2.4%	171	0.0%
HCRA Program Account	442	424	-4.1%	429	1.2%	441	2.8%	441	0.0%
F-SHRP	249	384	54.2%	0	-100.0%	0	0.0%	0	0.0%
All Other	383	384	0.3%	391	1.8%	402	2.8%	416	3.5%
Aging	**113**	**114**	**0.9%**	**120**	**5.3%**	**127**	**5.8%**	**132**	**3.9%**

Spending growth in the CHP program through FY 2015 largely reflects costs associated with the expectation of additional caseload growth under the ACA. As CHP enrollment increases, initial costs to the State are expected; however, these costs are expected to decrease beginning in FY 2016 when enhanced Federal participation rates become effective.

Increased State support for the EPIC program, which was authorized in the FY 2013 Enacted Budget to provide coverage of Medicare Part D co-payments and co-insurance for enrollees outside of the existing coverage gap, is also driving a substantial portion of spending growth, as this change took effect on January 1, 2013. Increased spending for expanded EPIC coverage, as well as growth due to the rising costs of prescription drug medication, is expected to be partly financed by additional revenue generated from rebates received from drug manufacturers.

The F-SHRP program is Federal funding provided to the State on a time-limited basis through a Federal waiver under terms and conditions aimed at improving the delivery of health care services. Spending growth in FY 2014 reflects the anticipation of peak utilization prior to the expiration of funding. The program is expected to terminate at the end of FY 2014.

The year-over-year decrease for GPHW in FY 2014 reflects a reestimate of anticipated spending. Other public health programs are being reduced, which is expected to provide savings to the General Fund of approximately $22 million in each year of the Financial Plan.

HCRA

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

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. Total HCRA revenues are estimated to grow by approximately 3.3 percent on an annual basis during the Financial Plan period.

In addition to FHP, CHP, and HEAL NY, HCRA helps fund Medicaid, EPIC, physician excess medical malpractice insurance, and Indigent Care payments, which provide funding to hospitals serving a disproportionate share of individuals without health insurance.

The FY 2014 Enacted Budget reduces various public health programs and shifts funding for certain programs between HCRA and the General Fund. The shifts are expected to lower spending in HCRA by approximately $145 million in FY 2014 and $175 million thereafter and increase the General Fund spending by the same amount.

HCRA FINANCIAL PLAN FY 2013 THROUGH FY 2017
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Opening Balance	**3**	**18**	**0**	**0**	**0**
Total Receipts	**5,336**	**5,610**	**5,854**	**5,949**	**6,049**
Surcharges	2,723	2,818	2,871	2,957	3,046
Covered Lives Assessment	1,045	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,108	1,060	1,041	1,018	995
Conversion Proceeds	0	175	300	300	300
Hospital Assessments	330	345	444	469	495
NYC Cigarette Tax Transfer/Other	130	167	153	160	168
Total Disbursements	**5,321**	**5,628**	**5,854**	**5,949**	**6,049**
Medicaid Assistance Account	3,219	3,444	3,812	3,878	4,040
Medicaid Costs	*1,840*	*2,145*	*2,724*	*3,229*	3,391
Family Health Plus	*682*	*650*	*439*	*0*	0
Workforce Recruitment & Retention	*157*	*197*	*197*	*197*	197
All Other	*540*	*452*	*452*	*452*	452
HCRA Program Account	459	438	444	460	460
Hospital Indigent Care	777	776	792	792	792
Elderly Pharmaceutical Insurance Coverage	105	183	220	250	271
Child Health Plus	372	386	453	385	312
Public Health Programs	128	29	0	0	0
All Other	261	372	133	184	174
Annual Operating Surplus/(Deficit)	**15**	**(18)**	**0**	**0**	**0**
Closing Balance	**18**	**0**	**0**	**0**	**0**

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

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

MENTAL HYGIENE

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

MENTAL HYGIENE
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**3,602**	**2,833**	**-21.3%**	**3,450**	**21.8%**	**3,967**	**15.0%**	**4,173**	**5.2%**
People with Developmental Disabilities	**2,196**	**1,420**	**-35.3%**	**1,862**	**31.1%**	**2,156**	**15.8%**	**2,220**	**3.0%**
Residential Services	1,551	1,519	-2.1%	1,630	7.3%	1,712	5.0%	1,756	2.6%
Day Programs	560	548	-2.1%	588	7.3%	618	5.1%	635	2.8%
Clinic	22	22	0.0%	23	4.5%	24	4.3%	25	4.2%
Other Local	63	61	-3.2%	66	8.2%	69	4.5%	71	2.9%
Mental Hygiene Stabilization Fund	0	(730)	0.0%	(445)	-39.0%	(267)	-40.0%	(267)	0.0%
Mental Health	**1,094**	**1,097**	**0.3%**	**1,256**	**14.5%**	**1,462**	**16.4%**	**1,590**	**8.8%**
Adult Local Services	913	917	0.4%	1,048	14.3%	1,240	18.3%	1,364	10.0%
Children Local Services	181	180	-0.6%	208	15.6%	222	6.7%	226	1.8%
Alcohol and Substance Abuse	**311**	**315**	**1.3%**	**331**	**5.1%**	**348**	**5.1%**	**362**	**4.0%**
Outpatient/Methadone	134	135	0.7%	142	5.2%	149	4.9%	155	4.0%
Residential	105	106	1.0%	112	5.7%	118	5.4%	123	4.2%
Prevention and Program Support	55	57	3.6%	60	5.3%	63	5.0%	65	3.2%
Crisis	17	17	0.0%	17	0.0%	18	5.9%	19	5.6%
CQCAPD/Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

Legislation enacted in FY 2013 established the Justice Center for the Protection of People with Special Needs, which will have the primary responsibility for tracking, investigating and pursuing serious abuse/neglect complaints at facilities and provider settings operated, certified, or licensed by six State agencies. The activities of CQCAPD will be subsumed by the Justice Center when it becomes operational on June 30, 2013.

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 3.7 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems including: increases primarily associated with developing new OPWDD residential and non-residential services and supports; the New York/New York III Supportive Housing agreement; and community beds that are currently under development in the OMH pipeline. Additional outyear spending is assumed in Financial Plan estimates for costs associated with efforts to move individuals in nursing homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

The FY 2014 Enacted Budget achieved lower spending growth by authorizing the elimination of automatic inflationary factors in FY 2014, including the 1.4 percent Human Services COLA and

Medicaid trend adjustment, which provides rate reimbursement adjustments for eligible providers of services to the developmentally disabled, improved program efficiencies, enhanced audit recoveries, reduced administrative costs reimbursed to OPWDD providers, and revised estimates for mental health community bed funding.

OPWDD's Medicaid-related spending estimates have been revised downward in the Enacted Budget by $820 million in FY 2014, $535 million in FY 2015, and $357 million thereafter. These revisions are attributable to the impact of reduced Federal revenue from Medicaid reimbursement at State-operated facilities providing developmental disability services. To compensate for the reduced Federal reimbursement for services provided, the State is undertaking various actions to reduce overall costs in the least disruptive manner possible for service delivery. These actions include shifting a portion of OPWDD Medicaid costs to DOH, the impact of which is expected to be managed on a neutral Financial Plan basis through the implementation of several actions, including comprehensive program reforms consistent with other states to generate Federal reimbursement for services already being provided, and the management of certain MRT investment initiatives. These savings are valued at $730 million in FY 2014, $445 million in FY 2015, and $267 million in each of FY 2016 and FY 2017 and are part of the Mental Hygiene Stabilization Fund within the DOH global spending cap. In addition, $90 million of savings will be achieved by OPWDD through a combination of actions identified in consultation with all relevant parties. These include $50 million in savings from reduced administrative costs, improved efficiencies, and collaborative efforts to utilize lower cost community based supports and services as opposed to more costly settings such as institutions and residential schools. In addition, $40 million in savings will be generated from increased audit recoveries generated by enhanced audit activity by the OMIG related to OPWDD services provided by nonprofit agencies.

SOCIAL SERVICES

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**1,540**	**1,392**	**-9.6%**	**1,290**	**-7.3%**	**1,318**	**2.2%**	**1,328**	**0.8%**
SSI	745	766	2.8%	664	-13.3%	691	4.1%	700	1.3%
Public Assistance Benefits	636	502	-21.1%	502	0.0%	502	0.0%	502	0.0%
Welfare Initiatives	36	19	-47.2%	19	0.0%	19	0.0%	19	0.0%
All Other	123	105	-14.6%	105	0.0%	106	1.0%	107	0.9%

The decline in OTDA spending from FY 2013 is driven primarily by the State's projected costs for public assistance caseload and the fact that there are no longer timing delays for payments. The average public assistance caseload is projected to total 554,011 recipients in FY 2014, a decrease of 2.2 percent from FY 2013 levels. Approximately 249,528 families are expected to receive benefits through the Family Assistance program, a decrease of 2.7 percent from the current year. In the Safety Net program,

an average of 118,706 families are expected to be helped in FY 2014, a decrease of 3.0 percent. The caseload for single adults/childless couples supported through the Safety Net program is projected at 185,777, a decrease of 0.8 percent.

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

CHILDREN AND FAMILY SERVICES
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**1,492**	**1,604**	**7.5%**	**1,760**	**9.7%**	**1,828**	**3.9%**	**1,914**	**4.7%**
Child Welfare Service	336	462	37.5%	493	6.7%	526	6.7%	560	6.5%
Foster Care Block Grant	436	436	0.0%	456	4.6%	473	3.7%	491	3.8%
Adoption	152	162	6.6%	164	1.2%	167	1.8%	171	2.4%
Day Care	217	165	-24.0%	249	50.9%	249	0.0%	249	0.0%
Youth Programs	114	152	33.3%	161	5.9%	163	1.2%	163	0.0%
Medicaid	89	87	-2.2%	90	3.4%	94	4.4%	98	4.3%
Committees on Special Education	39	30	-23.1%	33	10.0%	38	15.2%	43	13.2%
Adult Protective/Domestic Violence	34	31	-8.8%	35	12.9%	41	17.1%	48	17.1%
All Other	75	79	5.3%	79	0.0%	77	-2.5%	91	18.2%

OCFS spending growth is driven by increases in claims-based programs; an increase in General Fund spending on Day Care beginning in FY 2015, in order to keep spending on this program constant after a projected decrease in Federal funding; and the continued implementation of the NYC Close to Home Initiative. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding.

TRANSPORTATION

In FY 2014, the DOT will provide $4.7 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. The MTA, due to the size and scope of its transit system, receives the majority of the statewide mass transit operating aid. 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. Legislation enacted in December 2011 eliminates the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The State is expected to compensate the MTA annually for the decrease in receipts from this tax reduction.

Total operating aid to the transit systems is expected to increase in FY 2014 by 10.3 percent, reflecting spending adjustments made in conjunction with upward revisions in the receipts forecast.

TRANSPORTATION (millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**4,303**	**4,745**	**10.3%**	**4,831**	**1.8%**	**4,910**	**1.6%**	**4,995**	**1.7%**
Mass Transit Operating Aid:	1,906	2,105	10.4%	2,101	-0.2%	2,101	0.0%	2,101	0.0%
Metro Mass Transit Aid	1,761	1,964	11.5%	1,960	-0.2%	1,960	0.0%	1,960	0.0%
Public Transit Aid	93	89	-4.3%	89	0.0%	89	0.0%	89	0.0%
18-B General Fund Aid	27	27	0.0%	27	0.0%	27	0.0%	27	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,705	1,909	12.0%	1,986	4.0%	2,061	3.8%	2,143	4.0%
Dedicated Mass Transit	647	686	6.0%	698	1.7%	702	0.6%	706	0.6%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	0	0	0.0%	1	0.0%	1	0.0%	0	0.0%

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments includes the AIM program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams; VLT impact aid; and Small Government Assistance and Miscellaneous Financial Assistance. In addition, the State provides incentive grants to local governments. Spending for AIM efficiency incentive grants increases over the multi-year period reflecting the implementation of the Local Government Performance and Efficiency Program enacted in FY 2012 to reward municipal efficiencies and to encourage less duplication among local governments in the delivery of services.

LOCAL GOVERNMENT ASSISTANCE (millions of dollars)									
	FY 2013 Results	FY 2014 Enacted	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change
Total State Operating Funds	**754**	**764**	**1.3%**	**769**	**0.7%**	**782**	**1.7%**	**794**	**1.5%**
AIM:									
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Efficiency Incentives	6	11	83.3%	20	81.8%	35	75.0%	47	34.3%
All Other Local Aid	33	38	15.2%	34	-10.5%	32	-5.9%	32	0.0%

ALL OTHER LOCAL ASSISTANCE SPENDING

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

AGENCY OPERATIONS

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

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

		Forecast*			
	FY 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Negotiated Base Salary Increases [1]					
CSEA/NYSCOPBA/Council 82/UUP	0	0	2%	2%	TBD
PEF / NYSPBA	0	0	2%	TBD	TBD
State Workforce[2]	119,756	120,468	120,634	120,634	120,634
ERS Pension Contribution Rate[3]					
Before Amortization (Normal/Admin/GLIP)	19.4%	21.7%	21.5%	18.0%	16.3%
After Amortization	11.5%	12.5%	13.5%	14.5%	15.5%
PFRS Pension Contribution Rate[3]					
Before Amortization (Normal/Admin/GLIP)	26.6%	30.1%	30.1%	26.2%	24.2%
After Amortization	19.5%	20.5%	21.5%	22.5%	23.5%
Employee/Retiree Health Insurance Growth Rates	3.1%	5.4%	8.5%	8.5%	8.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.5%	14.3%	14.5%	14.6%	14.4%

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

[2] Reflects workforce that is Subject to Direct Executive Control.

[3] As Percent of Salary.

[*] As Forecasted by DOB.

Growth in agency operating spending is concentrated in agencies that operate large facilities, such as the State University, the mental hygiene agencies, and Corrections and Community Supervision. The main causes of growth include inflationary increases in payroll and operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities, offset by expected savings from enterprise procurement efforts. In most years, there are 26 bi-weekly pay periods. In FY 2016, there is one additional State institutional payroll, which results in higher spending mainly in mental hygiene and corrections. In addition, the State will begin repayment to State employees of certain amounts withheld pursuant to the DRP in FY 2012 and FY 2013 beginning in the last pay period in FY 2015.

Prior-year collective bargaining agreements with NYSCOPBA and Council 82 are reflected in the personal service costs below and include retroactive salary increases already paid in FY 2013 for prior years.

STATE OPERATING FUNDS - AGENCY OPERATIONS[1]
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Subject to Direct Executive Control	**9,819**	**9,754**	**9,935**	**10,289**	**10,436**
Mental Hygiene	2,914	2,857	2,876	2,991	2,945
Corrections and Community Supervision	2,741	2,558	2,616	2,752	2,707
State Police	601	653	650	664	670
Public Health	526	424	431	418	419
Tax and Finance	372	359	366	372	381
Children and Family Services	302	279	263	260	264
Environmental Conservation	231	232	232	234	237
Financial Services	193	203	205	208	208
Temporary and Disability Assistance	187	186	195	193	197
Parks, Recreation and Historic Preservation	180	174	177	179	180
Disaster Assistance	52	(85)	0	0	0
Workers' Compensation Board	150	153	153	156	158
Lottery/Gaming	124	162	166	167	167
General Services	145	168	141	143	145
Information Technology Services	60	143	156	160	160
All Other	1,041	1,288	1,308	1,392	1,598
University System	**5,552**	**5,669**	**5,777**	**5,916**	**6,054**
State University	5,451	5,581	5,687	5,824	5,960
City University	101	88	90	92	94
Independent Agencies	**297**	**304**	**310**	**319**	**323**
Law	160	165	167	171	173
Audit & Control	137	139	143	148	150
Total, excluding Legislature and Judiciary	**15,668**	**15,727**	**16,022**	**16,524**	**16,813**
Judiciary	1,812	1,878	2,000	2,095	2,111
Legislature	203	219	224	227	231
Statewide Total	**17,683**	**17,824**	**18,246**	**18,846**	**19,155**
Personal Service	12,403	12,357	12,637	13,071	13,204
	3.0%	-0.4%	2.3%	3.4%	1.0%
Non-Personal Service	5,280	5,467	5,609	5,775	5,951
	-2.3%	3.5%	2.6%	3.0%	3.0%

[1] Beginning in FY 2013, the Financial Plan reflects the shift of information technology staff from agencies across the State to ITS as well as the transfer of business services staff to OGS.

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
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**6,437**	**7,089**	**10.1%**	**7,531**	**6.2%**	**7,952**	**5.6%**	**8,285**	**4.2%**
Fringe Benefits	**6,046**	**6,700**	**10.8%**	**7,130**	**6.4%**	**7,552**	**5.9%**	**7,885**	**4.4%**
Health Insurance	3,129	3,315	5.9%	3,476	4.9%	3,711	6.8%	4,020	8.3%
Employee Health Insurance	1,720	1,824	6.0%	1,945	6.6%	2,060	5.9%	2,232	8.3%
Retiree Health Insurance	1,409	1,491	5.8%	1,531	2.7%	1,651	7.8%	1,788	8.3%
Pensions	1,601	2,013	25.7%	2,256	12.1%	2,418	7.2%	2,446	1.2%
Social Security	942	959	1.8%	978	2.0%	997	1.9%	1,015	1.8%
All Other Fringe	374	413	10.4%	420	1.7%	426	1.4%	404	-5.2%
Fixed Costs	**391**	**389**	**-0.5%**	**401**	**3.1%**	**400**	**-0.2%**	**400**	**0.0%**

GSCs are projected to increase at an average annual rate of 6.5 percent over the Financial Plan period. This is due to projected growth in health insurance and pension costs, offset by revenue collected from fringe benefit assessments, particularly from the mental hygiene agencies. The annual growth associated with pensions reflects an increase to the State's pension contribution rate and an increase in the level of payments associated with prior year pension amortization.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

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

GENERAL FUND TRANSFERS TO OTHER FUNDS
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Total Transfers to Other Funds	**6,794**	**8,382**	**9,179**	**9,682**	**10,247**
Mental Hygiene Medicaid State Share	**2,846**	**1,813**	**1,338**	**1,311**	**1,279**
Debt Service	**1,647**	**1,328**	**1,483**	**1,452**	**1,345**
SUNY University Operations	**340**	**971**	**971**	**971**	**971**
Capital Projects	**916**	**1,227**	**1,384**	**1,400**	**1,799**
Dedicated Highway and Bridge Trust Fund	519	551	592	606	720
All Other Capital	397	676	792	794	1,079
All Other Transfers	**1,045**	**3,043**	**4,003**	**4,548**	**4,853**
Mental Hygiene	0	1,839	2,838	3,400	3,688
Department of Transportation (MTA Tax)	277	332	334	334	334
SUNY - Disproportionate Share	209	228	228	228	228
Judiciary Funds	112	107	108	109	109
SUNY - Hospital Operations	81	67	60	60	60
Banking Services	61	65	65	65	65
Statewide Financial System	48	53	55	55	55
Indigent Legal Services	34	40	40	40	40
Mass Transportation Operating Assistance	38	37	37	37	37
Alcoholic Beverage Control	17	18	20	20	20
Information Technology Services	14	40	14	6	10
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
All Other	132	195	182	172	185

A significant portion of the capital and operating expenses of DOT and DMV are funded from the DHBTF. The Fund receives various dedicated tax and fee revenues, including the petroleum business tax, motor fuel tax, and highway use taxes. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund — capital and operating expenses of DOT and DMV, debt service on certain transportation bonds — exceed current and projected revenue deposits and bond proceeds.

General Fund transfers to other funds are expected to total $8.4 billion in FY 2014 — a $1.6 billion increase from FY 2013. This increase is partially attributable to the accounting of SUNY operating support as a transfer rather than a direct State Operations expense in the General Fund, and the reduction in Federal aid for Mental Hygiene service, which results in an increase in State costs.

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 certain State public authorities on the State's behalf. 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. See "Capital Program and Financing Plan" herein for more information.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Annual Change	Percent Change
General Fund	**1,647**	**1,328**	**(319)**	**-19.4%**
Other State Support	4,491	4,415	(76)	-1.7%
State Operating Funds	**6,138**	**5,743**	**(395)**	**-6.4%**

Total debt service is projected at $5.7 billion in FY 2014, of which $1.3 billion is paid from the General Fund through transfers, and $4.4 billion from other State funds. The General Fund transfer finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

Enacted Budget projections for debt service spending have been revised to reflect a number of factors, including planned bond sales, the prepayment of $203 million of debt service otherwise due during FY 2014, and legislative actions taken in the budget, including enactment of the new sales tax revenue bond credit.

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
FY 2014 THROUGH FY 2017
(millions of dollars)

	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Taxes:				
Withholdings	33,166	35,511	37,844	40,098
Estimated Payments	13,838	13,707	14,805	15,752
Final Payments	2,186	2,151	2,251	2,350
Other Payments	1,231	1,268	1,308	1,353
Gross Collections	50,421	52,637	56,208	59,553
State/City Offset	(423)	(248)	(198)	(148)
Refunds	(7,455)	(8,355)	(9,017)	(9,506)
Reported Tax Collections	42,543	44,034	46,993	49,899
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	42,543	44,034	46,993	49,899
Sales and Use Tax	12,530	13,101	13,695	14,085
Cigarette and Tobacco Taxes	1,491	1,466	1,436	1,405
Motor Fuel Tax	500	504	507	510
Alcoholic Beverage Taxes	251	256	261	266
Highway Use Tax	140	143	151	149
Auto Rental Tax	114	119	124	124
Taxicab Surcharge	90	100	101	101
Gross Utility Taxes and Fees	15,116	15,689	16,275	16,640
LGAC/STBF (Dedicated Transfers)	0	0	0	0
User Taxes and Fees	15,116	15,689	16,275	16,640
Corporation Franchise Tax	3,379	2,704	3,085	3,234
Corporation and Utilities Tax	788	833	854	881
Insurance Taxes	1,587	1,644	1,706	1,730
Bank Tax	1,694	1,789	1,870	1,956
Petroleum Business Tax	1,190	1,225	1,235	1,245
Business Taxes	8,638	8,195	8,750	9,046
Estate Tax	1,050	1,125	1,140	1,150
Real Estate Transfer Tax	740	810	885	940
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18
Other Taxes	1	1	1	1
Gross Other Taxes	1,809	1,954	2,044	2,109
Real Estate Transfer Tax (Dedicated)	0	0	0	0
Other Taxes	1,809	1,954	2,044	2,109
Payroll Tax	1,245	1,322	1,401	1,483
Total Taxes	69,351	71,194	75,463	79,177
Licenses, Fees, Etc.	681	747	638	644
Abandoned Property	650	655	655	655
Motor Vehicle Fees	1,318	1,318	1,318	1,318
ABC License Fee	56	52	58	54
Reimbursements	232	232	231	232
Investment Income	5	30	30	30
Other Transactions	20,679	21,915	21,510	20,955
Miscellaneous Receipts	23,621	24,949	24,440	23,888
Federal Grants	47,433	47,262	48,242	50,965
Total	140,405	143,405	148,145	154,030

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	42,480	8,347	17,124	67,951
Miscellaneous Receipts	3,096	15,656	472	19,224
Federal Receipts	2	1	72	75
Total Receipts	45,578	24,004	17,668	87,250
Disbursements:				
Local Assistance Grants	40,258	19,306	0	59,564
Departmental Operations:				
Personal Service	5,681	6,676	0	12,357
Non-Personal Service	1,883	3,544	40	5,467
General State Charges	4,953	2,136	0	7,089
Debt Service	0	0	5,743	5,743
Capital Projects	0	5	0	5
Total Disbursements	52,775	31,667	5,783	90,225
Other Financing Sources (Uses):				
Transfers from Other Funds	15,678	7,601	4,890	28,169
Transfers to Other Funds	(8,382)	(186)	(16,716)	(25,284)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,296	7,415	(11,826)	2,885
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	99	(248)	59	(90)
Designated General Fund Reserves:				
Community Projects Fund	(25)			
Prior-Year Labor Agreements (2007-2011)	(26)			
Debt Management	250			
Undesignated Fund Balance	(100)			
Increase (Decrease) in Reserves	99			
Net General Fund Deficit	0			

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	43,235	8,697	17,833	69,765
Miscellaneous Receipts	3,551	16,061	644	20,256
Federal Receipts	0	1	72	73
Total Receipts	46,786	24,759	18,549	90,094
Disbursements:				
Local Assistance Grants	42,598	19,620	0	62,218
Departmental Operations:				
Personal Service	5,850	6,787	0	12,637
Non-Personal Service	1,968	3,601	40	5,609
General State Charges	5,328	2,203	0	7,531
Debt Service	0	0	6,123	6,123
Capital Projects	0	5	0	5
Total Disbursements	55,744	32,216	6,163	94,123
Other Financing Sources (Uses):				
Transfers from Other Funds	16,098	7,874	4,605	28,577
Transfers to Other Funds	(9,179)	(321)	(16,997)	(26,497)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,919	7,553	(12,392)	2,080
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,039)	96	(6)	(1,949)
Designated General Fund Reserves:				
Community Projects Fund	(35)			
Prior-Year Labor Agreements (2007-2011)	10			
Increase (Decrease) in Reserves	(25)			
Net General Fund Deficit	(2,014)			

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,143	8,941	18,930	74,014
Miscellaneous Receipts	2,682	16,196	486	19,364
Federal Receipts	0	1	72	73
Total Receipts	48,825	25,138	19,488	93,451
Disbursements:				
Local Assistance Grants	45,056	19,815	0	64,871
Departmental Operations:				
Personal Service	6,111	6,960	0	13,071
Non-Personal Service	2,005	3,730	40	5,775
General State Charges	5,604	2,348	0	7,952
Debt Service	0	0	6,482	6,482
Capital Projects	0	5	0	5
Total Disbursements	58,776	32,858	6,522	98,156
Other Financing Sources (Uses):				
Transfers from Other Funds	16,758	8,203	4,534	29,495
Transfers to Other Funds	(9,682)	(278)	(17,507)	(27,467)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,076	7,925	(12,973)	2,028
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,875)	205	(7)	(2,677)
Designated General Fund Reserves:				
Community Projects Fund	(33)			
Prior-Year Labor Agreements (2007-2011)	14			
Increase (Decrease) in Reserves	(19)			
Net General Fund Deficit	(2,856)			

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,642	9,185	19,895	77,722
Miscellaneous Receipts	2,653	16,401	449	19,503
Federal Receipts	0	1	72	73
Total Receipts	51,295	25,587	20,416	97,298
Disbursements:				
Local Assistance Grants	47,276	20,012	0	67,288
Departmental Operations:				
Personal Service	6,127	7,077	0	13,204
Non-Personal Service	2,086	3,825	40	5,951
General State Charges	5,873	2,412	0	8,285
Debt Service	0	0	6,783	6,783
Capital Projects	0	5	0	5
Total Disbursements	61,362	33,331	6,823	101,516
Other Financing Sources (Uses):				
Transfers from Other Funds	17,408	8,294	4,403	30,105
Transfers to Other Funds	(10,247)	(282)	(17,975)	(28,504)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,161	8,012	(13,572)	1,601
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,906)	268	21	(2,617)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	14			
Increase (Decrease) in Reserves	14			
Net General Fund Deficit	(2,920)			

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	42,480	8,347	1,400	17,124	69,351
Miscellaneous Receipts	3,096	15,842	4,211	472	23,621
Federal Receipts	2	45,138	2,221	72	47,433
Total Receipts	45,578	69,327	7,832	17,668	140,405
Disbursements:					
Local Assistance Grants	40,258	59,582	2,104	0	101,944
Departmental Operations:					
Personal Service	5,681	7,329	0	0	13,010
Non-Personal Service	1,883	4,615	0	40	6,538
General State Charges	4,953	2,454	0	0	7,407
Debt Service	0	0	0	5,743	5,743
Capital Projects	0	5	5,892	0	5,897
Total Disbursements	52,775	73,985	7,996	5,783	140,539
Other Financing Sources (Uses):					
Transfers from Other Funds	15,678	7,602	1,557	4,890	29,727
Transfers to Other Funds	(8,382)	(3,191)	(1,505)	(16,716)	(29,794)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	7,296	4,411	390	(11,826)	271
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	99	(247)	226	59	137
Designated General Fund Reserves:					
Community Projects Fund	(25)				
Prior-Year Labor Agreements (2007-2011)	(26)				
Debt Management	250				
Undesignated Fund Balance	(100)				
Increase (Decrease) in Reserves	99				
Net General Fund Deficit	0				

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	43,235	8,697	1,429	17,833	71,194
Miscellaneous Receipts	3,551	16,247	4,507	644	24,949
Federal Receipts	0	45,162	2,028	72	47,262
Total Receipts	46,786	70,106	7,964	18,549	143,405
Disbursements:					
Local Assistance Grants	42,598	60,969	1,716	0	105,283
Departmental Operations:					
Personal Service	5,850	7,433	0	0	13,283
Non-Personal Service	1,968	4,570	0	40	6,578
General State Charges	5,328	2,521	0	0	7,849
Debt Service	0	0	0	6,123	6,123
Capital Projects	0	5	6,429	0	6,434
Total Disbursements	55,744	75,498	8,145	6,163	145,550
Other Financing Sources (Uses):					
Transfers from Other Funds	16,098	7,875	1,447	4,605	30,025
Transfers to Other Funds	(9,179)	(2,387)	(1,509)	(16,997)	(30,072)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	6,919	5,488	244	(12,392)	259
Excess (Deficiency) of Receipts and Other	(2,039)	96	63	(6)	(1,886)
Designated General Fund Reserves:					
Community Projects Fund	(35)				
Prior-Year Labor Agreements (2007-2011)	10				
Increase (Decrease) in Reserves	(25)				
Net General Fund Deficit	(2,014)				

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,143	8,941	1,449	18,930	75,463
Miscellaneous Receipts	2,682	16,382	4,890	486	24,440
Federal Receipts	0	46,510	1,660	72	48,242
Total Receipts	48,825	71,833	7,999	19,488	148,145
Disbursements:					
Local Assistance Grants	45,056	62,517	1,405	0	108,978
Departmental Operations:					
Personal Service	6,111	7,638	0	0	13,749
Non-Personal Service	2,005	4,675	0	40	6,720
General State Charges	5,604	2,681	0	0	8,285
Debt Service	0	0	0	6,482	6,482
Capital Projects	0	5	6,626	0	6,631
Total Disbursements	58,776	77,516	8,031	6,522	150,845
Other Financing Sources (Uses):					
Transfers from Other Funds	16,758	8,204	1,463	4,534	30,959
Transfers to Other Funds	(9,682)	(2,316)	(1,513)	(17,507)	(31,018)
Bond and Note Proceeds	0	0	120	0	120
Net Other Financing Sources (Uses)	7,076	5,888	70	(12,973)	61
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,875)	205	38	(7)	(2,639)
Designated General Fund Reserves:					
Community Projects Fund	(33)				
Prior-Year Labor Agreements (2007-2011)	14				
Increase (Decrease) in Reserves	(19)				
Net General Fund Deficit	(2,856)				

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,642	9,185	1,455	19,895	79,177
Miscellaneous Receipts	2,653	16,587	4,199	449	23,888
Federal Receipts	0	49,276	1,617	72	50,965
Total Receipts	51,295	75,048	7,271	20,416	154,030
Disbursements:					
Local Assistance Grants	47,276	65,654	1,137	0	114,067
Departmental Operations:					
Personal Service	6,127	7,764	0	0	13,891
Non-Personal Service	2,086	4,685	0	40	6,811
General State Charges	5,873	2,750	0	0	8,623
Debt Service	0	0	0	6,783	6,783
Capital Projects	0	5	6,593	0	6,598
Total Disbursements	61,362	80,858	7,730	6,823	156,773
Other Financing Sources (Uses):					
Transfers from Other Funds	17,408	8,295	1,862	4,403	31,968
Transfers to Other Funds	(10,247)	(2,216)	(1,595)	(17,975)	(32,033)
Bond and Note Proceeds	0	0	65	0	65
Net Other Financing Sources (Uses)	7,161	6,079	332	(13,572)	0
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,906)	269	(127)	21	(2,743)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	14				
Increase (Decrease) in Reserves	14				
Net General Fund Deficit	(2,920)				

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2014
(dollars in millions)

	2013 April Results	May Results	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2014 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,610	6,379	3,744	3,918	3,920	3,293	5,005	4,219	2,817	4,166	6,061	6,125	1,610
RECEIPTS:													
Personal Income Tax	4,993	1,790	2,477	1,961	1,731	2,796	1,869	1,248	2,919	3,065	2,006	1,633	28,488
User Taxes and Fees	540	431	628	506	496	657	492	483	662	582	460	611	6,548
Business Taxes	355	109	1,001	149	55	1,158	132	113	1,198	142	89	1,874	6,375
Other Taxes	91	111	90	89	90	90	89	89	89	89	89	63	1,069
Total Taxes	5,979	2,441	4,196	2,705	2,372	4,701	2,582	1,933	4,868	3,878	2,644	4,181	42,480
Abandoned Property	0	0	45	15	15	70	5	130	25	25	70	250	650
ABC License Fee	6	6	4	4	5	5	4	4	5	4	5	4	56
Investment Income	0	0	1	1	1	0	0	1	0	0	0	1	5
Licenses, Fees, etc.	41	82	75	45	40	85	45	40	80	55	45	48	681
Motor vehicle fees	28	(24)	0	0	0	0	0	0	0	0	13	9	26
Reimbursements	8	1	35	5	5	45	15	15	35	15	20	33	232
Other Transactions	39	2	164	43	271	313	39	14	45	35	15	466	1,446
Total Miscellaneous Receipts	122	67	324	113	337	518	108	204	190	134	168	811	3,096
Federal Grants	0	0	0	0	0	0	0	0	0	0	0	2	2
PIT in Excess of Revenue Bond Debt Service	1,664	421	967	443	221	1,116	393	183	1,047	1,069	368	948	8,840
Tax in Excess of LGAC/Sales Tax Debt Service	377	318	738	438	382	594	425	424	595	509	204	436	5,440
Real Estate Taxes in Excess of CW/CA Debt Service	41	57	49	47	50	53	51	36	38	39	37	34	532
All Other	34	59	5	10	0	46	34	0	29	40	71	538	866
Total Transfers from Other Funds	2,116	855	1,759	938	653	1,809	903	643	1,709	1,657	680	1,956	15,678
TOTAL RECEIPTS	8,217	3,363	6,279	3,756	3,362	7,028	3,593	2,780	6,767	5,669	3,492	6,950	61,256
DISBURSEMENTS:													
School Aid	188	2,489	1,950	70	550	1,470	685	1,200	1,620	280	495	6,293	17,290
Higher Education	19	8	760	9	364	181	355	33	221	55	347	440	2,792
All Other Education	23	261	65	159	111	278	72	33	230	106	180	501	2,019
Medicaid - DOH	973	1,253	914	1,080	1,157	874	882	1,041	893	806	813	539	11,225
Public Health	23	46	50	32	107	82	42	46	61	46	42	143	720
Mental Hygiene	2	0	233	1	1	245	147	1	235	101	121	254	1,341
Children and Families	62	58	229	72	72	231	78	78	125	189	73	333	1,600
Temporary & Disability Assistance	151	105	105	137	105	137	105	105	105	105	41	191	1,392
Transportation	0	23	1	0	24	0	0	24	15	0	10	1	98
Unrestricted Aid	0	11	388	5	0	96	7	1	188	0	0	68	764
All Other	9	19	219	57	36	46	(6)	27	40	197	210	163	1,017
Total Local Assistance Grants	1,450	4,273	4,914	1,622	2,527	3,640	2,367	2,589	3,733	1,885	2,332	8,926	40,258
Personal Service	447	525	433	575	433	430	504	427	553	431	427	496	5,681
Non-Personal Service	116	154	125	144	153	151	145	153	117	127	120	378	1,883
Total State Operations	563	679	558	719	586	581	649	580	670	558	547	874	7,564
General State Charges	443	603	133	571	540	195	512	538	49	662	286	421	4,953
Debt Service	567	(187)	(33)	392	(4)	(102)	476	0	(22)	385	(18)	(126)	1,328
Capital Projects	66	111	84	77	84	123	45	55	84	84	84	330	1,227
State Share Medicaid	40	226	141	167	159	168	159	172	165	164	176	76	1,813
SUNY Operations	210	210	210	182	0	0	0	160	0	0	0	(1)	971
Other Purposes	109	83	98	24	97	711	171	88	739	36	21	866	3,043
Total Transfers to Other Funds	992	443	500	842	336	900	851	475	966	669	263	1,145	8,382
TOTAL DISBURSEMENTS	3,448	5,998	6,105	3,754	3,989	5,316	4,379	4,182	5,418	3,774	3,428	11,366	61,157
Excess/(Deficiency) of Receipts over Disbursements	4,769	(2,635)	174	2	(627)	1,712	(786)	(1,402)	1,349	1,895	64	(4,416)	99
CLOSING BALANCE	6,379	3,744	3,918	3,920	3,293	5,005	4,219	2,817	4,166	6,061	6,125	1,709	1,709

Source: NYS DOB

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

[This page intentionally left blank]

APPENDIX B-I

SUMMARY OF CERTAIN PROVISIONS OF NEW YORK STATE URBAN DEVELOPMENT CORPORATION STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) GENERAL RESOLUTION

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

Definitions

Acts shall mean the Issuer Act and the Enabling Act.

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

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

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

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

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

Financing Agreement shall mean the State Personal Income Tax Revenue Bonds (General Purpose) Financing Agreement dated as of December 1, 2009 between the Issuer and the State, acting through the Director of the Budget.

Issuer shall mean the New York State Urban Development Corporation d/b/a Empire State Development, the corporate governmental agency created by the Issuer Act, and its successors and permitted assigns.

Issuer Act shall mean the New York State Urban Development Corporation Act (being Chapter 174 of the Laws of the State, 1968, as amended, and constituting Subchapter I, Chapter 24 of Title 16 of McKinney's Unconsolidated Laws, Section 6251 et seq., as amended) as existing from time to time, together with any other provision of State law relating to the authorization or financing of Costs of a Project.

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

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

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

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

(Section 101)

Standard Resolution Provisions

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

(Section 102)

Authority for the Resolution

The Resolution is adopted pursuant to the provisions of the Acts.

(Section 103)

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds, over any other thereof except as expressly provided in or permitted by the Resolution.

(Section 104)

Authorization of Bonds

The Resolution authorizes one or more Series of Bonds of the Issuer for an Authorized Purpose to be designated as "State Personal Income Tax Revenue Bonds (General Purpose)" and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds. The Bonds shall be special obligations of the Issuer secured by the pledge effected pursuant to the Standard Resolution Provisions and are payable solely out of the Pledged

Property, without recourse against any other assets, revenues or funds of or other payments due to the Issuer. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

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

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

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

(Section 201)

The Pledge Effected by the Resolution

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

(Section 501)

Establishment of Funds

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

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

Additional Funds, or accounts and subaccounts within each of the foregoing Funds may from time to time be established in accordance with a Supplemental Resolution, Certificate of Determination or upon the

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

(Section 502)

Revenue Fund

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

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

(Section 503)

Debt Service Fund

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

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

i) The interest due on all Outstanding Bonds on such Interest Payment Date;

ii) The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;

iii) The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;

iv) The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and

v) Amounts due with respect to Parity Reimbursement Obligations.

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

In the event of the refunding of any Bonds, the Trustee shall, upon the direction of the Issuer, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee or any other

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

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

(Section 504)

Rebate Fund

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

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

(Section 505)

Bond Proceeds Fund

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

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

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

in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the Bonds and of Parity Reimbursement Obligations when due.

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

(Section 506)

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

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

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

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the provisions of the preceding paragraph, of the maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Concurrently with such delivery of such Bonds the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered, (iii) the aggregate principal amount of the Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Bonds.

The Trustee shall, in the manner provided in the Resolution, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

Notwithstanding the provisions of the second paragraph of this section, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of a Series theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) is sufficient to make provision pursuant to the Standard Resolution Provisions for the payment of such Outstanding Bonds at the maturity or Redemption Date thereof, the Issuer may request the Trustee to take such action consistent with the Standard Resolution Provisions as is required thereby to deem such Bonds to have been paid within the meaning of the Standard Resolution Provisions. The Trustee, upon receipt of such request and irrevocable instructions of the Issuer to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 507)

Administrative Fund

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

Amounts in the Administrative Fund being held for Issuer Expenses the payment of which is not immediately required may in the discretion of the Issuer be invested in Investment Obligations. The Issuer may by written instruction to the Trustee sell any such investments at any time and the proceeds of such sale and of all payments at maturity or upon redemption of such investments shall be held in the Administrative Fund. Whenever the Administrative Fund exceeds the amount reasonable and necessary for Issuer Expenses, the Issuer shall direct the Trustee to pay the excess to the Revenue Fund.

Investment income on amounts in the Administrative Fund shall be deposited into the Revenue Fund.

(Section 508)

Subordinated Payment Fund

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; provided, however, that (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; provided, however, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all Revenues for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Issuer.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in this section pursuant to any resolution adopted by, or otherwise at the written direction of, the Issuer.

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

(Section 509)

Transfer of Investments

Whenever moneys in any Fund or account established under the Resolution or under any Supplemental Resolution are to be paid in accordance with the Resolution to another such Fund or account, such payment may be made, in whole or in part, by transferring to such other Fund or account investments

held as part of the Fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, provided that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

(Section 510)

Power to Issue Bonds and Effect Pledge

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and pledge the Pledged Property in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Holders of Bonds and other obligations under the Resolution against all claims and demands of all Persons whomsoever.

(Section 601)

APPENDIX B-II

SUMMARY OF CERTAIN PROVISIONS OF THE STATE PERSONAL INCOME TAX REVENUE BONDS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Standard Resolution Provisions or the Resolution to which the Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Standard Resolution Provisions and the Resolution. Copies of the Standard Resolution Provisions and the Resolution may be obtained upon request from Empire State Development.

Definitions

Capitalized terms used but not otherwise defined in this Summary shall have the meanings set forth in the General Resolution to which the Standard Resolution Provisions are appended. The following terms shall, for all purposes therein and (except as the context may otherwise require) in the General Resolution to which these Standard Resolution Provisions are appended, have the following meanings:

Accreted Value shall mean, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Additional Bonds shall mean Bonds authenticated and delivered on original issuance pursuant to the Standard Resolution Provisions.

Amortized Value when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value of such Investment Obligations computed by using an industry standard constant yield method selected by an Authorized Officer of the Issuer.

Appreciated Value shall mean with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds, (ii) as of any date prior to the Interest Commencement Date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Arbitrage and Use of Proceeds Certificate shall mean, with respect to any Series of Bonds, the interest on which is intended by the Issuer to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer of the Issuer in connection with the initial issuance

and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Issuer relating to the federal tax status of such Series of Bonds, as such certificate or certificates may be amended and supplemented from time to time.

Authorized Issuer shall mean any public authority or public benefit corporation enumerated by subdivision 1 of Section 68-a.

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

Authorized Purpose shall mean a purpose as provided by the Enabling Act for the Issuer.

Bank shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Bond or **Bonds** shall mean any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution; provided, however, that such terms shall not include any Bond Anticipation Notes, or bonds, notes or other obligations, including Qualified Swaps, payable from the Subordinated Payment Fund.

Bond Anticipation Notes shall mean notes issued pursuant to the Standard Resolution Provisions.

Bond Counsel shall mean an attorney or law firm or law firms, appointed by the Issuer, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bondholder, **Holder** or **Holder of Bonds**, or any similar term, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day shall mean a day of the year which is not a Saturday, Sunday, or a day on which the Trustee or banking institutions chartered by the State or the United States of America are required or authorized by law to close in The City of New York, or any day on which the New York Stock Exchange is closed.

Calculated Debt Service shall mean for any period, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligations, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

With respect to Put Bonds and any Bonds of a Series the interest on which is payable periodically and at least twenty five per centum (25%) of the original principal amount of which is stated to mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30 year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the

Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Debt Service.

If the Issuer has, at any time, irrevocably called for redemption of one or more Series of Bonds, including pursuant to a covenant to apply any portion of the Pledged Property to redeem Bonds or Parity Reimbursement Obligations (which particular Bonds or Parity Reimbursement Obligations need not be specifically identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

With respect to Parity Reimbursement Obligations, an interest rate calculated at a higher interest rate on the related Bonds shall only be taken into account if, at the time of calculation, such higher rates are then payable thereon.

Capital Appreciation Bonds shall mean Bonds of a Series denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Bonds. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

Certificate of Determination shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Parity Reimbursement Obligations, Credit Facilities, Subordinated Indebtedness, or other matters in accordance with the delegation of power to do so under the Resolution or a Supplemental Resolution.

Code shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds or the use of Bond proceeds.

Comptroller shall mean the Comptroller of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any other official of the State authorized to act on behalf of the Comptroller in connection therewith.

Cost or Costs of a Project shall mean costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses for labor and materials and payments to consultants, contractors, builders and materialmen, for the acquisition, design, construction, reconstruction, rehabilitation, preservation, development, improvement or modernization of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising the construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the State or the Issuer for advances made by

either party for any of the above items or for other costs incurred and for work done by the State or Issuer in connection with the Project, and (viii) grants or loans by or on behalf of the State for any of the foregoing.

Cost or Costs of Issuance shall mean the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense shall include Issuer Expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Securities Depository, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Qualified Swaps and other similar financial arrangements, costs and expenses of refunding of Bonds or Prior Obligations and other costs, charges and fees, including those of the Issuer, in connection with the foregoing.

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

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds or Parity Reimbursement Obligations.

Debt Service for any period shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of Parity Reimbursement Obligations accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligations that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Bonds and Parity Reimbursement Obligations; provided, however, that, unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until the later of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Bond or Parity Reimbursement Obligation.

Defeased Municipal Obligations shall mean pre-refunded municipal obligations rated in the highest Rating Category by each Rating Agency and meeting the following requirements:

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

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

Deferred Income Bond shall mean any Bond (1) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (i) compounded on each Valuation Date for such Deferred Income Bond and (ii) payable only at the maturity or prior redemption of such Bonds and (2) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Bond

shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

Director of the Budget shall mean the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

Enabling Act shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as may be hereafter amended from time to time.

Estimated Average Interest Rate shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Issuer in consultation with the Director of the Budget.

Event of Default shall mean any Event of Default set forth in the Standard Resolution Provisions.

Fiduciary shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fiduciary Capital Funds when used with respect to any Fiduciary shall mean the total of (i) paid in capital, (ii) surplus, (iii) undivided profits and (iv) the par value of outstanding capital notes issued and subordinated to the claims of creditors of such Fiduciary other than the holders of such capital notes.

Financing Agreement shall mean the applicable financing agreement authorized by subdivision 1 of Section 68-c, as amended and supplemented in accordance with the terms thereof and the Standard Resolution Provisions and referred to in the Standard Resolution Provisions.

Financing Agreement Payment shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a "Financing Agreement Payment", to pay to the Issuer or the Trustee from amounts available therefor in the Revenue Bond Tax Fund.

Fund shall mean any one of the funds created and established pursuant to the Resolution.

Government Obligations shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least $50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

Interest Commencement Date shall mean, with respect to any particular Deferred Income Bond, the date determined by Supplemental Resolution after which interest accruing on such Bond shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

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

Investment Obligations shall mean any of the following that are lawful investments at the time of the investment:

(a) Government Obligations,

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

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

(d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by each Rating Agency,

(e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by each Rating Agency,

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

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

(h) any repurchase agreement for Government Obligations by the Issuer or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protection Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if "primary reporting dealers" cease to be determined by the Federal Reserve Bank, such other comparable standard as the Issuer shall implement pursuant to a Supplemental Resolution; provided, however, that the Government

Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

(i) commercial paper rated in the highest Rating Category by each Rating Agency,

(j) investment agreements, secured or unsecured, with any institutions whose debt securities are rated in one of the two highest Rating Categories (or rated in the highest Rating Category for short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency,

(k) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above,

(l) shares or an interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as from time to time amended, whose objective is to maintain a constant share value of $1.00 per share and that is rated in the highest Rating Category for short-term obligations by at least one Rating Agency; and

(m) any other obligations from time to time permitted pursuant to the Issuer Act or other applicable law; provided, however, that if the funds invested in any such obligation are pledged for the payment of Bonds under the Resolution and the Bonds are then rated by a Rating Agency, such obligation shall be rated in one of the two highest Rating Categories of each such Rating Agency.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

Issuer Board shall mean the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

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

Outstanding, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond canceled or delivered for cancellation at or prior to such date;

2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;

3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and

4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

Parity Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Paying Agent or **Paying Agents** shall mean any paying agent for the Bonds of any Series appointed pursuant to the Standard Resolution Provisions, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Trustee, if a different entity, or the Issuer shall act as such Paying Agent.

Person shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

Pledged Property shall mean all of the Issuer's right, title and interest in and to (i) the Financing Agreements (other than (A) the Issuer's right to receive the payment of Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Standard Resolution Provisions, and (D) the right of the Issuer to enforce the provisions of any Financing Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Financing Agreement Payments) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Revenues and Funds (other than the Rebate Fund and other Funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness; provided, however, that such Funds, accounts and subaccounts are specifically excepted from Pledged Property by the Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness), including Investment Obligations held in such Funds under the Resolution, together with all proceeds and revenues of the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Resolution; provided, however, that in no event shall any Project or any interest therein be deemed to be "Pledged Property".

Principal Installment shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Standard Resolution Provisions as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

Prior Obligations shall mean bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Resolution to finance Costs of a Project.

Project shall mean the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose.

Put Bonds shall mean Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Issuer for payment or purchase prior to the stated maturity or redemption date thereof.

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

Qualified Swap Payment shall mean any payment required to be made by the Issuer under a Qualified Swap, such payment to be made only from the Subordinated Indebtedness Fund.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

Rating Agency shall mean each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

Rating Category shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; provided, however,

that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Bonds.

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

Record Date shall mean with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date.

Redemption Date shall mean the date upon which Bonds are to be called for redemption pursuant to the Resolution.

Redemption Price shall mean, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

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

Regulations shall mean the Income Tax Regulations promulgated by the Department of the Treasury from time to time.

Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Requisition shall mean any instructions as deemed necessary and delivered by the Director of the Budget to the Issuer, providing for the payment of Bond proceeds to the State or any other entity.

Revenues shall mean (i) all amounts appropriated and paid to the Issuer or the Trustee from the Revenue Bond Tax Fund pursuant to Section 92-z and the Financing Agreement, constituting Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution.

Revenue Bond Tax Fund shall mean the fund established by section 92-z of the State Finance Law.

Section 92-z shall mean section 92-z of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-a shall mean section 68-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-b shall mean section 68-b of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-c shall mean section 68-c of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Securities Depository shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Bonds (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

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

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

State shall mean the State of New York.

State Fiscal Year shall mean the fiscal year of the State as set forth in the State Finance Law.

State Legislature shall mean the Legislature of the State of New York.

State Revenue Bonds shall mean any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereinafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

Subordinated Indebtedness shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting "Subordinated Indebtedness" in a certificate of an Authorized Officer of the Issuer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Resolution, and any lien on and pledge of any portion of the Pledged Property securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Pledged Property created in the Resolution for the payment of the Bonds and Parity Reimbursement Obligations.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

Tax Law shall mean the tax law constituting Chapter 60 of the consolidated laws of the State.

Taxable Bonds shall mean any Bonds which are not Tax Exempt Bonds.

Tax Exempt Bonds shall mean any Bonds the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax Exempt Bonds in the Supplemental Resolution authorizing such obligations.

Trustee shall mean a trustee appointed by the Issuer or as otherwise provided in the Standard Resolution Provisions, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

Valuation Date shall mean (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

Variable Interest Rate Bonds shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued or incurred under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and Parity Reimbursement Obligations; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and Parity Reimbursement Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or Parity Reimbursement Obligations over any other thereof except as expressly provided in or permitted by the Resolution.

(Section A-104)

General Provisions for Issuance of Bonds

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution and a Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Resolution and which shall be subject to the express limitations of the Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Standard Resolution Provisions and delivered to the Trustee. Such Series of Bonds or subseries shall be authenticated or otherwise delivered by the Trustee from time to time in such amounts as directed by the Issuer and by it delivered to or upon the order of the Issuer upon receipt of the consideration therefor and upon delivery to the Trustee of:

(A) a copy of the Resolution and the Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;

2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds as provided in the Standard Resolution Provisions;

3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;

4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;

5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is other than the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date for such Bonds;

6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;

7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;

9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;

10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;

11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;

12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;

14. The redemption provisions, if any, applicable to the Bonds of such Series;

15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;

16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Resolution. Except as otherwise provided pursuant to a Supplemental Resolution, all of the Bonds of each Series shall be in fully registered form without coupons;

17. Directions for the application of the proceeds of the Bonds of such Series;

18. To the extent applicable, direction to deliver such Series of Bonds in book-entry form to the extent materially different from the provisions of the Standard Resolution Provisions;

19. To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder; and

20. Any other provision deemed advisable by an Authorized Officer of the Issuer, not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Supplemental Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to such delegation, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution;

(B) A Counsel's Opinion in customary form to the effect that (i) the Issuer has the right and power under the Acts to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required, (ii) the Resolution creates the valid pledge to the payment of the Bonds of the Pledged Property which it purports to create pursuant to the Standard Resolution Provisions, subject to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid and binding, special obligations of the Issuer payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Acts and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution;

(C) A certificate of an Authorized Officer of the Issuer stating that upon the delivery of the Bonds of such Series, the Issuer will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds; provided, however, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Standard Resolution Provisions, such certificate shall not be a condition to the authentication and delivery of such Refunding Bonds if and to the extent that a certificate of an Authorized Officer of the Issuer is delivered stating that upon the delivery of such Refunding Bonds the Issuer will no longer be in default in the performance of the terms, provisions or covenants of the Resolution or of any of the Bonds as specified in such certificate;

(D) A certificate of an Authorized Officer of the State stating that (i) to the best of such Authorized Officer's knowledge, no event of default under any Financing Agreements has occurred and is continuing nor will an event of default under any Financing Agreements occur as a result of the issuance of such Bonds, and (ii) the approval of the Director of the Budget for such financing;

(E) A copy of the Certificate of Determination, if any, executed in connection with such Series of Bonds;

(F) To the extent authorized by the Issuer pursuant to a Supplemental Resolution, one or more Credit Facilities with respect to any Series of Bonds and any agreements deemed necessary in connection therewith;

(G) A written order of an Authorized Officer of the Issuer as to the delivery of such Series of Bonds, describing such Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(H) A certificate of an Authorized Officer of the Issuer setting forth the amount of money, if any, to be deposited into the Debt Service Fund, equal to (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the sum of the interest on the Bonds of such Series from the date of the Bonds of such Series to the date of delivery thereof;

(I) Any amounts (in the form of cash or Investment Obligations) required to be deposited with the Trustee at the time of issuance and delivery of the Bonds of such Series;

(J) Copies of the Financing Agreement applicable to such Series of Bonds; and

(K) Such further documents and moneys as are required by the provisions of the Standard Resolution Provisions or any Supplemental Resolution adopted pursuant to the Standard Resolution Provisions.

The Issuer may authorize by Supplemental Resolution the issuance of Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds, Put Bonds or any other form of Bond not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution.

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

(Section A-201)

Special Provisions for Additional Bonds

After the issuance of the initial Series of Bonds, one or more Series of Additional Bonds may be authorized and delivered upon original issuance for any Authorized Purpose, including payment of Costs of a Project and the refunding of Prior Obligations or Bonds or Parity Reimbursement Obligations or other indebtedness, upon receipt by the Trustee, in addition to any applicable requirements of the Standard Resolution Provisions, of the following:

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

(2) (I) A certificate by an Authorized Officer of the Issuer setting forth the Calculated Debt Service on all Outstanding Bonds, including such Series of Additional Bonds to be issued and any additional amounts payable with respect to Parity Reimbursement Obligations for each State Fiscal Year for which such Bonds or Parity Reimbursement Obligations are Outstanding and (II) a certificate of the Director of the Budget, including the amount of Calculated Debt Service set forth in the certificate required by clause (I) of this paragraph (based upon information furnished by each applicable Authorized Issuer pursuant to the related financing agreement), setting forth the calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) shall be made with respect to all Authorized Issuers that have issued bonds or parity reimbursement obligations pursuant to the Enabling Act, which bonds or parity reimbursement obligations are secured by payments to be made from the Revenue Bond Tax Fund for each State Fiscal Year for which such bonds or parity reimbursement obligations are outstanding; and

(3) A certificate by the Director of the Budget stating that the amounts set forth pursuant to paragraph (1) above will be at least 2.0 times the maximum calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) for all Authorized Issuers set forth in paragraph (2)(II) above for any State Fiscal Year set forth pursuant to paragraph (2)(II) above.

(Section A-202)

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds or Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations, or any outstanding Prior Obligations, in each case including all or any portion of a maturity. The Issuer may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) and to make such deposits required by the provisions of this section and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund Outstanding Bonds or Parity Reimbursement Obligations shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

(1) If the Bonds to be refunded are to be redeemed, irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a Redemption Date specified in such instructions;

(2) If Bonds to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions to the Holders of the Bonds being refunded;

(3) If Bonds to be refunded are to be deemed paid, either or both of

(i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and

(ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Standard Resolution Provisions, which Government Obligations and moneys shall be held in trust and used only as provided in the Standard Resolution Provisions; and

(4) Either (i) a certificate of an Authorized Officer of the Issuer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Bonds or Parity Reimbursement Obligations to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds as calculated immediately prior to the issuance of the Refunding Bonds (including the Bonds or Parity Reimbursement Obligations to be refunded or purchased but excluding the Refunding Bonds) and (b) stating that the greatest amount of

Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (B) above; or (ii) the certificates required by the Standard Resolution Provisions with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Obligations then proposed to be issued will be Outstanding but the Bonds or Parity Reimbursement Obligations to be refunded will no longer be Outstanding.

(B) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds in the Standard Resolution Provisions; and shall otherwise comply with any applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

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

(Section A-203)

Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations

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

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, under the captions "Supplemental Resolutions" and "Amendments", and following a default under the caption "Defaults and Remedies; Defeasance", except where the Credit Facilities provide only liquidity support and not credit support.

In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall

be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

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

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

(c) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Pledged Property; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Standard Resolution Provisions, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

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

(e) In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Issuer also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Issuer determines that such Qualified Swaps or other similar arrangements will assist the Issuer in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or related Certificate of Determination, the Issuer's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

(f) Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-204)

Bond Anticipation Notes

Whenever the Issuer shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer, subject to certain special provisions for additional bonds under the Standard Resolution Provisions, may by adoption of a Supplemental Resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only from (i) the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes, other than renewals thereof, shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination.

(Section A-205)

Additional Obligations

The Issuer reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Issuer, so long as such bonds, notes or other obligations are not, or such indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien on the Pledged Property created by the Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

(Section A-206)

Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed

In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the Resolution. Such

notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

Whenever by the terms of the Resolution, Bonds are required to be redeemed otherwise than at the election of the Issuer, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of the Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Standard Resolution Provisions) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds of such Series drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of such Bonds and select part of any such Bonds for redemption.

(Section A-402, A-403, and A-404)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in this paragraph. There is pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the provisions authorizing Subordinated Indebtedness in the Resolution) for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Pledged Property. Such pledge is for the equal and proportionate benefit and security of all and singular the present and future Holders of Bonds and obligees of Parity Reimbursement Obligations issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided in the Standard Resolution Provisions, of any one Bond or Parity Reimbursement Obligation over any other Bond or Parity Reimbursement Obligation, by reason of priority in the issue, sale or negotiation thereof or otherwise. The pledge and lien created by the Resolution for the Bonds and Parity Reimbursement Obligation shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligations secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in the first paragraph of this section is and shall be valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge are and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge is and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof; and (ii) neither the Resolution nor any other instrument need be recorded or filed to protect the pledge set forth in the aforementioned section.

The revenues, facilities, properties and any and all other assets of the Issuer, or of any subsidiary thereof, other than the Pledged Property, shall not be used for, or as a result of any court proceeding or

otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and interest on the Bonds, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Issuer, other than the Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Revenue Bond Tax Fund pursuant to Section 92-z, nor to maintain such taxes or the sources of any other funds at any minimum level, and moneys in the Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-z with respect to moneys on deposit in the Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in this section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Pledged Property.

(Section A-501)

Establishment of Funds

Funds and accounts shall be established as authorized by the Standard Resolution Provisions.

(Section A-502)

Payment of Bonds

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

(Section A-601)

Extension of Payment of Bonds

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of any assets of the Issuer or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Issuer to issue Refunding Bonds as permitted by the Resolution and by the Issuer Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

(Section A-602)

Offices for Servicing Bonds

The Issuer shall at all times maintain an office or agency in the State, where Bonds may be presented for payment, registration, transfer or exchange and where notices, presentations and demands upon the Issuer in respect of the Bonds or of the Standard Resolution Provisions may be served. The Issuer appoints the Trustee as its agent to maintain such office or agency in the State for the registration, transfer or exchange of Bonds, for the authentication of Bonds, and for the payment of Bonds.

(Section A-603)

Further Assurance

At any time and all times the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned by the Resolution, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign. The Issuer further covenants that it shall use its best efforts, to the extent authorized by law, to cause the Director of the Budget to make and deliver the certificates referred to in the Standard Resolution Provisions at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

(Section A-604)

Power to Issue Bonds and Pledge Revenues and Other Funds

The Issuer is duly authorized under the Acts, and all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Standard Resolution Provisions, the Pledged Property is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Issuer in accordance with their terms and the terms of the Resolution. The Issuer further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

(Section A-605)

Creation of Liens

Except in accordance with the provisions of the Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or any part of the Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Pledged Property except as provided in the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Issuer from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in the Standard Resolution Provisions or (ii) evidences of indebtedness secured by the Subordinated Payment Fund.

(Section A-606)

Certificate of the Director of the Budget

In order to assure the maintenance of the Funds and accounts held under the Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-z and the Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Revenue Bond Tax Fund; and

(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

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

2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Parity Reimbursement Obligations due in such State Fiscal Year;

3. all Issuer Expenses for such State Fiscal Year;

4. all principal of and interest or other amounts payable from the Subordinated Payment Fund and due in such State Fiscal Year;

5. any amounts required to rebate to the Department of the Treasury of the United States of America and not otherwise held in the Funds and accounts under the Resolution;

6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Revenue Bond Tax Fund in accordance with Section 92-z, to enable the Issuer to meet its obligations under the Resolution as they become due; provided, however, that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) the monthly amounts, as provided for in paragraph (a) above, required to be deposited to the Revenue Bond Tax Fund in such month is not less than one hundred twenty five percent (125%) of the monthly cash requirements, as provided for in paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and provided, further, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-z less (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Resolution and other amounts available under the Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-z.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-z. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any payment of principal, Sinking Fund Installments, if any, and Redemption Price of or interest on Bonds or with respect to Parity Reimbursement Obligations.

In any event, whether or not there has been any intervening requirement to revise such certificate under the Standard Resolution Provisions, promptly but in no event later than 30 days after the date of the issuance of any Series of Bonds under the Resolution or the issuance of any Parity Reimbursement Obligation, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of the Standard Resolution Provisions.

The agreement of the State under Section 68-c shall be deemed executory only to the extent of appropriations available for payments under Section 68-c and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

(Section A-607)

Agreement With the Director of the Budget

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Parity Reimbursement Obligations or other obligations under the Resolution (including obligations incurred pursuant to the Standard Resolution Provisions) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 68-c providing for the specific manner, timing and amount of payments to be made under Section 68-c and the Resolution. The Issuer shall approve the form and substance of such Financing Agreement with respect to any Series of Bonds prior to or concurrently with the adoption of the applicable Supplemental Resolution and shall use its best efforts, to the extent permitted by law, to take all steps necessary or appropriate to enforce such Financing Agreement and to assure compliance by the State therewith. The Issuer shall not enter into any such Financing Agreement that is not in conformity with the Acts and the Resolution.

(Section A-608)

Agreement With the State

In accordance with the provisions of the Enabling Act and to the extent applicable, the Issuer Act, the Issuer includes in the Resolution, to the fullest extent enforceable under applicable federal and State law, the pledge to, and agreement with, the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred under the Resolution made by the State and set forth in the Acts that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued or incurred under the Resolution, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

Notwithstanding any other provision of the Resolution, nothing contained in the Acts or the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes

imposing or relating to taxes imposed pursuant to Article 22 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued under the Resolution expressly agree that it shall be an integral part of the contract arising under the Resolution that no default thereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such tax.

(Section A-609)

Amendment of Financing Agreements

The Issuer shall not amend, change, modify, alter or terminate any Financing Agreement so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of the provider of a Credit Facility, if any, affected thereby, or, in the event that there is no Credit Facility in place with respect to the Series of Bonds affected thereby, without the prior written consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the providers of the Credit Facility, if any, or the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. Any Financing Agreement may be amended, supplemented, changed, modified or altered without the consent of the provider of the Credit Facility, if any, or the Holders of Outstanding Bonds to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, or the providing, furnishing and equipping of a Project or which may be added to such Project, or to provide for additional Financing Agreement Payments; and any Financing Agreement may be amended, supplemented, changed, modified or altered without such consent to cure any ambiguity, or to correct or supplement any provisions contained in any Financing Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Financing Agreement and which the Issuer determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be. In no event shall changes relating solely to Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or providers of Credit Facilities. Upon execution by the Issuer of any amendment, a copy thereof certified by the Issuer shall be filed with the Trustee and each provider of the Credit Facility affected thereby.

For the purposes of this section, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Financing Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the provider of a Credit Facility, as the case may be. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be, would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the provider of a Credit Facility, the Trustee and all Holders of Bonds; and, provided further, however, any such amendments deemed necessary by the Issuer to effect any assumption, extinguishment and substitution authorized by the Standard Resolution Provisions shall not be deemed to materially adversely affect the Bonds.

For all purposes of this section, the Issuer shall be entitled to rely upon a Counsel's Opinion (a copy of which shall be provided by the Issuer to any provider of a Credit Facility thereby affected), with respect to whether any amendment, change, modification or alteration materially adversely affects the right, security and interest of any Holders of Bonds and any provider of a Credit Facility of a Series then Outstanding.

(Section A-610)

Enforcement of Duties and Obligations of the State

The Issuer shall use its best efforts, to the extent permitted by law, to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Financing Agreement in the manner and at the times provided in such Financing Agreement provided, however, that the Issuer may delay, defer or waive enforcement of one or more provisions of said Financing Agreement (other than provisions requiring the payment of moneys to any Fund or account established under the Resolution), if the Issuer determines such delay, deferment or waiver will not materially adversely affect the right, security and interest of the Holders of the Bonds of the applicable Series or the issuer of any Credit Facility.

(Section A-611)

Reservation of State Rights of Assumption, Extinguishment and Substitution

It is expressly understood and agreed by the Issuer and the Holders or other obligees of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution to be an integral part of the contract arising under the Resolution that, in accordance with subdivision 6 of Section 68-c, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Revenues pledged under the Resolution, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Resolution, (ii) to extinguish the existing lien on Pledged Property created under the Resolution, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with either of paragraphs (a) or (b) below. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of paragraphs (a) and (b) below.)

(a) Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the Revenue Bond Tax Fund to be sources of payment or security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution;

provided, however, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-z and paragraph (a) of subdivision 5 of Section 92-z may be amended to delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-z are transferred to the general fund; and

3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in (a), (f) and (g) under "Events of Default" below, and shall include events of default to the effect of those contained in the Standard Resolution Provisions and shall grant the remedies contained in the Standard Resolution Provisions, provided that the Comptroller or the Attorney General of the State may serve in the capacity of the Trustee for such purposes and the State or other issuer of State Revenue Bonds may be substituted for the Issuer in the Standard Resolution Provisions, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions; and

4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Resolution; and

5. any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Standard Resolution Provisions; and

6. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of the Standard Resolution Provisions and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

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

(b) Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts,

maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided in the Resolution by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and

3. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of the Standard Resolution Provisions and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this paragraph (b) (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as provided in this paragraph (b)). No such assumption, extinguishment and substitution pursuant to this subdivision shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this paragraph (b), and (ii) the aforementioned Counsel's Opinion. Each such consent of a Bondholder shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that such Authorized Officer has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer in this paragraph (b) provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as in this section provided) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as in this section provided). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer

records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

(Section A-612)

Accounts and Reports

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

(Section A-613)

Tax Covenants

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

(Section A-614)

General

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been

performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

(Section A-615)

Notice as to Event of Default

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an "Event of Default", as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; provided, however, that the Issuer shall provide each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

(Section A-616)

Other Bonds Authorized by the Enabling Act

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

(Section A-617)

Investment of Funds

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Resolution. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Resolution shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of this section.

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

(Section A-701)

Trustee; Appointment and Acceptance of Duties

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

(Section A-801)

Paying Agents; Appointment and Acceptance of Duties

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

(Section A-802)

Responsibilities of Fiduciaries

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Resolution of the Issuer with respect to collection, accounting, review of and notice for any consents required thereunder.

(Section A-803)

Evidence on Which Fiduciaries May Act

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it in good faith to be genuine, and to

have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to any Fiduciary shall be sufficiently executed if executed in the name of the Issuer by an Authorized Officer.

(Section A-804)

Compensation

The Issuer shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution. The Issuer further agrees to the extent permitted by law to indemnify and save each such Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Issuer's obligation to make any payment pursuant to this section shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

(Section A-805)

Certain Permitted Acts

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

(Section A-806)

Resignation of Trustee

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

(Section A-807)

Removal of Trustee

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

(Section A-808)

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of the Standard Resolution Provisions within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Standard Resolution Provisions in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least $100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-809)

Transfer of Rights and Property to Successor Trustee

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the

Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

(Section A-810)

Merger or Consolidation

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; provided such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national banking association and shall, if it previously had not had such an office, have an office for the transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-811)

Resignation or Removal of Paying Agent and Appointment of Successor

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

(Section A-812)

Adoption and Filing

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligations as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligations may be incurred.

(Section A-901)

Supplemental Resolutions Effective Upon Adoption

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

To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;

To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To surrender any right, power or privilege reserved to or conferred upon the Issuer by the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Resolution;

To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;

To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;

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

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

To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Resolution as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

Notwithstanding the Standard Resolution Provisions, to the extent authorized by law and to the extent the Issuer shall have received a Counsel's Opinion that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of Bonds that are not in registered form;

To modify the pledge effected by Section 501 of the Resolution and such other provisions of the Resolution solely to give effect to an assumption, extinguishment and substitution consistent with the Standard Resolution Provisions;

Notwithstanding the terms and provisions of the Standard Resolution Provisions, to the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Bonds issued on a tax-exempt basis, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

To modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

To make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Holders of Outstanding Bonds or Parity Reimbursement Obligations.

In making any determination under the preceding paragraph, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

(Section A-902)

Supplemental Resolutions Effective with Consent of Trustee

Notwithstanding any other provision of the Standard Resolution Provisions, the Issuer may adopt a Supplemental Resolution amending any provision of the Resolution, effective upon filing with the Issuer of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

(Section A-903)

Supplemental Resolutions Effective with Consent of Bondholders

Except as permitted in the Standard Resolution Provisions, at any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the provisions of the Standard Resolution Provisions, which Supplemental Resolution, upon adoption and upon compliance with the Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Standard Resolution Provisions.

(Section A-904)

General Provisions

Nothing contained in the Standard Resolution Provisions shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of the Standard Resolution Provisions or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution it is provided shall be so delivered.

Any Supplemental Resolution referred to and permitted or authorized by the Standard Resolution Provisions described under "Adoption and Filing," "Supplemental Resolutions Effective Upon Adoption" and "Supplemental Resolutions Effective with Consent of Trustee" above may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of Budget, and (ii) the subject of a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. The Trustee shall be entitled to rely upon such opinion, which shall be conclusive evidence that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

The Trustee is authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Standard Resolution Provisions and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Co-Bond Counsel that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section A-905)

Mailing and Publication

Any provision in the Standard Resolution Provisions relating to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid to each Bondholder of any affected Bonds then Outstanding at such Bondholder's address, if any, appearing upon the registry books of the Issuer and to the Trustee; or, in each case, to such parties by facsimile or other means to the extent permitted by applicable law and arrangements.

Any provision in the Standard Resolution Provisions for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

(Section A-1001)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Standard Resolution Provisions, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Issuer may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Issuer shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof. Notwithstanding anything in the Standard Resolution Provisions or the Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchaser for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold.

(Section A-1002)

Consent of Bondholders

The Issuer may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Standard Resolution Provisions, to take effect when and as provided in this section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of the

Supplemental Resolution when consented to as provided in this section). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Issuer (i) the written consent of Holders of the percentages of Outstanding Bonds specified in the Standard Resolution Provisions, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that he or she has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer of the Issuer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer provided for in this section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Issuer on a stated date, a copy of which is on file with the Issuer) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this section) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Issuer provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming binding as provided in this section). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Trustee, or the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

For the purpose of the Standard Resolution Provisions, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Standard Resolution Provisions in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other

offering document prepared in connection with the primary offering of the Bonds of such Series by the Issuer or with the remarketing of the Bonds.

(Section A-1003)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Issuer of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Standard Resolution Provisions except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Issuer of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

(Section A-1004)

Exclusion of Bonds

Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Standard Resolution Provisions, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Standard Resolution Provisions, the Issuer shall file with its records relating to the Bonds a certificate of an Authorized Officer of the Issuer describing all Bonds so to be excluded.

(Section A-1005)

Notation on Bonds

Bonds delivered after the effective date of any action taken as provided in the Standard Resolution Provisions may, and, if the Issuer so determines, shall, bear a notation by endorsement or otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

(Section A-1006)

Events of Default

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

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) Business Days; or

(b) in connection with financings for any Authorized Purpose authorized by Section 68 b, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-z and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 68-c in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, which default shall continue for a period of ten (10) Business Days; or

(d) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, in connection with financings for any Authorized Purpose authorized by Section 68 b, and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(e) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68 b; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 68-c or Section 92-z, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68 b; or

(g) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; provided that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and is diligently pursued until the default is corrected.

Except as provided above or, to the extent permitted by the Standard Resolution Provisions, in a Supplemental Resolution, no default under the Acts or any resolution, agreement, or other instrument shall constitute or give rise to an Event of Default under the Resolution.

It is expressly understood that nothing in the Standard Resolution Provisions or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 68-c to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Revenue Bond Tax Fund without giving rise to an Event of Default under the Resolution.

(Section A-1101)

Remedies

Upon the occurrence and continuance of any Event of Default specified in (a) under "Events of Default" above, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

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

(b) bring suit upon such Bonds;

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

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

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

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

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 68-b as in effect on the date of adoption of the Resolution are abrogated. It is further expressly understood that the Resolution does not permit the Trustee or the Holders of the Bonds to declare the Bonds to be immediately due and payable.

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Resolution, or any other remedy under the Resolution or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers therein above granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Resolution, or to enforce any right under the Resolution or under the Bonds, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Standard Resolution Provisions. Nothing in the Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Resolution.

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Standard Resolution Provisions to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time as often as may be deemed expedient.

(Section A-1102)

Priority of Payments After Default

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

> FIRST: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and
>
> SECOND: To the payment to the Persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds or Parity Reimbursement Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

The provisions of this section are in all respects subject to the provisions of the section entitled "Extension of Payment of Bonds" in the Standard Resolution Provisions.

If and when all overdue installments of interest on all Bonds and Parity Reimbursement Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Parity Reimbursement Obligations which shall then be payable, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds or Parity Reimbursement Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Pledged Property then remaining unexpended in the hands of the Trustee (except Pledged Property deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment to the Issuer by the Trustee or resumption

of the application of Pledged Property as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

(Section A-1103)

Defeasance

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and any Paying Agents, if any, shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption or required for payments to Fiduciaries pursuant to the Standard Resolution Provisions.

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

amount, if any, required to be deposited therein; and, then the balance thereof to the Issuer, and any such moneys so paid shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys, Government Obligations on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier Redemption Dates or for two (2) years after the date of deposit of such moneys if deposited with the Trustee, after the said date when such Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Trustee to the Issuer, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Issuer for the payment of such Bonds. Before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

(Section A-1104)

Certain Provisions Relating to Economic Defeasance

Any Bonds of any Series for which prior to the maturity or Redemption Date thereof, the Issuer shall have given to the Trustee or other fiduciary selected by the Issuer in form satisfactory to it irrevocable instructions to maintain on deposit in a Fund or account held by the Trustee or other fiduciary selected by the Issuer established for such purpose for the benefit of the Holders of such Bonds, Investment Obligations, other than Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or other fiduciary selected by the Issuer at the same time, as verified in the report of a firm of certified public accountants, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, shall not be counted as Outstanding under the Resolution solely for the purpose of the calculation of Calculated Debt Service required under the Standard Resolution Provisions.

(Section A-1105)

Evidence of Signatures of Bondholders and Ownership of Bonds

Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Issuer, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

(Section A-1201)

Moneys Held for Particular Bonds

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes of the Resolution such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

(Section A-1301)

General Regulations as to Moneys and Funds

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be

otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1302)

Preservation and Inspection of Documents

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; provided, however, that with respect to inspection by a Holder of a Bond of any Series a written request of such Bondholder must have been made and received by the Trustee at least five (5) Business Days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

(Section A-1303)

Parties of Interest

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

(Section A-1304)

No Recourse Under Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

(Section A-1305)

Publication of Notices

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

(Section A-1306)

Successors and Assigns

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

(Section A-1307)

Severability of Invalid Provisions

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

(Section A-1308)

Other Resolutions

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the Standard Resolution Provisions.

(Section A-1309)

Survival of Particular Covenants

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

(Section A-1310)

Actions by the Issuer

Any time the Issuer is permitted or directed to act pursuant to the Standard Resolution Provisions or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution

Provisions. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer.

(Section A-1311)

Governing Laws

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

(Section A-1312)

Payments due on Other Than a Business Day

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

(Section A-1313)

Effective Date

The Resolution shall take effect immediately.

(Section A-1314)

[This page intentionally left blank]

APPENDIX C

FINANCING AGREEMENT

[This page intentionally left blank]

APPENDIX C

CONFORMED COPY OF FINANCING AGREEMENT

STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) FINANCING AGREEMENT (the "Financing Agreement") dated as of December 1, 2009, by and between the New York State Urban Development Corporation, a corporate governmental agency of the State of New York (the "Issuer"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State (the "Director of the Budget").

WHEREAS, the Issuer has, pursuant to the New York State Urban Development Corporation Act, being Chapter 174 of the Laws of 1968, as amended, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the "Issuer Act") and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the "Enabling Act", which together with the Issuer Act is referred to herein as the "Acts"), adopted its State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution on November 16, 2009 (including Annex A thereto, as amended and supplemented), and a Supplemental Resolution (collectively, the "Resolution") for the purpose of issuing from time to time one or more series of bonds (the "Bonds"), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act ("Authorized Purposes") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (General Purpose), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

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

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (General Purpose) Bond Anticipation Notes ("BANs") in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges

hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, provided, however, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled

Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

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

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

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-Exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) Business Days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the statutory audit powers granted the State, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from

the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

V. SPECIAL COVENANTS

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

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any Supplemental Agreement in any manner; provided that no such amendment, modification or rescission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or rescission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing

provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or rescission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

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

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available

through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

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

VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

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

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

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

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

If to the Issuer:
General Counsel
New York State Urban
Development Corporation
633 Third Avenue
New York, New York 10017

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

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

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

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

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

Approval as to form:
Attorney General

By: _____
Date: _____

State of New York

_____
for the Director of the Budget

Approved:

New York State Urban Development Corporation

By: _____
for the State Comptroller

Date: _____

_____
Chief Financial and Administrative Officer

[This page intentionally left blank]

APPENDIX D

MASTER CONTINUING DISCLOSURE AGREEMENT

[This page intentionally left blank]

APPENDIX D

NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS

MASTER CONTINUING DISCLOSURE AGREEMENT

THIS MASTER CONTINUING DISCLOSURE AGREEMENT dated as of May 1, 2002, as amended and restated as of July 1, 2009 and as further amended and restated as of December 1, 2010 (as so amended and restated, the "Agreement"), is made by and among each Authorized Issuer, the State, and the respective Trustees, each as defined below in Section 1.

In order to permit the Underwriters of each series of Bonds issued from and after the date hereof to comply with the provisions of Rule 15c2-12, each of the parties hereto (as applicable), in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree, for the sole and exclusive benefit of the Holders and, for the purposes of Section 5, the beneficial owners of Bonds, as follows:

SECTION 1. Definitions; Rules of Construction(i) Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Authorizing Document.

"*Annual Information*" shall mean the information specified in Section 3.

"*Authorizing Document*" shall mean the applicable Authorized Issuer's State Personal Income Tax Revenue Bond General Resolution, including Annex A thereto, as supplemented and amended from time to time.

"*Authorized Issuer*" shall mean, individually, the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority, and the New York State Urban Development Corporation, each a public corporation or a public benefit corporation of the State of New York that is designated as an Authorized Issuer under the Enabling Act, and any successors thereto or any other public benefit corporation of the State of New York which may be authorized from time to time by the Enabling Act to issue Bonds.

"*Bonds*" shall mean all of the State Personal Income Tax Revenue Bonds issued from time to time by Authorized Issuers and outstanding pursuant to the applicable Authorizing Document.

"*Comptroller*" shall mean the Comptroller of the State of New York.

"*Director*" shall mean the Director of the Budget of the State of New York.

"*DOB*" shall mean the Division of the Budget of the State of New York.

"*EMMA*" shall mean the Electronic Municipal Market Access system described in Securities Exchange Act Release No. 34-59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

"*Enabling Act*" shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as supplemented and amended from time to time.

"*GAAP*" shall mean generally accepted accounting principles as prescribed from time to time for governmental units in the United States by the Governmental Accounting Standards Board.

"*GAAS*" shall mean generally accepted auditing standards as in effect from time to time in the United States.

"*Holder*" or "*Bondholder*" shall mean a registered owner of any Bond or Bonds.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"*Rule 15c2-12*" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement, including any official interpretations thereof promulgated on or prior to the effective date of this Agreement.

"*State*" shall mean the State of New York, acting by and through the Director or the Comptroller.

"*Trustee*" shall mean the applicable trustee appointed by the applicable Authorized Issuer pursuant to an Authorizing Document, and their respective successors and assigns.

"*Underwriters*" shall mean the underwriter or underwriters that have contracted to purchase one or more series of Bonds from an Authorized Issuer at initial issuance.

(ii) Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Any reference herein to a particular Section or subsection without further reference to a particular document or provision of law or regulation is a reference to a Section or subsection of this Agreement.

(c) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

SECTION 2. Obligations to Provide Continuing Disclosure.

(i) Obligations of the State and the Trustees.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, the Annual Information relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, audited financial statements of the State for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be electronically filed with the MSRB if and when they become available.

(c) The Director and each Trustee shall notify the applicable Authorized Issuer upon the occurrence of any of the events listed in Section 2(ii)(a) promptly upon becoming aware of

the occurrence of any such event. With respect to the foregoing, no Trustee shall be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department becomes aware of the occurrence of any such event.

(ii) Obligations of each Authorized Issuer. Each Authorized Issuer hereby undertakes, for the benefit of Holders of the Bonds issued by it, to provide the following:

(a) to the MSRB in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, notice of any of such events with respect to the Bonds issued by it:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(7) modifications to rights of security holders, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the securities, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the obligated person;

(13) the consummation of a merger, consolidation or acquisition involving an obligated person, or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) to the MSRB, in a timely manner, notice of a failure by the State to comply with Section 2(i)(a) or (b).

(iii)(a) Termination or Modification of Disclosure Obligation. The obligations of the State hereunder may be terminated if the State is no longer an "obligated person" as defined in Rule 15c2-12; provided, however, that if the State has hereby obligated itself to provide information relating to any entity that thereafter continues to constitute such an "obligated person", obligations of the State to provide such information shall not be so terminated. Upon any such termination, the State shall so advise each Authorized Issuer and each such Authorized Issuer shall electronically file notice thereof with the MSRB.

(b) Other Information. Nothing herein shall be deemed to prevent the Authorized Issuers or the State from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Authorized Issuers or the State should disseminate any such additional information, neither the Authorized Issuers nor the State shall have any obligation hereunder to update such information or to include it in any future materials disseminated hereunder.

(c) Credit Enhancement. Each agreement governing the provision of a Credit Facility, if any, shall require the provider thereof to provide the applicable Authorized Issuer with prompt written notice of any change in the name, address, and telephone number of a place where then current information regarding such provider may be obtained. In addition, such agreement shall require each provider of a Credit Facility promptly to notify the applicable Authorized Issuer of a change in any rating relating to such provider that would affect the rating of the Bonds by any rating agency then rating the Bonds. The applicable Authorized Issuer shall promptly provide the Comptroller, the Director and the applicable Trustee with copies of all notices received by it under this Section 2(c). The provisions of this Section 2(c) shall also apply to each provider of a substitute Credit Facility.

(d) Disclaimer. Each of the Director, the Comptroller, the Authorized Issuers and the Trustees shall be obligated to perform only those duties expressly provided for such entity in this Agreement, and none of the foregoing shall be under any obligation to the Holders or other parties hereto to perform, or monitor the performance of, any duties of such other parties. Without limiting the general application of the foregoing, the Authorized Issuers shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information or the financial statements provided pursuant to Section 2(i), and its obligations hereunder shall be limited solely to the undertaking set forth in Section 2(ii) and to the requirements of Sections 2(iii)(c) and Section 8.

(iv) MSRB Prescribed Identifying Information. All documents provided to the MSRB pursuant to this Agreement shall be accompanied by identifying information as prescribed from time to time by the MSRB.

SECTION 3. Annual Information.

(i) Specified Information. The Annual Information shall consist of the following:

(a) *financial information and operating data of the type included in the Official Statement for each series of Bonds, under the headings "PART 3 – "SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS", and "PART 4 – SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND"* which shall include information relating to the following:

(1) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rate, the tax base and the components of the State personal income tax (unless the personal income tax has

been materially changed or modified, in which case similar information about the changed or modified tax will be provided);

(2) a historical summary of the New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund for a period of at least the five most recent completed fiscal years then available, together with an explanation of the factors affecting collection levels; and

(b) *financial information and operating data of the type included in the Annual Information Statement of the State set forth as an Appendix to, or incorporated by cross reference in, the Official Statement for the Bonds, under the headings or sub-headings "Prior Fiscal Years", "Debt and Other Financing Activities", "State Government Employment", "State Retirement Systems", and "Authorities and Localities"*, including, more specifically, information consisting of:

(l) *for prior fiscal years*, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is then-currently available;

(2) *for debt and other financing activities*, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt;

(3) *for authorities and localities*, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and

(4) material information regarding State government employment and retirement systems; together with

(c) *such narrative explanation* as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data and in judging the financial condition of the State.

(ii) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been electronically filed with the MSRB or filed with the Securities and Exchange Commission; provided, however, that if the document is an official statement, it shall have been electronically filed with the MSRB and need not have been filed elsewhere. The audited or unaudited financial statements of the State may be provided in the same manner.

(iii) Informational Categories. The requirements contained in this Agreement under Section 3(i) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

(iv) Providers of Credit Support. If known to the applicable Authorized Issuer, such Authorized Issuer shall inform the State, and the required Annual Information shall include the name,

address and telephone number of a place where current information regarding each issuer of a Credit Facility may be obtained.

(v) Omnibus Annual Information Undertaking. The parties to this Agreement recognize, understand and agree that the information described in this Section 3 shall be set forth in the same manner in the respective Official Statements of each of the Authorized Issuers. Accordingly, a single electronic filing of the Annual Information with EMMA, shall be deemed to satisfy the Annual Information filing obligation created by this Agreement.

SECTION 4. Financial Statements.

The State's annual financial statements for each fiscal year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year).

SECTION 5. Remedies.

If any party hereto should fail to comply with any provision of this Agreement, then each of the other parties and, as a direct or third-party beneficiary, as the case may be, any Holder of Bonds may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Agreement; provided, however, that the sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of such party hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided further, that the rights of any Holder to challenge the adequacy of the information provided in accordance with Section 2 hereunder are conditioned upon the provisions of the Authorizing Document with respect to the enforcement of remedies of Holders upon the occurrence of an Event of Default described in Section A-1001(g) of the Authorizing Document as though such provisions applied hereunder. Each of the Director, the Comptroller, the applicable Authorized Issuer and the applicable Trustee reserves the right, but shall not be obligated, to enforce the obligations of the others. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Authorizing Document or any other agreement executed and delivered in connection with the issuance of the Bonds. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to Section 6, beneficial owners shall be deemed to be Holders of Bonds for purposes of this Section 5.

SECTION 6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds and, for the purposes of Section 5, beneficial owners of Bonds. For the purposes of such Section 5, beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. No person other than those described in Section 5 shall have any right to enforce the provisions hereof or any other rights hereunder.

SECTION 7. Amendments.

(i) Without the consent of any Holders (except to the extent required under clause (c)(II) of this sentence) or provider of any Credit Facility, the Authorized Issuers, the State, and the Trustees at any time and from time to time may enter into amendments or changes to this Agreement for any purpose, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of one or more of the Authorized Issuers or the State or any type of business or affairs conducted by either; (b) the undertakings set forth

herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and (c) either (I) the amendment does not materially impair the interests of the Holders, as determined either by each of the Trustees or by a nationally recognized bond counsel approved by the State or (II) the Holders consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Authorizing Document with the consent of Holders pursuant to Section A-1003 of the Authorizing Documents. In determining whether there is such a material impairment, the Trustees may rely upon an opinion of a nationally recognized bond counsel approved by the State. The interests of Holders shall be deemed not to have been materially impaired by an amendment (1) to add a dissemination agent for the information to be provided hereunder and to make any necessary or desirable provisions with respect thereto, (2) to evidence the succession of another entity to the State, an Authorized Issuer or a Trustee and the assumption by any such successor to the obligations of such party hereunder, or (3) to add to the obligations of the State or any Authorized Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the State or any Authorized Issuer.

(ii) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be electronically filed with the MSRB.

SECTION 8. Termination.

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on all Bonds (in each case in this Section 8, "Bonds" shall refer to each series of Bonds, respectively) shall have been paid in full or all Bonds shall have otherwise been paid or defeased in accordance with the applicable Authorizing Documents (a "Legal Defeasance"); provided, however, that if Rule 15c2-12 (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance of a series of Bonds, the applicable Authorized Issuer shall electronically file with the MSRB notice of such defeasance, and such notice shall state whether the applicable series of Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 8, the applicable Authorized Issuer shall electronically file with the MSRB notice of such termination.

SECTION 9. The Trustees.

(i) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of any Trustee and no Trustee shall be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) Each Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the applicable Authorizing Document for matters arising thereunder.

SECTION 10. Governing Law.

This Agreement shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

SECTION 11. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all shall together constitute one and the same instrument.

SECTION 12. Effective Date.

This Agreement shall be effective as of December 1, 2010 unless the effective date of the applicable amendments to Rule 15c2-12 is delayed by the Securities and Exchange Commission, in which case (i) this Agreement shall be effective as of such later date, and (ii) the Master Continuing Disclosure Agreement dated as of May 1, 2002, as amended and restated as of July 1, 2009, shall remain in effect to such delayed effective date.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this amended and restated Master Continuing Disclosure Agreement as of the date first above written.

AUTHORIZED ISSUERS:

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: _____
Name: Portia Lee
Title: Managing Director

NEW YORK STATE THRUWAY AUTHORITY

By: _____
Name: Michael R. Fleischer
Title: Executive Director

NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION

By: _____
Name: James T. Gebhardt
Title: Chief Financial Officer

NEW YORK STATE URBAN DEVELOPMENT CORPORATION
d/b/a Empire State Development Corporation

By: _____
Name:
Title:

NEW YORK STATE HOUSING FINANCE AGENCY

By: _____
Name:
Title:

THE STATE OF NEW YORK
Obligated Person

By Thomas P. DiNapoli, Comptroller

By: _____
Name: Mark P. Patterson
Title: Executive Deputy Comptroller

By Robert L. Megna, Director of the Budget

By: _____
Name: Ronald L. Greenberg
Title: First Deputy Director

TRUSTEES:

DEUTSCHE BANK TRUST COMPANY AMERICAS
as Trustee for the benefit of certain Dormitory Authority of the State of New York Bondholders

By: _____ By: _____
Authorized Signatory Authorized Signatory

THE BANK OF NEW YORK MELLON
as Trustee for the benefit of New York State Environmental Facilities Corporation Bondholders

By: _____
Authorized Signatory

DEUTSCHE BANK TRUST COMPANY AMERICAS
as Trustee for the benefit of New York State Housing Finance Agency Bondholders

By: _____ By: _____
Authorized Signatory Authorized Signatory

THE BANK OF NEW YORK MELLON
as Trustee for the benefit of New York State Thruway Authority Bondholders

By: _____
Authorized Signatory

THE BANK OF NEW YORK MELLON
as Trustee for the benefit of New York State Urban Development Corporation Bondholders

By: _____
Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION
as Trustee for the benefit of certain Dormitory Authority of the State of New York Bondholders

By: _____
Authorized Signatory

APPENDIX E

PROPOSED FORM OF CO-BOND COUNSEL OPINIONS

[THIS PAGE INTENTIONALLY LEFT BLANK]

December 19, 2013

New York State Urban Development
Corporation
d/b/a Empire State Development
633 Third Avenue
New York, New York 10017

Re: New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2013E
New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2013F (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel to the New York State Urban Development Corporation in connection with the issuance by the New York Urban Development Corporation (the "Corporation") of $1,208,795,000 aggregate principal amount of its State Personal Income Tax Revenue Bonds (General Purpose) (the "Bonds") comprised of $812,835,000 principal amount of its State Personal Income Tax Revenue Bonds (General Purpose), Series 2013E (the "Series 2013E Bonds") and $395,960,000 principal amount of its State Personal Income Tax Revenue Bonds (General Purpose), Series 2013F (Federally Taxable) (the "Series 2013F Bonds"), issued pursuant to the provisions of the New York State Urban Development Corporation Act, constituting Chapter 174 of the Laws of New York of 1968, as amended (the "UDC Act"), Part I of Chapter 383 of the Laws of New York of 2001 (the "Enabling Act"), the Project Acts and Section 51 of the Public Authorities Law, including related appropriations acts, and subject to the provisions, terms and conditions of a resolution of the Corporation adopted on November 16, 2009, entitled "State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution," as amended and supplemented, including a resolution of the Corporation adopted on December 9, 2013, entitled "Series 2013EF State Personal Income Tax Revenue Bonds (General Purpose) Supplemental Resolution" and by a resolution adopted on December 9, 2013 and entitled "Bond Financing Committee Resolution Concerning the Sale and Issuance of State Personal Income Tax Revenue Bonds (General Purpose), Series 2013E and Series 2013F (Federally Taxable)" (collectively, the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the Financing Agreement, opinions of counsel to the Corporation, certificates of the Corporation, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein; including, with respect to the Series 2013E Bonds, the Tax Certificate and Agreement, dated the date hereof (the "Tax Certificate").

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or

events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Corporation. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the preceding paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution, the Financing Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2013E Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution, the Financing Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto herein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Corporation has been duly created and is validly existing as a body corporate and politic constituting a public corporation of the State of New York (the "State") and has the right and power under the UDC Act and the Enabling Act to adopt the Resolution.

2. The Bonds have been duly and validly authorized to be issued and constitute the valid and binding special limited obligations of the Corporation enforceable in accordance with their terms and the terms of the Resolution, will be payable solely from the sources provided therefor in the Resolution, and will be entitled to the benefit of the Resolution, the UDC Act, the Enabling Act and the Project Acts.

3. The Resolution is in full force and effect, has been duly adopted by, and constitute the valid and binding obligation of, the Corporation. The Resolution creates the valid pledge which it purports to create, to secure the payment of the principal of and interest on the Bonds, of the Pledged Property, including the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Resolution, except the Administrative Fund and the Rebate Fund, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

4. The Financing Agreement has been duly executed and delivered by the Corporation and, assuming due execution and delivery thereof by the State, constitutes the valid and binding agreement of the Corporation in accordance with its terms.

5. Neither the Corporation nor the owners of the Bonds have or will have a pledge of or lien on the Revenue Bond Trust Fund established by Section 92-z of the State Finance Law, or of the taxes or fees deposited therein.

6. Interest on the Series 2013E Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2013E Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2013F Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, any of the Bonds.

With respect to the opinion set forth in paragraph 6 above relating to the Series 2013F Bonds, under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), we are (or may be) required to inform purchasers of the Series 2013F Bonds that: (i) any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (ii) any such advice is written to support the promotion or marketing of the Series 2013F Bonds and the transactions described herein; and (iii) each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP