NEW ISSUES **BOOK-ENTRY ONLY**

In the opinion of Co-Bond Counsel to the Corporation, under existing law and assuming continuing compliance with the tax covenants described herein and the accuracy of certain representations and certifications of the Corporation and others as described herein, (i) interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2013A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. Co-Bond Counsel also are of the opinion that interest on the Series 2013B Bonds is included in gross income for federal income tax purposes pursuant to the Code. In addition, in the opinion of Co-Bond Counsel to the Corporation, under existing law, interest on the Series 2013 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "PART 13 – TAX MATTERS" herein regarding certain other tax considerations.

$843,190,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)

$572,390,000	$70,030,000	$200,770,000
SERIES 2013A-1	**SERIES 2013A-2**	**SERIES 2013B (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 2013A-1 (the "Series 2013A-1 Bonds"), the New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2013A-2 (the "Series 2013A-2 Bonds"; and collectively with the Series 2013A-1 Bonds, the "Series 2013A Bonds") and the New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2013B (Federally Taxable) (the "Series 2013B Bonds" and, collectively with the Series 2013A 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 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 between the Corporation and the State. Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund 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.

Interest on the Series 2013 Bonds is payable on each March 15 and September 15, commencing September 15, 2013. The Series 2013 Bonds are issuable only as fully registered bonds without coupons, in the principal amount of $5,000 or any integral multiple thereof. 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. Principal and premium, if any, and interest on the Series 2013 Bonds will be payable through The Bank of New York Mellon, New York, New York, as Trustee and Paying Agent.

The Series 2013 Bonds are subject to redemption prior to maturity as 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 (as hereinafter defined). 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.

MATURITY SCHEDULE — See Inside Cover

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

The Series 2013A Bonds are offered when, as and if issued and delivered to the Underwriters and the Series 2013B Bonds are offered when, as and if issued and delivered to the Initial Purchaser pursuant to a notice of sale. The Series 2013 Bonds and are subject to approval of legality by Nixon Peabody LLP, New York, New York, and the Law Offices of Joseph C. Reid, P.A., New York, New York, Co-Bond Counsel to the Corporation, and to certain other conditions. Certain legal matters relating to the Series 2013A Bonds will be passed upon for the Underwriters by Harris Beach PLLC, New York, New York, and Lewis & Munday, A Professional Corporation, New York, New York, co-counsel to the Underwriters. It is expected that the Series 2013 Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about March 19, 2013.

Wells Fargo Securities			**RBC Capital Markets**
Ramirez & Co., Inc.			**Rice Financial Products Company**
BofA Merrill Lynch	**Barclays**	**Citigroup**	**Goldman, Sachs & Co.**
Jefferies	**J.P. Morgan**		**Loop Capital Markets LLC**
Morgan Stanley	**M♦R♦Beal & Company**		**Siebert Brandford Shank & Co., L.L.C.**
Blaylock Robert Van, LLC	**BNY Mellon Capital Markets, LLC**		**Castle Oak Securities, L.P.**
Fidelity Capital Markets Services	**Janney Montgomery Scott**		**KeyBanc Capital Markets Inc.**
Lebenthal & Co.	**M&T Securities, Inc.**		**Mesirow Financial, Inc.**
Oppenheimer & Co. Inc.	**Piper Jaffray & Co.**		**Prager & Co., LLC**
Raymond James	**Roosevelt & Cross, Incorporated**		**Southwest Securities, Inc.**
Sterne Agee & Leach, Inc.	**Stifel, Nicolaus & Company, Incorporated**		**TD Securities (USA) LLC**
The Williams Capital Group, L.P.			**US Bancorp**

March 14, 2013

NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)

MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

$572,390,000
STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)
SERIES 2013A-1

Maturity March 15	Amount	Interest Rate	Yield	CUSIP Number*	Maturity March 15	Amount	Interest Rate	Yield	CUSIP Number*
2019	$ 5,830,000	4.00%	1.36%	650035YR3	2025	$22,185,000	5.00%	2.64†%	650035YX0
2020	825,000	4.00	1.62	650035YS1	2026	23,300,000	5.00	2.75†	650035YY8
2020	35,065,000	5.00	1.62	650035ZH4	2027	24,460,000	5.00	2.86†	650035YZ5
2021	740,000	4.00	1.87	650035YT9	2028	25,690,000	5.00	2.94†	650035ZA9
2021	36,935,000	5.00	1.87	650035ZJ0	2029	26,965,000	5.00	3.02†	650035ZB7
2022	7,665,000	4.00	2.12	650035YU6	2030	28,320,000	5.00	3.07†	650035ZC5
2022	31,885,000	5.00	2.12	650035ZK7	2031	29,735,000	5.00	3.12†	650035ZD3
2023	7,055,000	4.00	2.34	650035YV4	2032	31,220,000	5.00	3.17†	650035ZE1
2023	34,395,000	5.00	2.34	650035ZL5	2033	32,780,000	5.00	3.20†	650035ZF8
2024	3,035,000	4.00	2.50†	650035YW2	2034	3,165,000	3.50	3.67	650035ZN1
2024	18,120,000	5.00	2.50†	650035ZM3					

$137,765,000 5.00% Term Bond due March 15, 2043, Yield 3.54†% CUSIP Number* 650035ZP6
$5,255,000 4.00% Term Bond due March 15, 2043, Yield 3.79†% CUSIP Number* 650035ZG6

$70,030,000
STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)
SERIES 2013A-2

Maturity March 15	Amount	Interest Rate	Yield	CUSIP Number*	Maturity March 15	Amount	Interest Rate	Yield	CUSIP Number*
2014	$ 2,445,000	2.00%	0.175%	650035ZQ4	2022	$3,460,000	2.00%	2.12%	650035ZW1
2015	1,380,000	2.00	0.36	650035ZR2	2023	120,000	4.00	2.34	650035ZX9
2018	10,440,000	4.00	1.07	650035ZS0	2023	7,135,000	5.00	2.34	650035A57
2019	1,090,000	3.00	1.36	650035ZT8	2024	7,610,000	5.00	2.50†	650035ZY7
2019	9,530,000	5.00	1.36	650035A32	2025	220,000	2.50	2.64	650035ZZ4
2020	525,000	4.00	1.62	650035ZU5	2025	3,665,000	5.00	2.64†	650035A65
2020	10,145,000	5.00	1.62	650035A40	2026	1,490,000	5.00	2.75†	650035A24
2021	10,775,000	5.00	1.87	650035ZV3					

$200,770,000
STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)
SERIES 2013B (Federally Taxable)

Maturity March 15	Amount	Interest Rate	Price or Yield	CUSIP Number*
2014	$34,285,000	0.22%	100%	650035YK8
2015	34,025,000	0.35	100	650035YL6
2016	34,145,000	0.55	100	650035YM4
2017	34,335,000	0.98	100	650035YN2
2018	34,670,000	1.35	1.28	650035YP7
2019	29,310,000	1.75	1.70	650035YQ5

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

* CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ, a business line of The McGraw Hill Companies. Copyright © 2013 CUSIP Global Services. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2013 Bonds and neither the State nor the Corporation makes any representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2013 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 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 Corporation, the State 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 Underwriters have provided the following sentence for inclusion in this Official Statement. With respect to the Series 2013A Bonds, the Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the State. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS, WITH RESPECT TO THE SERIES 2013A BONDS, AND THE INITIAL PURCHASER, WITH RESPECT TO THE SERIES 2013B BONDS, MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE "FORWARD LOOKING STATEMENTS". IN THIS RESPECT, THE WORDS "ESTIMATE", "PROJECT", "ANTICIPATE", "EXPECT", "INTEND", "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. A NUMBER OF IMPORTANT FACTORS AFFECTING THE 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 2013B BONDS, NO ACTION HAS BEEN TAKEN BY THE CORPORATION THAT WOULD PERMIT A PUBLIC OFFERING OF THE SERIES 2013B BONDS, OR POSSESSION OR DISTRIBUTION OF ANY INFORMATION RELATING TO THE PRICING OF THE SERIES 2013B BONDS, THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2013B BONDS, IN ANY NON-U.S. OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE INITIAL PURCHASER OF THE SERIES 2013B 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 2013B BONDS OR POSSESS OR DISTRIBUTE THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2013B BONDS AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY THEM FOR THE PURCHASE, OFFER OR SALE BY THEM OF SERIES 2013B 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.

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PART 1 – SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 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 Commissioner of Taxation and Finance 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 (the "Authorized Purposes"). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Division of the Budget of the State (the "Director of the Budget") pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the 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; Security for Series 2013 Bonds	The Series 2013A-1 Bonds and the Series 2013B Bonds are being issued to enable the Corporation to fund certain projects relating to State facilities, economic development activities and certain other State-supported activities. See "PART 5 – THE PROJECTS" for a more complete description of the application of proceeds of the Series 2013 Bonds. The Series 2013A-2 Bonds are being issued to refund the State Personal Income Tax Revenue Bonds listed in Appendix F to the Official Statement. The Series 2013 Bonds are special obligations of the Corporation, secured by a pledge of the financing agreement payments to be made by the State Comptroller to the Trustee pursuant to the State Personal Income Tax Revenue Bonds (General Purpose) Financing Agreement entered into by the Corporation with the Director of the Budget. See APPENDIX C for a conformed copy of such Financing Agreement.

Purpose of Issue; Security for Series 2013 Bonds (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, premium, if any, or interest on the Series 2013 Bonds. The Corporation has no taxing power.

The Series 2013 Bonds are not secured by the Projects (as hereinafter defined) or any interest therein.

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

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

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

New York State Personal Income Tax Receipts, the Withholding Component and the Revenue Bond Tax Fund Receipts for State Fiscal Years 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*	40.1	31.8	10.0
2013-14*	42.4	33.5	10.6

* As estimated in the Third Quarterly Update to the 2012-13 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 $26.3 billion were outstanding as of March 1, 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

Sources of Payment and Security for State Personal Income Tax Revenue Bonds – Revenue Bond Tax Fund Receipts (continued)	payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. **All payments required by financing agreements entered into by the State are executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature (the "State Legislature") making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.** The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax. For additional information, see "PART 3 – SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS" and "PART 4 – SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND". **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.**
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 certificates for State Fiscal Years 2012-13 and 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 appropriated financing agreement payments on all State Personal Income Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers. Subject to annual appropriation, amounts so transferred to the Revenue Bond Tax Fund will be applied to pay the required financing agreement payments.
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 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 paid over and distributed to the credit of the State's General Fund. See "PART 3 – SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS – Moneys Held in the Revenue Bond Tax Fund."

Additional Bonds and Debt Service Coverage	As provided in each of the general resolutions, additional bonds may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Revenue Bonds, additional State Personal Income Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations. Subject to (i) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and (ii) the additional bonds test described above, the Corporation and other Authorized Issuers may issue additional State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of approximately $10.1 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. See "PART 3 – SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS – Additional Bonds." As of March 1, 2013, approximately $26.3 billion of State Personal Income Tax Revenue Bonds were outstanding.
Continuing Disclosure	In order to assist the Underwriters of the Series 2013A Bonds and the Initial Purchaser of the Series 2013B Bonds in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, all Authorized Issuers, the State and each applicable trustee, including the Trustee, have entered into a Master Continuing Disclosure Agreement. See "PART 18 – CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12" and "APPENDIX D – Master Disclosure Agreement."
Offering of Series 2013 Bonds	The Series 2013A Bonds are being offered on a negotiated basis to the syndicate of Underwriters set forth on the cover page hereof. The Series 2013B Bonds are being offered on a competitive basis pursuant to a notice of sale.

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OFFICIAL STATEMENT

Relating to

$843,190,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)

$572,390,000	$70,030,000	$200,770,000
SERIES 2013A-1	SERIES 2013A-2	SERIES 2013B (Federally Taxable)

PART 2 – INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to set forth certain information concerning the New York State Urban Development Corporation (the "Corporation"), a body corporate and politic constituting a public benefit corporation of the State of New York (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 2013A-1 (the "Series 2013A-1 Bonds"), State Personal Income Tax Revenue Bonds (General Purpose), Series 2013A-2 (the "Series 2013A-2 Bonds"; and collectively with the Series 2013A-1 Bonds, the "Series 2013A Bonds") and State Personal Income Tax Revenue Bonds (General Purpose), Series 2013B (Federally Taxable) (the "Series 2013B Bonds" and, collectively with the Series 2013A Bonds, the "Series 2013 Bonds"). The interest rates, maturity dates, and prices or yields of each series 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 (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.

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

The Series 2013 Bonds are authorized to be issued pursuant to Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), and the New York State Urban Development Corporation Act, Chapter 174 of the Laws of New York of 1968, as amended and supplemented (the "UDC Act") and the provisions of State law that authorize the Projects described under "PART 5 – THE PROJECTS" herein (the "Project Acts"). The Enabling Act authorizes 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 purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued ("Authorized Purposes"). Legislation has been enacted permitting the transfer of other monies into the Revenue Bond Tax Fund.

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 2013A and Series 2013B (Federally Taxable), adopted by the Corporation on March 13, 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 2013A and Series 2013B (Federally Taxable), adopted by the Corporation on March 13, 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 issued by an Authorized Issuer are secured by a pledge of: (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Division of the Budget of the State (the "Director of the Budget"); and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; collectively the "Pledged Property". The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the 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. As of March 1, 2013, approximately $26.3 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 purposes of financing Authorized Purposes (as such term is defined in the Resolution). The Series 2013 Bonds are being issued to finance certain projects relating to State facilities, economic development activities and certain other State-supported activities. Additionally, the proceeds of the Series 2013 Bonds will be used to pay all or part of the cost of issuance of the Series 2013 Bonds. See "PART 5 – THE PROJECTS" for a more complete description of the application of proceeds of the Series 2013 Bonds. **The Series 2013 Bonds are not secured by the Projects or any interest therein.**

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 (the "State Comptroller") and the Commissioner of Taxation and Finance (the "Commissioner") and requires that all moneys on deposit in the Revenue Bond Tax Fund be held separate and apart from all other moneys in the joint custody of the State Comptroller and the Commissioner. The source of the financing agreement payments is a statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law, which 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 such Resolutions). The Series 2013 Bonds are entitled to a lien, created by a pledge under the General Resolution, on the Pledged Property.

The Enabling Act permits the Corporation and the other Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test described herein, Revenue Bond Tax Fund Receipts of approximately $10.1 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. See "–Additional Bonds" below.

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.

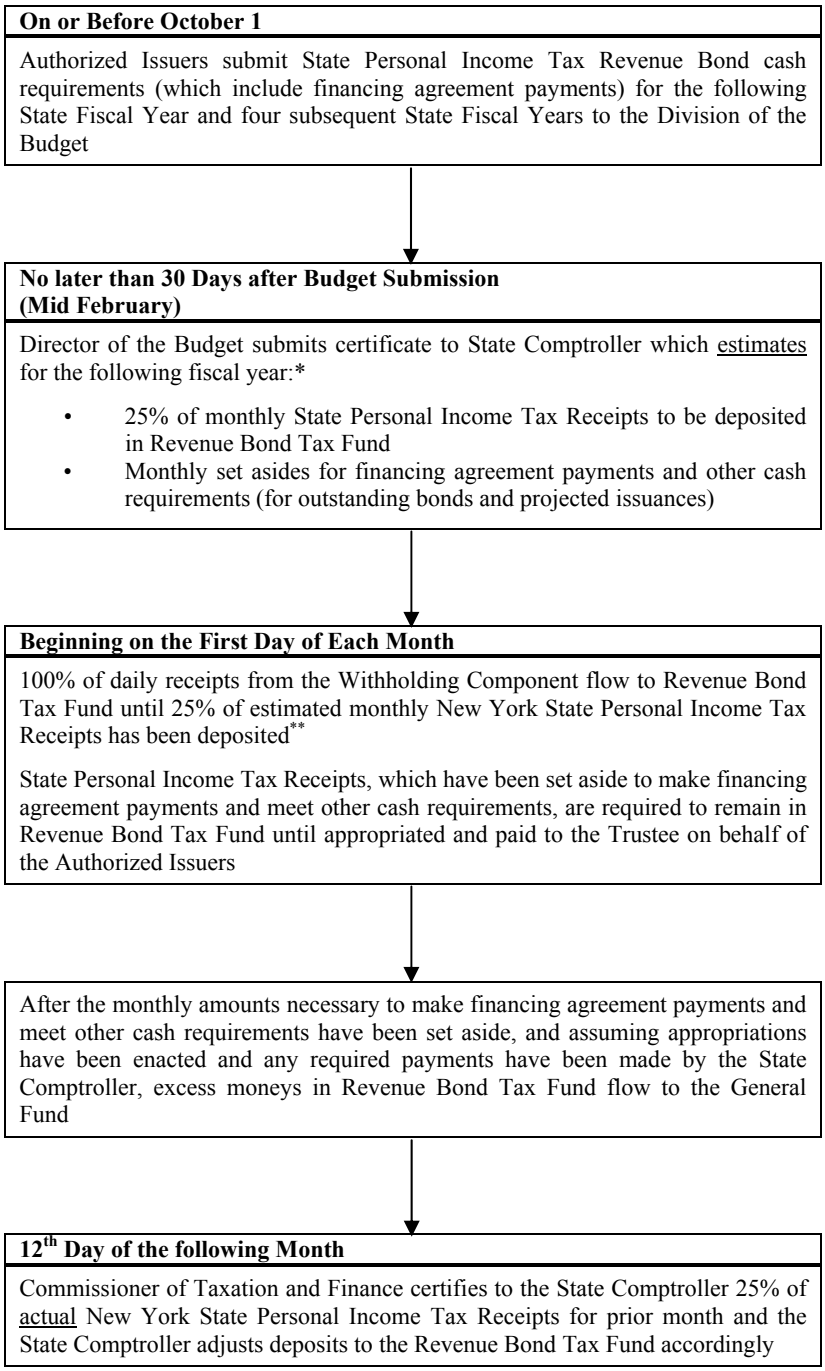
2. Set aside, monthly, amounts on deposit in the Revenue Bond Tax Fund, such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue 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 the debt service and other cash requirements of all the Authorized Issuers as set forth in the certificate of the Director of the Budget, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund. Amounts so transferred to the Revenue Bond Tax Fund can only be used to pay financing agreement payments (except, if necessary, for payments authorized to be made to the holders of State general obligation debt).

Flow of Revenue Bond Tax Fund Receipts

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



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

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

Moneys Held in the Revenue Bond Tax Fund

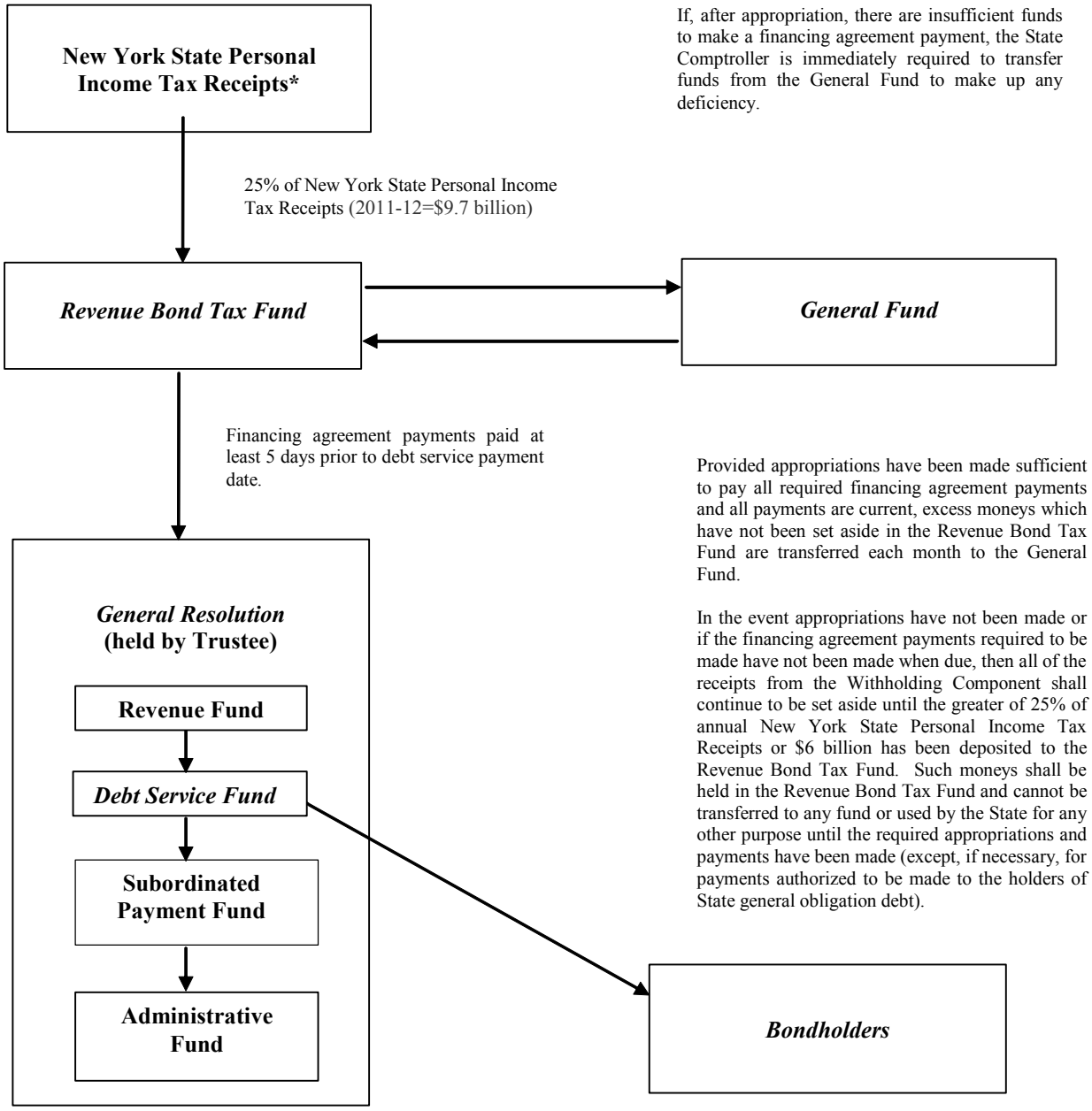
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Corporation and other Authorized Issuers (which 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 of the State (the "General Fund"), at least once a month, all amounts in the Revenue Bond Tax Fund, if any, in excess of the aggregate amount required to be set aside. The Enabling Act also requires the State Comptroller to pay to the General Fund all sums remaining in the Revenue Bond Tax Fund on the last day of each State Fiscal Year, but only if the State has appropriated and paid to the applicable trustees on behalf of the 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 alter statutes imposing or relating to the New York State Personal Income Tax.

Appropriation by the State Legislature

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

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

The Division of the Budget is not aware of any existing circumstances that would cause Revenue Bond Tax Fund Receipts to be used to pay debt service on general obligation bonds in the future. The Director

of the Budget believes that any failure by the State Legislature to make annual appropriations as contemplated would have a serious impact on the ability of the State and the Authorized Issuers to issue State-supported bonds to raise funds in the public credit markets and, as a result, on the ability of the State to meet its non-debt obligations.

Additional Bonds

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

For additional information, see "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE 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 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 benefit of the marginal tax rates in the lower brackets was recaptured through a supplementary mechanism in effect since 1991. Beginning in 1995, a major personal income tax cut program was phased in over three years which cut the top State personal income tax rate from 7.875 to 6.85 percent. For tax years 1997 through 2002, New York imposed a graduated income tax with rates ranging between 4.0 and 6.85 percent of taxable income. Legislation enacted with the 2003-04 Budget temporarily added two additional top brackets for the 2003 through 2005 tax years. For tax years 2006 through 2008, the rate schedules reverted to the rate schedule in effect for the 2002 tax year. For tax years 2009 through 2011, a temporary tax rate increase applied, adding two additional rates and brackets. The following tables set forth the rate schedules for tax years 2012 through 2014 and for tax years after 2014 which revert to the rate schedule in effect for the 2008 tax year except that the tax brackets are permanently indexed for cost of living adjustments starting in tax year 2013.

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

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

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

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

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

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

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

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

Components of the Personal Income Tax

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

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

Revenue Bond Tax Fund Receipts

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

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

In State Fiscal Year 2011-12, New York State Personal Income Tax Receipts were approximately $38.8 billion and accounted for approximately 60 percent of State tax receipts in all State Funds. The 30-day amendments to the 2013-14 Executive Budget estimate New York State Personal Income Tax Receipts at $40.1 billion for State Fiscal Year 2012-13.

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund from State Fiscal Years 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 (est.)	40,126,000,000*	31,818,000,000	79.3	10,031,600,000*
2013-14 (proj.)	42,420,500,000*	33,466,000,000	78.9	10,605,200,000*

* 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 2011-12, New York State Personal Income Tax Receipts totaled approximately $38.8 billion. The 30-day amendments to the 2013-14 Executive Budget estimates that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 3.5% to $40.1 billion in 2012-13.

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

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

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

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for 2004 through 2013.

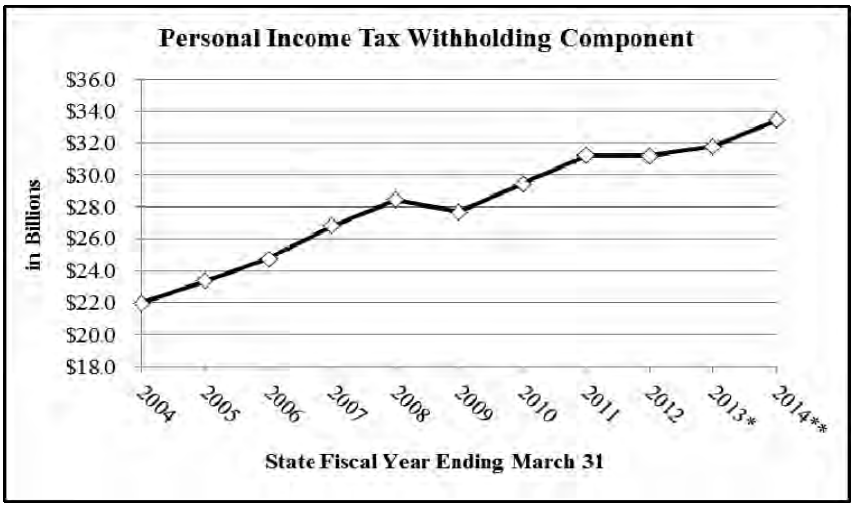
NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 2004 to 2013*

Tax Year	NYS AGI	Percent Change	Personal Income Tax Liability	Percent Change
		($ in millions)		
2004	$525,964	11.0%	$25,769	14.8%
2005	571,916	8.7	28,484	10.5
2006	632,601	10.6	29,605	3.9
2007	725,245	14.6	35,215	19.0
2008	662,053	(8.7)	31,621	(10.2)
2009	596,471	(9.9)	31,162	(1.5)
2010	638,855	7.1	34,834	11.8
2011 (est.)	660,818	3.4	36,501	4.8
2012 (proj.)	710,884	7.6	37,465	2.6
2013 (proj.)	720,016	1.3	37,453	0.0

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

The table indicates that under the State's progressive income tax structure with graduated tax rates, tax liability generally changes at a faster percentage rate than adjusted gross income, absent major law changes or economic events. With the onset of the national recession and the financial crisis, adjusted gross income and tax liability fell in 2008 and 2009. The 2009 decline in liability is significantly smaller than that in adjusted gross income due to the enactment of a temporary tax rate increase for wealthier taxpayers that was in effect from 2009 to 2011. In December 2011, tax reform legislation was enacted for the period from 2012 through 2014, lowering tax rates for millions of taxpayers. The American Tax Relief Act of 2012 extended tax credit enhancements into 2013, reducing 2013 liability by approximately $450 million.

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 Year 2009-10 through 2010-11. Withholding receipts for State Fiscal Year 2012-13 are estimated to be $619 million (2.0 percent) higher compared to State Fiscal Year 2011-12.



* Estimated.
** Projected.

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

PART 5 – THE PROJECTS

The Series 2013 Bonds are being issued for the purposes of financing Authorized Purposes (as such term is defined in the Resolution). The Series 2013A-1 Bonds are being issued to finance economic development project costs, grants or loans under the following projects or programs: Art and Cultural Projects, Buffalo Regional Innovation Cluster, the Community Capital Assistance Program, the Community Enhancement Facilities Assistance Program, the Downstate Revitalization Fund, Downtown Buffalo initiative, the Economic Transformation Program, Economic and Community Development Projects, the Governors Island Project, the New York State Economic Development Program, the New York State Economic Development Assistance Program, the New York State Technology and Development Program, the Regional Capital Council Fund, the Regional Economic Development Program, the Restore New York's Communities Initiative, redevelopment of the H.H. Richardson complex in Buffalo, NY-SUNY 2020, the Upstate Agricultural Economic Development Fund, Upstate City-by-City initiatives, the Capital Projects Fund and the Upstate Regional Blueprint Fund; capital projects with respect to facilities and other property owned and operated by various State departments, agencies and entities, including: the New York State Department of Correctional Services, the New York State Office of Children and Family Services, the New York State Police, the New York State Department of Agriculture and Markets, and the New York State Office of Homeland Security; and project costs or grants under housing assistance projects or programs administered by certain State public benefit corporations. The Series 2013B Bonds are being issued to finance project costs, grants or loans under housing assistance projects or programs administered by certain State public benefit corporations, and economic development project costs, grants or loans under the following projects or programs: the New York State Economic Development Program, the New York State Technology and Development Program, the SUNY College for Nanoscale and Science Engineering initiative, the Capital Projects Fund, the Upstate Regional Blueprint Fund, Upstate City-by-City initiatives, the Regional Council Capital Fund, and the Downstate Revitalization Fund. Additionally, the 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 the Projects or any interest therein.**

The Series 2013A-2 Bonds are being issued to refund the State Personal Income Tax Revenue Bonds listed in Appendix F hereto.

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.

PART 6 – DESCRIPTION OF THE SERIES 2013 BONDS

General

Each series of the Series 2013 Bonds will be initially dated the date of delivery of the Series 2013 Bonds and will bear interest, computed on the basis of a 360-day year and 30-day month, at the rates per annum and mature on the dates and in the amounts set forth on the inside cover page of this Official Statement.

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

Each series of 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).

The Series 2013 Bonds will bear interest from their dated date, payable semi-annually on each March 15 and September 15, commencing on September 15, 2013.

Redemption

Optional Redemption

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

The Series 2013A 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 2013B Bonds

The Series 2013B 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 2013B Bonds to be redeemed), or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2013B 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 2013B Bonds are to be redeemed, discounted to the date on which such Series 2013B 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 2013B 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 2013B 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 (519) 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.

Mandatory Sinking Fund Redemption

The Series 2013A-1 Term Bond maturing March 15, 2043 bearing interest at 5.00% per annum is subject to mandatory redemption in part, in the manner described below under "Selection of Series 2013 Bonds to be Redeemed; Notice of Redemption", on March 15 in the years shown in the following table, at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, to the date of redemption in an amount equal to the Sinking Fund Installments for such Series 2013A-1 Bonds for such date:

Year	Sinking Fund Installment
2034	$31,255,000
2035	10,135,000
2036	10,645,000
2037	11,175,000
2038	11,730,000
2039	12,320,000
2040	12,940,000
2041	13,585,000
2042	14,260,000
2043†	9,720,000

† Stated Maturity

The Corporation may, at any time at least 45 days prior to the date any mandatory Sinking Fund Installment is due, deliver Series 2013 Bonds of a given Series and maturity to the Trustee for cancellation in satisfaction, in whole or in part, of any such Sinking Fund Installment of such Series and maturity. Monies in the Debt Service Fund to be used to pay the Redemption Price of Series 2013 Bonds of a given Series may also be applied to the purchase of the respective Series of Series 2013 Bonds subject to redemption.

Upon the purchase or redemption of any Series 2013 Bonds for which mandatory Sinking Fund Installments shall have been established, other than by reason of the mandatory Sinking Fund Installment redemption described above and other than as described in the preceding paragraph, an amount equal to the principal amount of such series of the Series 2013 Bonds so purchased or redeemed shall be credited toward the mandatory Sinking Fund Installments with respect to the particular Series 2013 Bonds of such Series and maturity on a pro rata basis, or in such other manner as the Corporation may direct.

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 2013A Bonds of a maturity bearing the same interest rate are to be redeemed, the Trustee shall assign to each Outstanding Series 2013A 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 2013A 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 2013A Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which the Series 2013A Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2013A Bonds to be redeemed.

If the Series 2013B 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 2013B Bonds and if fewer than all of any maturity of the Series 2013B Bonds bearing the same interest rate are to be redeemed, the particular Series 2013B 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 2013B 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 2013B 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 2013B Bonds, as applicable, remaining outstanding will be in authorized denominations. See "PART 7 – BOOK ENTRY ONLY SYSTEM."

In connection with any redemption of Series 2013B Bonds, the Trustee will direct DTC to make a pass-through distribution of principal to the owners of the Series 2013B 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 2013B Bonds on such basis.

If the Series 2013B Bonds are not registered in book-entry form and if fewer than all of a maturity of the Series 2013B Bonds bearing the same interest rate are to be redeemed, the particular Series 2013B Bonds to be redeemed will be selected on a pro rata basis, such that the principal amount of each registered owner's Series 2013B 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 2013B Bonds of such maturity and interest rate) / (outstanding principal amount of all Series 2013B Bonds of such maturity and interest rate); provided, however, that any such redemption must be performed such that all Series 2013B 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 2013B Bonds as described under "– Make-Whole Optional Redemption of Series 2013B 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 7 – BOOK ENTRY ONLY SYSTEM

Beneficial ownership interests in the Series 2013 Bonds will be available in book-entry only form. Purchasers of beneficial ownership interests in the Series 2013 Bonds will not receive certificates representing their interests in the securities purchased.

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, the Underwriters of the Series 2013A Bonds and the Initial Purchaser of the Series 2013B Bonds take 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 bearing interest at the same rate 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 Securities and Exchange Commission. 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 effect 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 13 – TAX MATTERS" and "PART 18 – CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12" 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 UNDERWRITERS OF THE SERIES 2013A BONDS OR THE INITIAL PURCHASER OF THE SERIES 2013B BONDS 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.

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)(4)]	Aggregate Debt Service
	Principal Payments	Interest Payments	Total		
2013	–	–	–	$2,322,308,447	$ 2,322,308,447
2014	$ 36,730,000	$ 32,744,623	$ 69,474,623	2,431,685,814	2,501,160,437
2015	35,405,000	32,988,213	68,393,213	2,314,282,359	2,382,675,572
2016	34,145,000	32,841,526	66,986,526	2,281,348,125	2,348,334,651
2017	34,335,000	32,653,728	66,988,728	2,261,684,260	2,328,672,988
2018	45,110,000	32,317,245	77,427,245	2,230,715,877	2,308,143,122
2019	45,760,000	31,431,600	77,191,600	2,216,961,465	2,294,153,065
2020	46,560,000	30,176,275	76,736,275	2,194,602,284	2,271,338,559
2021	48,450,000	27,861,775	76,311,775	2,078,192,446	2,154,504,221
2022	43,010,000	25,446,675	68,456,675	1,980,397,643	2,048,854,318
2023	48,705,000	23,476,625	72,181,625	1,901,170,667	1,973,352,292
2024	28,765,000	21,113,125	49,878,125	1,849,709,130	1,899,587,255
2025	26,070,000	19,705,225	45,775,225	1,833,649,115	1,879,424,340
2026	24,790,000	18,407,225	43,197,225	1,844,477,430	1,887,674,655
2027	24,460,000	17,167,725	41,627,725	1,692,966,418	1,734,594,143
2028	25,690,000	15,944,725	41,634,725	1,706,027,262	1,747,661,987
2029	26,965,000	14,660,225	41,625,225	1,423,749,079	1,465,374,304
2030	28,320,000	13,311,975	41,631,975	1,243,321,142	1,284,953,117
2031	29,735,000	11,895,975	41,630,975	1,148,853,405	1,190,484,380
2032	31,220,000	10,409,225	41,629,225	1,022,748,074	1,064,377,299
2033	32,780,000	8,848,225	41,628,225	851,810,600	893,438,825
2034	34,420,000	7,209,225	41,629,225	808,922,258	850,551,483
2035	10,135,000	5,535,700	15,670,700	779,557,482	795,228,182
2036	10,645,000	5,028,950	15,673,950	702,867,342	718,541,292
2037	11,175,000	4,496,700	15,671,700	591,356,109	607,027,809
2038	11,730,000	3,937,950	15,667,950	514,928,025	530,595,975
2039	12,320,000	3,351,450	15,671,450	427,445,533	443,116,983
2040	12,940,000	2,735,450	15,675,450	296,741,439	312,416,889
2041	13,585,000	2,088,450	15,673,450	193,101,863	208,775,313
2042	14,260,000	1,409,200	15,669,200	104,321,988	119,991,188
2043	14,975,000	696,200	15,671,200	-	15,671,200
Total	$843,190,000	$489,891,209	$1,333,081,209	$43,249,903,081	$44,582,984,291

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

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

(3) Excludes debt service on outstanding State Personal Income Tax Revenue Bonds that are being refunded by the Series 2013A-2 Bonds.

(4) Totals may not add due to rounding.

PART 9 – ESTIMATED SOURCES AND USES OF FUNDS

Series 2013A-1 Bond Proceeds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2013A-1 Bonds:

Sources of Funds	
Principal Amount of Series 2013A-1 Bonds	$572,390,000.00
Plus Net Original Issue Premium	98,535,853.65
Total Sources	$670,925,853.65
Uses of Funds	
Deposit to Bond Proceeds Fund	$663,020,053.00
Costs of Issuance*	5,031,823.45
Underwriters' Discount	2,873,977.20
Total Uses	$670,925,853.65

Series 2013A-2 Bond Proceeds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2013A-2 Bonds:

Sources of Funds	
Principal Amount of Series 2013A-2 Bonds	$70,030,000.00
Plus Net Original Issue Premium	12,874,403.50
Unspent Proceeds from Refunded Bonds	479,000.00
Total Sources	$83,383,403.50
Uses of Funds	
Deposit to Redemption Account	$82,442,767.77
Costs of Issuance*	645,271.89
Underwriters' Discount	295,363.84
Total Uses	$83,383,403.50

Series 2013B Bond Proceeds

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

Sources of Funds	
Principal Amount of Series 2013B Bonds	$200,770,000.00
Plus Original Issue Premium	199,785.20
Total Sources	$200,969,785.20
Uses of Funds	
Deposit to Bond Proceeds Fund	$199,103,009.00
Costs of Issuance*	1,753,483.09
Initial Purchaser's Discount	113,293.11
Total Uses	$200,969,785.20

* Includes the 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. 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 currently inactive. All PFA bonds have been paid and on February 27, 2005 PFA's corporate existence was terminated by operation of law. The Corporation does not presently contemplate financing 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 $12.8 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 eight directors, as follows: one ex-officio director 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

Acacia Financial Group, 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 – LITIGATION

There is not now pending or threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the Series 2013 Bonds or in any way contesting or affecting the validity of the Series 2013 Bonds or any proceedings of the Corporation taken with respect to the issuance or the sale thereof, or the pledge or the application of any money or security provided for the payment of the Series 2013 Bonds or the existence or powers of the Corporation. See "APPENDIX A" under the heading "Litigation" for a description of certain litigation relating to the State generally.

PART 13 – TAX MATTERS

Series 2013A Bonds

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2013A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2013A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2013A Bonds. Pursuant to the Resolution and the Tax Certificate executed in connection with the issuance of the Series 2013A Bonds, the Corporation has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2013A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation and certain other administrators of programs to be funded or refinanced with proceeds of the Series 2013A Bonds have made certain representations and certifications in the Resolution and the Tax Certificate. Co-Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, and the Law Offices of Joseph C. Reid, PA, Co-Bond Counsel to the Corporation, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Corporation and program administrators described above, interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2013A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

In addition, in the opinion of Co-Bond Counsel to the Corporation, under existing law, interest on the Series 2013A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Original Issue Discount

Co-Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2013A-1 Bonds maturing March 15, 2034 bearing interest at 3.50% per annum and the Series 2013A-2 Bonds maturing on March 15, 2022 and March 15, 2025 bearing interest at 2.50% per annum (collectively, the "Discount 2013A Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount 2013A Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2013A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount 2013A Bonds, even though there will not be a corresponding cash payment. Owners of the Discount 2013A Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount 2013A Bonds.

Bond Premium

The Series 2013A Bonds other than the Discount 2013A Bonds (collectively, the "Premium 2013A Bonds") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium

which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium 2013A Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium 2013A Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium 2013A Bonds.

Ancillary Tax Matters

Ownership of the Series 2013A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 2013A Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2013A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2013A Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2013A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Co-Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix E. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2013A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2013A Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2013A Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2013A Bonds from gross income for federal or state income tax purposes, or otherwise. We note that in 2011, and again in 2012, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the 2013A Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Series 2013A Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2013A Bonds. Co-Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2013A Bonds may affect the tax status of interest on the Series 2013A Bonds. Co-Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2013A Bonds, or the interest thereon, if any action is taken with respect to the Series 2013A Bonds or the proceeds thereof upon the advice or approval of other counsel.

The proposed form of the opinion of Co-Bond Counsel to the Corporation relating to the Series 2013A Bonds is set forth in Appendix E hereto.

Series 2013B Bonds

General

In the opinion of Co-Bond Counsel to the Corporation, interest on the Series 2013B Bonds (i) is included in gross income for Federal income tax purposes pursuant to the Code and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivisions thereof (including The City of New York).

Federal Income Taxes

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2013B Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Series 2013B Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Series 2013B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2013B Bonds.

The advice set forth in this section was not intended or written by Co-Bond Counsel to be used and cannot be used by an owner of the Series 2013B Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Series 2013B Bonds. The advice set forth herein is written to support the promotion or marketing of the Series 2013B Bonds. Each owner of the Series 2013B Bonds should seek advice based on its particular circumstances from an independent tax advisor.

Generally

In the opinion of Co-Bond Counsel, interest on the Series 2013B Bonds is <u>not</u> excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Series 2013B Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such bonds. In general, interest paid on the Series 2013B Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to a bondholder and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Market Discount

Any owner who purchases a Series 2013B Bonds at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2013B Bonds as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner of a Series 2013B Bonds who acquires such Bond at a market discount also may be required to defer, until the maturity date of such Series 2013B Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2013B Bonds in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Series 2013B Bonds. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2013B Bonds for the days during the taxable year on which the owner held the Series 2013B Bonds and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2013B Bonds matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.

Bond Premium

A purchaser of a Series 2013B Bonds who purchases such Series 2013B Bonds at a cost greater than its then principal amount (or, in the case of a Series 2013B Bonds issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Different rules apply to Discount Series 2013B Bonds that are acquired with "acquisition premium" (that is, at a price generally in excess of the Bond's adjusted issue price). Purchasers of any Series 2013B Bonds who acquire such Bonds at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2013B Bonds.

Sale or Redemption of Series 2013B Bonds, Defeasance

A bondowner's tax basis for a Series 2013B Bonds is the price such owner pays for the Series 2013B Bonds plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2013B Bonds, measured by the difference between the amount realized and the Series 2013B Bonds basis as so adjusted, will generally give rise to capital gain or loss if the Series 2013B Bonds is held as a capital asset (except as discussed above under "Market Discount"). The defeasance of a Series 2013B Bonds may result in a deemed sale or exchange of such Bonds under certain circumstances; owners of such Series 2013B Bonds should consult their tax advisors as to the federal income tax consequences of such an event.

Backup Withholding

A bondowner may, under certain circumstances, be subject to "backup withholding" at the applicable rate with respect to interest or original issue discount on the Series 2013B Bonds. This withholding generally applies if the owner of a Series 2013B Bonds (a) fails to furnish the Trustee or other payor with its taxpayer identification number; (b) furnishes the Trustee or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Series 2013B Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Series 2013B Bonds will be reported to the bondowners and to the Internal Revenue Service.

Nonresident Bondowners

Under the Code, interest and original issue discount income with respect to Series 2013B Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax (or backup withholding) if the Authority (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Series 2013B Bonds is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax. Owners of the Series 2013B Bonds should consult their tax advisors as to their qualification for exclusion from withholding tax and, if necessary, the procedure for obtaining the exclusion.

ERISA

The Employees Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Series 2013B Bonds.

State Taxes

Co-Bond Counsel is of the opinion that interest on the Series 2013B 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).

In all events, all investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Series 2013B Bonds.

The proposed form of the opinion of Co-Bond Counsel to the Corporation relating to the Series 2013B Bonds is set forth in Appendix E hereto.

PART 14 – RATINGS OF THE SERIES 2013 BONDS

The Series 2013 Bonds are rated "AAA" by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. and "AA" by Fitch Ratings. 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. 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 or withdrawn entirely by either or both of such rating agencies, if, in their respective judgments, 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.

PART 15 – UNDERWRITING/COMPETITIVE BID AWARD

Series 2013A Bonds

The Underwriters of the Series 2013A Bonds, acting through Wells Fargo Bank, National Association, as representative, have jointly and severally agreed, subject to the terms of a Contract of Purchase with the Corporation, to purchase the Series 2013A Bonds from the Corporation. The Underwriters propose initially to offer the Series 2013A Bonds at the initial offering prices set forth on the inside cover page of this Official Statement. The Underwriters may offer and sell the Series 2013A Bonds to certain dealers (including dealers depositing such Series 2013A Bonds into investment trusts) at prices lower than such initial offering prices. The Contract of Purchase provides, in part, that the Underwriters, subject to certain conditions, will purchase from the Corporation $642,420,000 aggregate principal amount of Series 2013A Bonds at an aggregate purchase price of $750,660,916.11 (which price reflects an aggregate Underwriters' discount of $3,169,341.04 and a net original issue premium of $111,410,257.15).

The following six sentences have been provided by Wells Fargo Bank, National Association: Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, the senior underwriter of the Series 2013A Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2013A Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2013A Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Series 2013A Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The following three sentences have been provided by Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC: Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, each an underwriter of the Series 2013A Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC, in addition to other retail distribution channels. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of the Series 2013A Bonds.

The following two sentences have been provided by J.P. Morgan Securities LLC: J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2013A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Series 2013A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2013A Bonds that such firm sells.

Series 2013B Bonds

The Series 2013B Bonds were awarded, pursuant to a competitive bidding process, on March 14, 2013, to J.P. Morgan Securities LLC (the "Initial Purchaser"). The Series 2013B Bonds will be purchased at a price of $200,856,492.09, which reflects an original issue premium of $199,785.20 and an Initial Purchaser's discount of $113,293.11.

The Initial Purchaser has supplied the information as to the initial public reoffering prices of the Series 2013B Bonds set forth on the inside cover of this Official Statement. The 2013B Bonds may be offered and

sold to certain dealers at prices lower than the public reoffering prices set forth on the inside cover page, and such public reoffering prices may be changed from time to time by the Initial Purchaser.

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 – CERTAIN LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Series 2013 Bonds are subject to the approval of Nixon Peabody LLP, New York, New York, and the Law Offices of Joseph C. Reid, P.A., 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. Certain legal matters will be passed upon for the Underwriters by Harris Beach PLLC, New York, New York, and Lewis & Munday, A Professional Corporation, New York, New York, co-counsel to the Underwriters.

PART 18 – CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters of the Series 2013A Bonds and the Initial Purchaser of the Series 2013B 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. 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, 2013. 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 – THE REFUNDING PLAN

The Corporation is issuing the Series 2013A-2 Bonds to provide funds to refund the State Personal Income Tax Revenue Bonds listed in Appendix F hereto (collectively, the "Refunded Bonds"). The proceeds of the Series 2013A-2 Bonds are to be used to acquire Government Obligations, the principal of and interest on which, when due, will provide moneys sufficient to pay the Redemption Price of the Refunded Bonds and the interest on such Refunded Bonds to the respective dates fixed for redemption.

The Government Obligations are to be deposited with the trustees for each of the Refunded Bonds, each acting as escrow agent, upon the issuance and delivery of the Series 2013A-2 Bonds and pursuant to the Series 2013 Supplemental Resolution and pursuant to the escrow agreements (collectively, the "Escrow Agreements"), are to be held in trust solely for the payment of the Redemption Price of and interest on the Refunded Bonds. The Escrow Agreements will contain irrevocable instructions from the Corporation to the escrow agents to give notice of the refunding of the Refunded Bonds to existing bondholders and to apply the proceeds from the Government Obligations, together with any initial cash deposit, to the payment of interest when due and the Redemption Price of such Refunded Bonds on the respective redemption dates thereof.

In the opinion of Co-Bond Counsel to the Corporation, upon the deposit with the escrow Agents of the amount of bond proceeds and other monies required by the Escrow Agreements and the purchase of the Government Obligations as described above, the Refunded Bonds will be deemed to have been paid with the meaning of the respective resolutions under which the Refunded Bonds were issued.

PART 20 – VERIFICATION OF MATHEMATICAL COMPUTATIONS

The mathematical accuracy of certain computations was independently verified by The Arbitrage Group, a firm of independent public accountants (the "Verification Agent"). These computations, which were provided by Wells Fargo Securities, as representative of the Underwriters, indicate (i) the sufficiency of the receipts from the Government Obligations, together with an initial cash deposit, to pay to and at early redemption, the principal of and interest on the Refunded Bonds, and (ii) the yields to be considered in determining that the Series 2013A-2 Bonds are not "arbitrage bonds" under Section 148 of the Internal Revenue Code. The Verification Agent relied upon assumptions and information supplied by the Underwriters on behalf of the Corporation and has not made any study or examination of them, except as noted in its report. The Verification Agent has not expressed an opinion on the reasonableness of the assumptions or the likelihood that the debt service requirements of the Refunded Bonds will be paid as described in its report.

PART 21 – 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 Underwriters have not provided any information contained in this Official Statement except for the information contained under the subcaption "2013A Bonds" under the caption "PART 15 – UNDERWRITING/Competitive Bidding Award" and except for certain financial and statistical information relating to the Series 2013A Bonds.

The Director of the Budget of the State of New York is to certify that the statements and information appearing (a) under the headings (i) "SUMMARY STATEMENT" (except for the first, second and fourth paragraphs under the subcaption "Purpose of Issue; Security for Series 2013 Bonds", as to which no representation is made), (ii) "INTRODUCTION" (the second, third, fourth (last two sentences only), seventh, eighth, ninth and eleventh paragraphs only), (iii) "SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS", (iv) "SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND", and (v) "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 thereto (the "Annual Information Statement"), 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 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

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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 May 11, 2012. It was updated on February 27, 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, 2012 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 27, 2012 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

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

February 27, 2013

NOTE TO READERS

State law requires the Division of the Budget ("DOB") to issue quarterly updates to the State's Financial Plan. Such updates are typically issued approximately one month after the end of the first, second, and third quarters of the fiscal year. In general, updates to the State's Annual Information Statement ("AIS") which are used in conjunction with the offering of State-supported debt and included in whole or in part in official statements and similar disclosure documents relating to such debt offering, are prepared and released to the public approximately two weeks following updates to the Financial Plan. At the end of October 2012, when updating of the Financial Plan would normally have been undertaken, , Superstorm Sandy[1] ("Superstorm Sandy" or the "Storm"), struck the East Coast of the United States on October 29, 2012, causing widespread infrastructure damage and economic losses in the greater New York region. When DOB issued the quarterly update to the Financial Plan in late November 2012, it noted:

> *The Storm's adverse impact on the State's finances remains highly uncertain and subject to a number of factors, including the scope and timing of federal aid, which are not possible to predict reliably at this time. Accordingly, this Mid-Year Update to the Financial Plan does not reflect an assessment of the Storm's impact on the State's multi-year financial projections. DOB expects to update the State's multi-year financial projections in January 2013 with the Executive Budget Financial Plan for FY 2014, at which time it will provide a comprehensive assessment of the Storm. The Storm assessment may result in material and adverse changes to the Financial Plan projections set forth in this Mid-Year Update.*

In light of the timing of the quarterly update to the Financial Plan, coupled with the fiscal uncertainties surrounding the impact of the Storm, and the then-developing "fiscal cliff" discussions at the Federal level, and the absence of any offering of State-supported debt during this period of time, DOB determined that it was advisable to deviate from its normal practice for updating the AIS, and resume its quarterly updating cycle with the Executive Budget Financial Plan.

[1] Superstorm Sandy, a category 1 hurricane, made landfall as a post-tropical cyclone.

INTRODUCTION

For the reasons noted above, this is the second update (the "AIS Update") to the AIS dated May 11, 2012. This AIS Update contains information only through February 27, 2013 and should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. A summary of recent events and changes to the Financial Plan made since the last quarterly update to the AIS dated August 10, 2012 (the "Prior Quarterly Update"), including the estimated impact of the Governor's Executive Budget proposal for FY 2014, as amended (the "Updated Financial Plan") issued on February 25, 2013 and available on the DOB website at www.budget.ny.gov. The updated information includes (a) revised Financial Plan projections for fiscal years 2013 through 2016[2] and initial projections for FY 2017, (b) an updated economic forecast, (c) operating results through January 2013, (d) a discussion of issues and risks that may affect the Financial Plan during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the Financial Plan"), and (e) a summary of GAAP-basis results for the prior three fiscal years (reprinted as a convenience from the Prior Quarterly Update).

2. Updated information regarding the State Retirement Systems.

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

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

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

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

"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, extreme weather events, changes in political, social and economic conditions, impediments to the implementation of gap-closing actions, regulatory initiatives and compliance with governmental regulations, litigation, national and international events, and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS Update.

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

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

USAGE NOTICE

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

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

See the Glossary of Acronyms at the end of this AIS Update for a list of certain defined terms and abbreviations used throughout this AIS Update.

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

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OVERVIEW OF THE UPDATED FINANCIAL PLAN

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

The General Fund is the sole financing source for the School Tax Relief ("STAR") Fund. In addition, the General Fund is typically the financing source of last resort for the State's other major funds, including Health Care Reform Act ("HCRA") funds, the Dedicated Highway and Bridge Trust Fund ("DHBTF") 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 by law to be balanced, the focus of the State's budgetary and gap-closing discussion is generally weighted toward the General Fund.

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

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

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

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

EXECUTIVE BUDGET FINANCIAL PLAN OVERVIEW

The Governor submitted his Executive Budget proposal for FY 2014 on January 22, 2013, and amendments through February 21, 2013, as permitted by law. On February 25, 2013, DOB issued the Updated Financial Plan, extracts and summaries of which are included in this AIS Update. The Updated Financial Plan includes updated estimates for the current fiscal year (FY 2013), and projections for FY 2014 through FY 2017, which reflect the estimated impact of the Governor's Executive Budget proposals, as amended. References to the Executive Budget in this AIS Update refer to the Governor's Executive Budget, as amended.

The projections assume that the Legislature enacts the Governor's Executive Budget proposal in its entirety and without modification by the start of FY 2014, which begins on April 1, 2013. The Governor's proposal is awaiting action by the Legislature. There can be no assurance that the Legislature will adopt all or any portion of the Executive Budget as proposed. Accordingly, there can be no assurance that the fiscal impact of the budget for FY 2014, when adopted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan and as disclosed in this AIS Update.

CURRENT FISCAL YEAR (FY 2013)

DOB expects the State will end the current fiscal year in balance for the General Fund on a cash basis of accounting. General Fund receipts, including transfers from other funds, are expected to total $59.1 billion, an increase of $167 million from the Prior Quarterly Update. The estimate for annual tax receipts, before accounting for the impact of debt service revisions, has been lowered by $226 million, reflecting relatively weak economic growth and the disruption to activity caused by Superstorm Sandy, offset in part by changes in taxpayer behavior in response to potential Federal tax law changes.[3] In September 2012, the State received an unanticipated one-time payment pursuant to a settlement between the Department of Financial Services and Standard Chartered Bank that increased miscellaneous receipts by $340 million. In addition, the estimate for miscellaneous receipts and non-tax transfers has been increased by $53 million based on a review of collections to date. The reduction in tax receipts is offset in part by lower than expected costs for debt service, primarily for the State's Personal Income Tax bonds, which results in an increase in tax receipts transferred to the General Fund after payment of debt service, and modestly higher transfers from other funds to the General Fund.

General Fund disbursements, including transfers to other funds, are expected to total $59.4 billion, an increase of $167 million over the Prior Quarterly Update. The change is due to a number of factors. Estimated disbursements for local assistance have been increased by $108 million, reflecting higher than expected spending for Medicaid expenses that are expected to be financed from the General Fund instead of HCRA (due to lower expected receipts in HCRA). The estimate for State Operations disbursements has been increased by $89 million, due mainly to the costs related to Superstorm Sandy (these outlays are expected to be reimbursed by the Federal government in FY 2014). General State Charges costs have been revised upward due to litigation against the State, reduced escrow payments from State agencies to offset General Fund costs, and increases in Workers' Compensation payments. Estimated transfers for debt service and capital projects have been reduced, reflecting, among other things, savings from refundings, the timing and sizing of bond sales, and the financing mix for capital projects. The Financial

[3] Estimated General Fund tax receipts are affected by changes in the estimated level of debt service needed for PIT Revenue Bonds, Local Government Assistance Corporation Bonds, and Clean Air/Clean Water bonds. The discussion of tax receipts excludes the impact of these debt service changes, since they are unrelated to tax liability.

Plan also assumes the prepayment in the current year of approximately $183 million in debt service not due until FY 2014. The following table summarizes the revisions.

Note that total disbursements ($59.4 billion) exceed total receipts ($59.1 billion) by $313 million, which is financed from existing fund balances as designated and planned for the purposes of settling prior year labor agreements, and funding community projects.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) ESTIMATE FOR FY 2013
SUMMARY OF CHANGES FROM PRIOR QUARTERLY UPDATE
SAVINGS/(COSTS)
(millions of dollars)

	FY 2013
PRIOR QUARTERLY UPDATE SURPLUS/(GAP) FORECAST	**0**
Receipts Revisions	**167**
Tax Receipts [1]	(226)
Miscellaneous Receipts: Standard Chartered Settlement	340
Other Miscellaneous Receipts/Non-Tax Transfers	53
Spending Revisions	**(167)**
Local Assistance	(108)
Agency Operations	(89)
General State Charges	(90)
Debt Service	104
Capital Projects	187
All Other Transfers	12
Planned Pre-Payment of Debt Service	(183)
REVISED BUDGET SURPLUS/(GAP) ESTIMATE	**0**

[1] Excludes impact of debt service reestimates.

The State expects to end FY 2013 with a General Fund cash balance of $1.47 billion. The balance consists of $1.13 billion in the Tax Stabilization Reserve, $175 million in the Rainy Day Reserve, $57 million in the Community Projects Fund, $21 million in the Contingency Reserve, and $13 million reserved for debt management. In addition, the balance includes $77 million set aside for potential retroactive costs of labor settlements with unions that have not agreed to contracts for prior contract periods (i.e., through FY 2011). The potential retroactive costs have been calculated using the terms agreed to by the major State employee unions that reached settlements for those periods.

Risks to budget balance remain in the current fiscal year. For example, actual tax receipts may fall below the revised estimates; the implementation of year-end transactions, such as the transfer of excess balances from other funds or payments from non-State entities, may occur at lower levels than assumed in the Financial Plan; disbursements in certain programs, especially economically-sensitive programs such as Medicaid, may vary from budgeted amounts; or the Federal government may take actions that adversely impact the State, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules (See "Other Matters Affecting the Financial Plan — Budget Risks and Uncertainties" herein).

MULTI-YEAR FINANCIAL PLAN REVISIONS (FY 2014 AND OUT-YEARS)

The budget gap that must be closed by the Executive Budget is projected at $1.35 billion, an increase of $370 million from the Prior Quarterly Update. The projected gaps in future years have also increased. DOB has revised the multi-year forecast of receipts and disbursements based on a review of operating results to date, updated forecasts for the State and national economies, and other information.

The following table summarizes the revisions, since the Prior Quarterly Update to the AIS, to the budget gaps estimated prior to the Executive Budget.

UPDATED GENERAL FUND BUDGETARY BASIS GAP PROJECTIONS FOR FISCAL YEARS 2014 THROUGH 2016[1]
BEFORE EXECUTIVE BUDGET PROPOSALS
SUMMARY OF CHANGES FROM PRIOR QUARTERLY UPDATE TO AIS
(millions of dollars)

	FY 2014	FY 2015	FY 2016
PRIOR QUARTERLY UPDATE SURPLUS/(GAP) ESTIMATE	**(982)**	**(3,590)**	**(4,370)**
Receipts Forecast Revisions	**(965)**	**(672)**	**(703)**
Tax Receipts [2]	(851)	(691)	(677)
Miscellaneous Receipts [3]	(114)	19	(26)
Spending Forecast Revisions [3]	**595**	**283**	**(128)**
Superstorm Sandy (Federally-Reimbursed)	200	0	0
HCRA: Medicaid Offset	(486)	(387)	(263)
Mental Hygiene	431	366	(140)
Federal TANF Offset	288	144	144
Human Services COLA Calculation	66	86	90
General State Charges	(173)	(145)	(99)
Debt Service	132	120	95
All Other Revisions	137	99	45
REVISED BUDGET SURPLUS/(GAP) ESTIMATE	**(1,352)**	**(3,979)**	**(5,201)**

1 Gap estimate for FY 2017 is published for the first time with the Executive Budget.

2 Excludes impact of debt service reestimates.

3 Excludes the reclassification of certain mental hygiene and Medicaid activities between receipts and disbursements, which has no impact on net Financial Plan operating results.

RECEIPTS

DOB has lowered the forecast for tax receipts in each year of the Financial Plan, consistent with the updated forecasts for the national and State economies, including the impact of Superstorm Sandy, and a review of receipts collections through January 2013. The estimates for miscellaneous receipts reflect adjustments based on updated information. (See "Financial Plan Projections Fiscal Years 2013 Through 2017 -- Receipts Overview" herein).

SPENDING

DOB has revised its multi-year spending projections across various agencies and programs to account for recent trends and experience, the continuing impact of cost-control measures imposed on discretionary spending, and other information. The most significant revisions include the following:

- **Superstorm Sandy Federally-Reimbursed Costs:** The Updated Financial Plan assumes that Federal aid under the Stafford Act, Community Development Block Grant Program, and other Federal programs, will reimburse the State for the entire cost of disaster response and recovery. The Updated Financial Plan assumes that State outlays for disaster response and recovery in FY 2013 (estimated at approximately $200 million) will be reimbursed in their entirety in FY 2014.

- **HCRA: Medicaid Offset:** HCRA resources expected to be available to finance General Fund Medicaid costs have been reduced as a result of downward revisions to cigarette tax collections and other receipt collections, as well as programmatic spending estimates. The decline in HCRA resources results in Medicaid costs reverting to and relying upon resources in the General Fund.

- **Mental Hygiene:** Spending has been lowered in all years of the Updated Financial Plan period to reflect updated program data indicating lower costs associated with residential development, ongoing management initiatives, and revised estimates for operational costs.

- **Federal TANF:** Under the TANF program, Federal funds are allocated to the State to assist families on limited incomes including child care subsidies. In addition to the standard annual TANF block grant, the State periodically receives supplemental TANF funding. Additional TANF funds totaling $144 million will be used to offset FY 2014 General Fund spending for child care subsidies.

  In addition, the State's projected costs for public assistance have been reduced by $144 million annually across the plan period to reflect current caseload levels and the distribution of cases between the Family Assistance and Safety Net programs.

- **Human Services COLA:** The scheduled cost-of-living adjustments for human services providers have been updated based on the formula in State law.

- **General State Charges:** Costs have been revised upward due to litigation against the State, reduced escrow payments from State agencies to offset General Fund costs, and increases in Workers' Compensation payments.

- **Debt Service:** Estimated spending has been lowered to reflect the timing of bond sales and expected interest rates.

- **Other Revisions:** DOB has revised its multi-year spending projections across a number of agencies and programs to account for recent trends and experience. Significant changes include: the write-down of amounts expected to be received from other funds, based on an assessment of transaction risks; lower estimated spending for the GPHW program based on the continued trend of reduced claims submitted by counties; School Aid, reflecting information contained in the November 2012 database update and updated estimates of personal income that are used in the calculation of the annual growth cap; and higher anticipated costs for, among things, preschool special education, the State takeover of Medicaid administration, higher transfers to subsidize the operations of the DHBTF due to a decline in estimated tax collections; and ESD local assistance commitments.

Projected Medicaid spending is reduced reflecting the decision by Monroe County to participate in the local cap contribution program, effective February 1, 2013. With the change, the State will no longer intercept a portion of Monroe County sales tax collections equal to its share of Medicaid costs, and the

county will now pay its share of Medicaid costs directly. The change has a minimal net Financial Plan impact, resulting in both lower State spending and lower State receipts.

FY 2014 EXECUTIVE BUDGET PROPOSAL

The Executive Budget proposes to eliminate the estimated General Fund budget gap of $1.35 billion in FY 2014, and reduce the estimated out-year budget gaps to $2.1 billion in FY 2015, $3.6 billion in FY 2016, and $4.2 billion in FY 2017. The budget gaps have increased in comparison to the projections in the Prior AIS Update, reflecting DOB's updated assessment of economic activity, the impact of Superstorm Sandy, and other factors.

The projected budget gaps represent the difference between the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and the expected level of resources to pay for them. The gaps are based on a number of assumptions and projections developed by DOB in conjunction with other State agencies. The assumptions reflect the impact of current statutory provisions on spending growth. Mandates and entitlements, combined with enrollment increases, account for a significant portion of projected spending increases.

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GAP-CLOSING PLAN

The Executive Budget includes a total of $2.0 billion in gap-closing actions in FY 2014. These actions close the $1.35 billion budget gap and finance new costs and the initiatives proposed in the Executive Budget. The table below summarizes the gap-closing plan.

GENERAL FUND GAP-CLOSING PLAN FOR FISCAL YEAR 2014 AND IMPACT ON OUT-YEAR GAPS
(millions of dollars)

	FY 2014	FY 2015	FY 2016	FY 2017
CURRENT SERVICES GAP ESTIMATES (BEFORE ACTIONS)	**(1,352)**	**(3,979)**	**(5,201)**	**(5,663)**
GAP-CLOSING PLAN				
Spending Control	**1,123**	**811**	**738**	**747**
Agency Operations	**434**	**447**	**470**	**503**
Executive Agencies	214	278	287	320
Independent Officials/University System	51	30	28	28
Health Insurance Rate Renewal	89	89	89	89
Fringe Benefits/Fixed Costs	80	50	66	66
Local Assistance	**378**	**298**	**268**	**244**
COLAs/Trends	71	85	88	95
Public Health/HCRA/Aging	161	126	149	143
Social Services/Housing	104	32	0	0
Education	61	52	52	52
All Other	(19)	3	(21)	(46)
Debt Management	**311**	**66**	**0**	**0**
Federal Revenue Reduction Plan	**0**	**(35)**	**(13)**	**312**
OPWDD Federal Rate Change*	(1,100)	(1,000)	(650)	(325)
State Savings Plan	500	510	302	302
Federal Resources	600	455	335	335
Extenders	**331**	**671**	**671**	**395**
18-A Utility Assessment	255	509	509	509
Limit on High Income Charitable Contributions	70	140	140	70
Film Credit	0	0	0	(165)
Historic Properties Rehabilitation Credit	0	0	0	(41)
Tax Modernization	6	22	22	22
Other Resources	**18**	**539**	**242**	**48**
Gross Resources	**549**	**756**	**506**	**517**
Workers' Compensation Reform	250	500	250	250
Annual Professional Performance Review	240	240	240	240
Wage Garnishment/Driver License Suspension Program	35	15	15	15
All Other	24	1	1	12
Proposed Investments	**(531)**	**(217)**	**(264)**	**(469)**
Debt Reduction Reserve Purposes	(250)	0	0	0
Fiscal Stabilization Aid	(143)	(61)	0	0
Thruway Authority	(84)	(86)	(87)	(89)
Capital Commitment Plan (Debt Service Impact)	(5)	(25)	(87)	(277)
Empire State Development	0	0	(36)	(36)
All Other	(49)	(45)	(54)	(67)
Tax Receipts (Reestimates)**	**(120)**	**(100)**	**0**	**0**
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE	**0**	**(2,093)**	**(3,563)**	**(4,161)**

* The current services gap estimates had assumed the phase-down of Federal rates for State-Operated disability services beginning in FY 2016.

** After the release of the Governor's initial Executive Budget proposal in January 2013.

The FY 2014 gap-closing actions are organized into four general categories: (a) actions that reduce current-services spending in the General Fund on a recurring basis ("Spending Control"); (b) actions that continue revenues on a recurring basis that would otherwise be reduced ("Extenders"); (c) actions that increase resources on a recurring basis ("Gross Resources"); and (d) new investments that increase spending or reduce resources ("Proposed Investments").

The sections below provide details on the actions that are recommended in each category.

SPENDING CONTROL

Before the spending controls and management actions proposed in the Executive Budget, State Operating Funds spending was projected to total $91.9 billion in FY 2014, an increase of $2.3 billion, or 2.6 percent, over the current-year estimate. The FY 2014 Executive Budget would reduce State Operating Funds spending in FY 2014 to $89.8 billion, an annual increase of 0.2 percent over the FY 2013 estimate.

AGENCY OPERATIONS

Agency Operations include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities). State Operating Funds spending for agency operations is estimated at $24.8 billion in FY 2014, the same level as the current year. Reductions from the FY 2014 current-services forecast for agency operating costs contribute $434 million to the General Fund gap-closing plan.

- **Executive Agencies:** Continued workforce management, annualization of savings from recent 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 roughly constant at 119,600 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 propose spending increases for FY 2014. In addition, funding for SUNY hospitals added in the FY 2013 Enacted Budget has been discontinued.

- **Health Insurance Rate Renewal:** Savings are expected to be achieved through a lower than anticipated 2014 rate renewal increase for the Empire Plan.

- **Fringe Benefits/Fixed Costs:** Lower spending is expected by making monthly payments (rather than a single payment in March) to the State's pension system to realize annual interest savings, and by eliminating Federal Medicare Part B reimbursements for higher income retirees.

LOCAL ASSISTANCE

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. State Operating Funds spending for local assistance is estimated at $59.2 billion in FY 2014, an increase of $492 million (0.8 percent) from the current year. 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 $378 million to the General Fund gap-closing plan. The most significant gap-closing actions in local assistance include the following:

- **Human Services Cost-of-Living Increases/Trends:** The Budget proposes eliminating the automatic 1.4 percent human services "cost-of-living" increase for FY 2014, and maintaining existing rates for mental hygiene programs, including various residential and day programs for individuals with developmental disabilities, and other health and human services programs.

- **Public Health/HCRA/Aging:** Savings are expected to be achieved through the consolidation of various public health programs, which is expected to generate programmatic and administrative efficiencies; reforms and reductions to the Excess Medical Malpractice program; and improvements in program administration. In addition, increased Federal funding under the ACA, will be used to achieve $40 million in savings in FY 2014.

- **Social Services/Housing:** Savings are expected through the application of supplemental Federal TANF funding to Child Care that will provide General Fund relief in FY 2014. In addition, resources from SONYMA's excess Mortgage Insurance Fund (MIF) reserves will be used to support the Community Prevention Program (formally known as Neighborhood and Rural Preservation Programs) and the Rural Rental Assistance program in FY 2014 and FY 2015.

- **Education:** The Executive Budget proposes limiting growth in preschool special education through various initiatives including building county capacity to monitor providers and authorizing New York City to implement a process to select providers and set rates within State parameters. In addition, the Executive Budget proposes lottery changes that are expected to generate additional receipts for State aid for education.

- **Other Local Programs:** Savings will be achieved across multiple functions and program areas including: delays to certain plans associated with mental health bed development, and other construction projects; the establishment of fraud protection mechanisms related to the STAR program; and the elimination of certain legislative grants.

FEDERAL REVENUE REDUCTION PLAN

The Updated Financial Plan addresses reductions in Federal Medicaid revenue related to reimbursement for State-operated developmental disability services. (Also see "Other Matters Affecting the Financial Plan" herein.)

The Executive Budget includes actions that are expected to provide $500 million in savings to offset the loss of Federal aid, including a proposed 6 percent Medicaid rate reduction for developmental disability providers which would eliminate COLA and other enhancements received by these providers in FY 2010 and FY 2011 ($120 million). This would be consistent with all other human service providers who have not received a COLA since FY 2009. The State will also manage MRT initiatives to accelerate cost-saving reforms and delay certain new investments, which is expected to further reduce Medicaid costs ($180 million). Lastly, the MRT process is continuing to reduce Medicaid costs below levels estimated in the Financial Plan ($200 million).

The Updated Financial Plan also identifies $600 million of additional Federal aid, including $250 million for emergency Medicaid services and other expenses for which the State is eligible for reimbursement from the Federal government, $250 million in Federal aid related to reforms to services for individuals with disabilities, and an additional $100 million related to coverage of certain populations under the ACA.

The following table (a) summarizes the specific actions that are reflected in the Updated Financial Plan 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**
6% Reduction to OPWDD Providers	120
Global 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 Federal Aid	250
Impact of Actions on State Operating Funds Spending	
Change in Available SOF Resources Due to Aid Reduction	(850)
Change in SOF Disbursements	(850)
6% Reduction to OPWDD Providers	*(120)*
Transfer of Costs to DOH Medicaid	*(730)*
Global Cap Underspending	(200)
MRT Investment Delays/Reform Acceleration	(180)
State MA Costs Finance with Eligible Federal Resources	(350)

EXTENDERS

- **18-a Utility Assessment:** The current temporary 18-a assessment surcharge on public utilities, enacted in 2009, expires in FY 2014. The assessment is used to support ongoing State expenses. The Executive Budget proposes a five-year extension of the assessment.

- **High Income Charitable Contributions:** The Executive Budget recommends a three-year extension, starting with tax-year (i.e., calendar year) 2013, of the existing limitation on charitable contributions deductions for State and New York City taxpayers with adjusted gross income over $10 million.

- **Film Credit:** Provides an additional film tax credit allocation of $420 million per year for tax years 2015 through 2019. Enhancements include reducing restrictions on claiming the post production portion of the credit. Transparency improvements include increased employment reporting as well as required periodic audits and economic benefit studies.

- **Historic Commercial Properties Rehabilitation Credit:** To provide assurance to developers who are rehabilitating historic property, or are considering doing so, the Executive Budget proposes extending the existing $5 million per project tax credit for five years (2015-2019) and making the credit refundable for projects completed in tax year 2015, or later.

- **Historic Residential Properties Rehabilitation Credit:** Provides for an extension of the current higher credit cap and refund-ability for five years (2015-2019).

- **Tax Modernization:** The Executive Budget proposes a permanent extension to provisions first enacted in FY 2011 that include mandatory e-filing and e-payment for preparers and taxpayers, sales tax payment requirements, and segregated accounts for noncomplying vendors.

OTHER RESOURCES

- **Workers' Compensation Reform:** The Executive Budget includes legislation to reform the State's complex and inefficient Workers' Compensation system. As a by-product of the reform legislation, the Executive Budget proposes that the State Insurance Fund (SIF), a State agency that provides Workers' Compensation insurance, release reserves that would no longer be required to fund future liabilities. The Executive Budget proposes using the released reserves over a period of four years to pay for new capital projects with cash rather than with debt, maintain Workers' Compensation rates at stable levels, cover new spending initiatives, and meet other Financial Plan needs. In FY 2014, the Executive Budget proposes the reserve release to be used for debt reduction ($250 million) and capital projects ($500 million) that otherwise would be financed with long-term bonds.

- **Annual Professional Performance Review:** Certain school districts were not in compliance with the Annual Professional Performance Review by the January 17, 2013 deadline, thereby forfeiting planned aid increases. This results in lower expected costs of $240 million in FY 2014 and thereafter. A lawsuit has been initiated contesting the link of school aid spending increases to the submission by school districts of approvable teacher evaluation plans, and seeking to prevent the State from withholding aid increases due to lack of compliance. (Also see "Litigation and Arbitration - School Aid" section herein). In relation to this lawsuit, DOB expects a favorable judgment for the State.

- **Wage Garnishment:** The Department of Taxation and Finance (DTF) has the authority to garnish wages of delinquent taxpayers after filing a warrant with the Department of State or County Clerks. The Executive Budget proposes allowing DTF to garnish wages without filing a warrant, but only after a taxpayer has exhausted her rights to appeal. All taxpayer protections and appeal rights remain in place, and unlike when a warrant is filed, a warrantless garnishment would not appear on a person's credit history.

- **Driver License Suspension Program:** The program would authorize the revocation of driver licenses for individuals who surpass a threshold tax delinquency amount of $10,000 or more. Individuals may settle within 30 days, or get a restricted license until the delinquency is satisfied.

- **All Other:** Additional revenue will be made available through several resources including transfers to the General Fund from public authorities and proceeds from bonding capital projects under the EPF; applying surcharges to lesser vehicle and traffic law violations to which speeding tickets are commonly pled down; and an increase in the penalty for possession of unstamped cigarettes.

PROPOSED INVESTMENTS

- **Debt Reduction Reserve Purposes:** The Executive Budget includes a proposal to reserve $250 million to be used for DRRF purposes, which will be financed with $250 million from the release of SIF reserves.

- **Fiscal Stabilization Aid:** The Executive Budget proposes a one-time, unallocated, fiscal stabilization increase of $204 million (school year basis) to school districts in recognition of the fiscal constraints faced by districts as a result of a multi-year national recession and the recent significant growth in pension costs.

- **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 Thruway Authority, will be financed as costs of the State 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.

- **Empire State Development:** The Mitchell-Lama program provides affordable rental and cooperative housing to moderate- and middle-income families. The program will be restructured and transferred from ESD to DHCR in order to improve the housing stock. Once transferred, ESD will lose the HUD subsidy associated with the portfolio, and accordingly, the Updated Financial Plan includes additional support for ESD beginning in FY 2016.

- **19-A PILOT Payments to Albany:** The FY 2014 PILOT payment to be made by the State to the City of Albany is scheduled to decrease by $8 million under the existing statutory schedule. To help alleviate the City's fiscal needs, the Executive Budget, as amended, proposes accelerating a PILOT payment due in a future year.

- **2014 Super Bowl:** New York and New Jersey will co-host Super Bowl XLVIII in February 2014. The Executive Budget, as amended, proposes $5 million to support activities in New York State to promote tourism and stimulate economic development opportunities associated with this premier event.

- **Tribal State Compact:** The City of Salamanca has not received payments from the Seneca Nation pursuant to the Tribal State Compact for over three years. These annual payments represent nearly 40 percent of the City's budget. Accordingly, this lack of payment has left the City unable to meet its expenses. The Executive Budget, as amended, proposes providing $2.5 million from the General Fund to the Tribal State Compact account, representing the amount required by the City of Salamanca for its 2013 fiscal year.

- **Other Changes:** The Updated Financial Plan assumes the payment in the current year of certain debt service that is not due until FY 2014, which has the effect of increasing expenses in the current year and reducing them in FY 2014. Other changes include technical adjustments to transfers and disbursements.

TAX RECEIPTS TIMING

A positive FY 2013 revision to tax receipts is the result of greater than anticipated capital gains realizations taken by taxpayers facing the possibility of Federal tax rate increases in tax year 2013. These gains are partially offset by lower than expected withholding and estate tax collections, as well as recognition of increased business tax refund inventories. The negative FY 2014 revision largely reflects the lower FY 2013 withholding base and higher expected refunds, partially offset by higher extension payments from the capital gains.

PROJECTED CLOSING BALANCES

If the Executive Budget is enacted as proposed, DOB estimates the State would end FY 2014 with a General Fund balance of $1.6 billion. The balance is expected to increase by $167 million from estimated FY 2013 levels, as described below. The following table summarizes the annual change in balances within the General Fund.

GENERAL FUND ESTIMATED CLOSING BALANCES
(millions of dollars)

	FY 2013 Current	Annual Change	FY 2014 Proposed
Projected Fund Balance	**1,474**	**167**	**1,641**
Statutory Reserves:			
Tax Stabilization Reserve Fund	1,131	0	1,131
Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	57	(57)	0
Reserved for:			
Prior Year Labor Agreements (2007-2011)	77	(26)	51
Debt Reduction	13	250	263

The Executive Budget proposes to reserve $250 million in FY 2014 for debt management purposes. Funds are expected to be used to, among other things, defease higher-cost debt, reduce borrowing levels, and manage debt service costs.

The closing balance in both years includes amounts reserved to cover the costs of 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 agreed to by the State's largest unions. In FY 2014, DOB estimates the reserve will be reduced by $26 million to fund FY 2014 costs of a labor settlement reached with NYSCOPBA in FY 2013 for the prior contract period. Reserves will be reduced as labor agreements for prior periods are reached with other unions.

The Community Projects Fund, which finances discretionary grants allocated by the Legislature and Governor, is expected to decrease by $57 million in FY 2014, reflecting the use of the balance and no planned future deposits.

Balances in the State's principal reserve funds are expected to remain unchanged in FY 2014.

ANNUAL SPENDING GROWTH

DOB estimates that State Operating Funds spending will total $89.8 billion in FY 2014, an increase of $202 million (0.2 percent) from the estimate for FY 2013. All Governmental Funds spending (excluding extraordinary Federal aid for Superstorm Sandy disaster assistance and the Affordable Care Act), which includes capital projects and Federal operating funds, would total $134.9 billion, an increase of $777 million (0.6 percent) from the current year.

TOTAL DISBURSEMENTS
(millions of dollars)

	FY 2013 Current	FY 2014 Current Services	Before Actions		FY 2014 Proposed	After Actions	
			Annual $ Change	Annual % Change		Annual $ Change	Annual % Change
State Operating Funds	**89,621**	**91,926**	**2,305**	**2.6%**	**89,823**	**202**	**0.2%**
General Fund (excluding other transfers)	52,459	53,878	1,419	2.7%	52,454	(5)	0.0%
Other State Funds	30,973	31,788	815	2.6%	31,496	523	1.7%
Debt Service Funds	6,189	6,260	71	1.1%	5,873	(316)	-5.1%
All Governmental Funds	**134,142**	**137,094**	**2,952**	**2.2%**	**134,919**	**777**	**0.6%**
State Operating Funds	89,621	91,926	2,305	2.6%	89,823	202	0.2%
Capital Projects Funds	8,025	7,834	(191)	-2.4%	8,242	217	2.7%
Federal Operating Funds	36,496	37,334	838	2.3%	36,854	358	1.0%
General Fund (including transfers)	**59,375**	**61,684**	**2,309**	**3.9%**	**60,888**	**1,513**	**2.5%**
State Funds	**95,791**	**97,908**	**2,117**	**2.2%**	**96,225**	**434**	**0.5%**

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

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

	FY 2013 Current	FY 2014 Base	Annual Change Before Actions		FY 2014 Proposed	Annual Change After Actions	
			$	%		$	%
Local Assistance	**58,694**	**60,521**	**1,827**	**3.1%**	**59,186**	**492**	**0.8%**
School Aid	20,056	20,566	510	2.5%	20,557	501	2.5%
Annual Professional Performance Review [1]	0	0	0	0.0%	(240)	(240)	0.0%
DOH Medicaid (Incl Operational Costs) [2]	15,912	16,370	458	2.9%	16,421	509	3.2%
Transportation	4,344	4,718	374	8.6%	4,722	378	8.7%
Mental Hygiene	3,644	3,723	79	2.2%	2,799	(845)	-23.2%
STAR	3,276	3,420	144	4.4%	3,419	143	4.4%
Social Services	3,056	3,095	39	1.3%	3,010	(46)	-1.5%
Higher Education	2,628	2,783	155	5.9%	2,788	160	6.1%
Public Health/Aging	2,023	2,126	103	5.1%	2,053	30	1.5%
Special/Other Education	1,975	1,992	17	0.9%	2,083	108	5.5%
Local Government Assistance	763	767	4	0.5%	767	4	0.5%
All Other[3]	1,017	961	(56)	-5.5%	807	(210)	-20.6%
State Operations/Fringe Benefits	**24,790**	**25,140**	**350**	**1.4%**	**24,799**	**9**	**0.0%**
State Operations	**18,210**	**17,911**	**(299)**	**-1.6%**	**17,715**	**(495)**	**-2.7%**
Personal Service:	12,568	12,504	(64)	-0.5%	12,348	(220)	-1.8%
Executive Agencies	7,202	7,084	(118)	-1.6%	6,988	(214)	-3.0%
University System	3,507	3,519	12	0.3%	3,504	(3)	-0.1%
Elected Officials	1,859	1,901	42	2.3%	1,856	(3)	-0.2%
Non-Personal Service:	5,642	5,407	(235)	-4.2%	5,367	(275)	-4.9%
Executive Agencies	2,963	2,671	(292)	-9.9%	2,630	(333)	-11.2%
University System	2,144	2,199	55	2.6%	2,199	55	2.6%
Elected Officials	535	537	2	0.4%	538	3	0.6%
Fringe Benefits/Fixed Costs	**6,580**	**7,229**	**649**	**9.9%**	**7,084**	**504**	**7.7%**
Pension Contribution	1,605	2,057	452	28.2%	2,013	408	25.4%
Employee Health Insurance	3,159	3,423	264	8.4%	3,301	142	4.5%
Other Fringe Benefits/Fixed Costs	1,816	1,749	(67)	-3.7%	1,770	(46)	-2.5%
Debt Service	**6,132**	**6,260**	**128**	**2.1%**	**5,833**	**(299)**	**-4.9%**
Capital Projects	**5**	**5**	**0**	**0.0%**	**5**	**0**	**0.0%**
TOTAL STATE OPERATING FUNDS	**89,621**	**91,926**	**2,305**	**2.6%**	**89,823**	**202**	**0.2%**

[1] Reflects the withholding of aid beginning in FY 2014 due to non-compliance with the requirements concerning the Annual Professional Performance Review process.

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

[3] "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.

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

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

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: national and international events, such as continued or worsening strife in the Middle East, the Euro-zone financial crises, 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; household debt reduction on consumer spending and State tax collections; Federal budgetary constraints; and severe storms or other natural disasters affecting the State.

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

BUDGET RISKS AND UNCERTAINTIES

There can be no assurance that the projected General Fund budget gaps will not increase materially from the levels currently projected. If such events 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.

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 Updated Financial Plan. In addition, savings are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, revenue performance in the State's HCRA fund, which provides support for approximately one-third of the DOH State-share of Medicaid, and the participation of health care industry stakeholders. In particular, funding resources that are expected to be generated through health care surcharges and other provider assessments may decline as a result of Medicaid Redesign initiatives which are expected to reduce expenditures and unnecessary utilization, as well as from the continued shift of fee-for-service delivery models to managed care. An inability to achieve these planned savings would reduce the funding for Medicaid available from HCRA, and could potentially require a commensurate level of additional General Fund support in order to meet program needs.

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

FEDERAL ACTIONS

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

FEDERAL REIMBURSEMENT FOR STATE MENTAL HYGIENE SERVICES

The Federal government is lowering Medicaid developmental center payment rates for New York City, effective April 1, 2013. This amendment has the impact of lowering Federal funding to New York State by approximately $1.1 billion beginning in FY 2014. The Executive Budget includes a plan to address this loss in Federal aid. The plan is subject to implementation risks and is dependent, in part, on the approval of the Legislature and the Federal government. As described below, CMS may seek to retroactively recover Federal funds regarding this matter.

AUDIT DISALLOWANCE

On February 8, 2013, the Federal CMS, with the assistance of the Office of the Inspector General, began a review to determine allowable Medicaid costs for services provided to the Medicaid population in New York State-Operated Intermediate Care Facilities for the Developmentally Disabled (ICF/DD). The initial review period will include claims for services provided during the period April 1, 2009 through March 31, 2010. Pending the outcome of this audit, CMS may seek to recover Federal funds on any payments found in excess of Federal payment requirements. While New York State continues to work collaboratively with its Federal partners to resolve these concerns, adverse action by the Federal government relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program. Any disallowances could have a materially adverse impact on the State's financial position.

BUDGET CONTROL ACT

The Federal Budget Control Act (BCA) of 2011 imposed annual caps on Federal discretionary spending over a ten-year period. The specific spending reductions necessary for Congress to remain within the caps will be decided through the annual Federal budget process, and therefore the magnitude of the impact on Federal aid for the State has yet to be determined. Further, unless additional deficit reduction is enacted, BCA directs that these additional savings be achieved through sequestration of FY 2013 funding, with across-the-board cuts to Federal programs originally scheduled for January 2013, but which Congress has delayed until March 2013, and lower discretionary caps in the following eight years. If the sequester and lower spending caps are implemented, DOB estimates that New York State and local governments could lose approximately $5 billion in Federal funding over nine years, beginning in March 2013.

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 will be needed to adapt existing infrastructure to the risks posed by climate change.

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. The Updated Financial Plan assumes no proceeds from health care conversions in FY 2013; $175 million in proceeds in FY 2014 and $300 million annually in FYs 2015, 2016 and 2017. The proceeds are expected to be deposited into the HCRA account. If a conversion does not occur on the timetable or at the levels assumed in the Updated Financial Plan, the State may be required to take other actions to increase available resources, such as reduce planned spending in HCRA, or finance additional expenses in the General Fund, or both.

STATUS OF CURRENT LABOR NEGOTIATIONS

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, and Council 82. Most of the contracts provide for no general 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 $1,000 lump sum payment ($775 paid in FY 2014 and $225 paid in FY 2015); 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 in the unions that have reached settlements

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

The State is in negotiations with its other unsettled unions and recently reached a tentative agreement with the United University Professions (UUP), which represents faculty and non-teaching professional staff within the State University system. The contract is subject to ratification by union members in spring 2013. If ratified, approximately 10 percent of the unionized workforce would not have new contracts in place.

LABOR SETTLEMENTS FOR PRIOR/NEW CONTRACT PERIODS

The Updated Financial Plan continues to include a planned reserve to cover the costs of a pattern settlement with unions that have not agreed to contracts for prior contract periods. The amount of the reserve is 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 for prior periods will not exceed the amounts reserved. In addition, the State's ability to fund the amounts reserved in FY 2014 and beyond depends on the achievement of balanced budgets in those years. 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 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.

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

Under the Executive Budget, DOB estimates that the State will have sufficient liquidity to make payments as they become due in FY 2014. DOB estimates that balances may reach relatively low levels at certain points in time. The following table provides an estimate of month-end balances for FY 2014 based upon the Executive Budget.

PROJECTED MONTH-END CASH BALANCES FY 2014 (millions of dollars)			
	General Fund	Other Funds	All Funds
April	5,561	2,131	7,692
May	2,144	2,964	5,108
June	2,590	2,280	4,870
July	2,201	2,376	4,577
August	2,088	3,184	5,272
September	4,501	1,290	5,791
October	3,450	1,989	5,439
November	2,276	1,961	4,237
December	4,038	488	4,526
January	5,311	2,476	7,787
February	5,244	2,732	7,976
March	1,641	1,627	3,268

PENSION AMORTIZATION

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

The Updated Financial Plan assumes that the State will continue to amortize a portion of its pension costs, pursuant to the FY 2011 legislation. The State's minimum ERS pension contribution rate, as a percentage of payroll, was 9.5 percent in FY 2011 and 10.5 percent in FY 2012. The rate in FY 2013 is 11.5 percent, and in FY 2014, it will be 12.5 percent. 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 will be required for FY 2018 and beyond.

The PFRS rate was 17.5 percent in FY 2011 and 18.5 percent in FY 2012. The rate in FY 2013 is 19.5 percent and the rate will be 20.5 percent in FY 2014. 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, thereby eliminating the need for amortizations for that fiscal year and beyond.

These projected contribution rates, however, are a function of projected market returns 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 February and March 2012, the State made pension payments that totaled $1.321 billion for FY 2012, and amortized $491 million. This payment included a $118 million pre-payment of certain outstanding liabilities. In addition, the State's Office of Court Administration (OCA) made its pension payment of $186 million, and amortized $72 million. The $563 million in total deferred payments will be repaid with interest over the next ten years, beginning in the current fiscal year, FY 2013.

For amounts amortized in FY 2011, FY 2012, and FY 2013, the State Comptroller set interest rates of 5 percent, 3.75 percent, and 3 percent respectively. The Updated Financial Plan assumes that both the State and OCA will elect to amortize pension costs in future years, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 3 percent over ten years from the date of each deferred payment, consistent with the interest rate to be 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 will 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 upcoming years. Therefore, the State will neither amortize any of its pension costs in these years nor will it be required to make additional contributions if these projections hold. 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.

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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 Projected	2,085.3	(778.5)	100.9	1,407.7
2014 Projected	2,525.4	(858.0)	192.1	1,859.5
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 2016.

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 ("Debt Reform Act") restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income and new State-supported

debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued on and after April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001 and was fully phased in at 4 percent of personal income during FY 2011, while the cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001 and will increase until it is fully phased in at 5 percent during FY 2014.

The 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 is met or exceeded, the State would be precluded from issuing new State-supported debt until the next annual cap calculation is made and debt is found to be within the applicable limitations.

As of March 31, 2012, the cumulative debt outstanding and debt service caps were 4.00 and 4.65 percent, respectively. In the most recent annual certification issued in December 2012, (as charted below), the State reported that it was in compliance with both debt caps, with (i) debt issued after March 31, 2000 and outstanding at March 31, 2012 totaling $35.8 billion, or approximately $4.0 billion below the statutory debt outstanding limitation, constituting 3.6 percent of personal income, and (ii) debt service on such debt totaling $3.5 billion, or approximately $2.7 billion below the statutory debt service limitation, constituting 2.62 percent of total governmental receipts.

DEBT OUTSTANDING CAP (millions of dollars)	
New Debt Outstanding	$35,803
Personal Income (CY 2011)	$995,185
Debt Outstanding (Percent of PI)	3.60%
Cap Imposed by Debt Reform Act	4.00%

DEBT SERVICE CAP (millions of dollars)	
New Debt Service	$3,473
Governmental Funds Receipts	$132,745
Debt Service (Percent of Govt'l Fund Receipts)	2.62%
Cap Imposed by Debt Reform Act	4.65%

It is currently projected that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform 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 $2.7 billion in FY 2013 to $71 million in FY 2017. This includes the estimated impact of the bond-financed portion of increased capital commitment levels included in the 10-year capital planning projections. 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.

The following charts reflect projections for FYs 2013 through 2018 of new debt outstanding and new debt service costs, and the extent to which the level of new debt is projected to remain within the existing caps.

NEW DEBT OUTSTANDING - CAPPED AT 4 PERCENT OF PERSONAL INCOME (millions of dollars)					
Year	Personal Income	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2013	1,028,549	4.00%	3.71%	2,957	0.29%
FY 2014	1,049,061	4.00%	3.86%	1,442	0.14%
FY 2015	1,114,497	4.00%	3.92%	923	0.08%
FY 2016	1,178,365	4.00%	3.99%	131	0.01%
FY 2017	1,243,389	4.00%	3.99%	71	0.01%
FY 2018	1,310,257	4.00%	3.93%	857	0.07%

NEW DEBT SERVICE COSTS - CAPPED AT 5 PERCENT OF ALL FUNDS RECEIPTS (millions of dollars)					
Year	All Funds Receipts	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2013	135,040	4.98%	2.73%	3,048	2.26%
FY 2014	140,943	5.00%	2.83%	3,052	2.17%
FY 2015	143,035	5.00%	2.95%	2,932	2.05%
FY 2016	146,800	5.00%	3.11%	2,767	1.89%
FY 2017	152,409	5.00%	3.29%	2,604	1.71%
FY 2018	155,215	5.00%	3.49%	2,344	1.51%

SECURED HOSPITAL PROGRAM

Under the Secured Hospital program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State MCFFA and by DASNY through the Secured Hospital program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of January 1, 2013, there was approximately $493 million of outstanding bonds for the program.

The financial condition of most hospitals in the State's Secured Hospital Program continues to deteriorate. Of the eight hospitals in the program, several are experiencing significant operating losses that are likely to impair their ability to remain current on their loan agreements with DASNY. In relation to the Secured Hospital Program, the Executive Budget projections reflect the assumption of additional costs of $13 million in FY 2014, approximately $30 million annually for FY 2015 through FY 2017, and $17 million in FY 2018 as the bonds begin to be paid off. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for three hospitals that currently are not meeting the terms of their agreement with DASNY. The State has additional exposure of up to a maximum of $44 million annually, if all additional hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

BOND MARKET

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

LITIGATION

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

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

In accordance with GASB 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 represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously required.

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

The net annual OPEB liability 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 currently positive net asset condition at the end of FY 2012 by $2.5 billion.

GASB does not require the additional costs to be funded on the State's budgetary (cash) basis, and no funding is assumed for this purpose in the State fiscal years covered by the Updated Financial Plan.

The State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis.

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

BONDING PROPOSALS

Sales Tax Revenue Bond Program

Legislation submitted with the FY 2014 Executive Budget proposes the creation of a new sales tax revenue bond program. The legislation will create the Sales Tax Revenue Bond Tax Fund, an account 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 one percent of the State's four percent sales and use tax receipts. Upon the satisfaction of all of the obligations and liabilities of LGAC, this will increase to two percent of sales tax receipts. Tax receipts in excess of debt service requirements will be transferred to the State's General Fund.

DOB expects that the sales tax revenue bonds will be used interchangeably with PIT bonds to finance State capital needs, and provide a vehicle to end the use of older, higher cost debt structures. 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 Bonding Program

Legislation included in the Executive Budget proposes a new bonding program for SUNY Dormitory Facilities. The new bonding program would be supported solely by third party revenues generated by student rents. The revenues would flow directly to DASNY for the payment of debt service without an appropriation. Unlike the existing program, the new program would not include a SUNY general obligation pledge, thereby eliminating recourse to the State. Accordingly, such bonds would 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. The existing SUNY Dormitory Facilities bonds would continue to be counted as State-supported debt until they are refunded into the new program or are paid off.

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2013 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 Executive Budget. The projections cover FY 2013 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 complicate 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 concentrated primarily 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 Update. Accordingly, in terms of the FY 2014 Executive Budget outyear projections (FY 2015 through FY 2017), FY 2015 is the most relevant from a planning perspective.

SUMMARY

DOB estimates that the Executive Budget, if enacted as proposed, would provide for a balanced General Fund Financial Plan in FY 2014, and leave projected gaps that total approximately $2.1 billion in FY 2015, $3.6 billion in FY 2016, and $4.2 billion in FY 2017. The net operating shortfall in State Operating Funds is projected at $2.0 billion in FY 2015, $3.4 billion in FY 2016 and $3.9 billion in FY 2017.

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

The following tables present the multi-year projections 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 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts					
Taxes (After Debt Service)	54,315	57,047	58,290	60,540	63,225
Miscellaneous Receipts/Federal Grants	3,784	3,103	3,030	2,836	2,844
Other Transfers	963	905	781	733	736
Total Receipts	**59,062**	**61,055**	**62,101**	**64,109**	**66,805**
Disbursements					
Local Assistance Grants	39,776	40,035	41,946	44,358	46,750
School Aid	17,003	17,173	17,934	18,777	20,020
Medicaid	11,053	11,099	11,316	12,032	12,556
All Other	11,720	11,763	12,696	13,549	14,174
State Operations	8,094	7,455	7,792	8,095	8,184
Personal Service	6,190	5,672	5,839	6,100	6,116
Non-Personal Service	1,904	1,783	1,953	1,995	2,068
General State Charges	4,589	4,964	5,341	5,600	5,867
Transfers to Other Funds	6,916	8,434	9,105	9,605	10,151
Debt Service	1,644	1,334	1,476	1,450	1,347
Capital Projects	868	1,256	1,369	1,381	1,772
Mental Hygiene State Share Medicaid	2,975	1,730	1,288	1,261	1,228
SUNY Operations	340	969	969	969	969
All Other	1,089	3,145	4,003	4,544	4,835
Total Disbursements	**59,375**	**60,888**	**64,184**	**67,658**	**70,952**
Change in Reserves	**(313)**	**167**	**10**	**14**	**14**
Prior-Year Labor Agreements (2007-11)	(206)	(26)	10	14	14
Community Projects Fund	(45)	(57)	0	0	0
Debt Reduction	0	250	0	0	0
Undesignated Fund Balance	(62)	0	0	0	0
Budget Surplus/(Gap) Projections	**0**	**0**	**(2,093)**	**(3,563)**	**(4,161)**

STATE OPERATING FUNDS PROJECTIONS

FY 2014 EXECUTIVE BUDGET - STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts					
Taxes	64,569	67,706	69,498	72,353	75,669
Miscellaneous Receipts/Federal Grants	20,573	19,439	19,948	19,722	19,904
Total Receipts	**85,142**	**87,145**	**89,446**	**92,075**	**95,573**
Disbursements					
Local Assistance Grants	58,694	59,186	61,780	64,179	66,811
School Aid	20,056	20,317	21,077	21,925	23,166
STAR	3,276	3,419	3,602	3,704	3,805
Other Education Aid	1,975	2,083	2,110	2,176	2,307
Higher Education	2,628	2,788	2,865	2,948	3,020
Medicaid (DOH incl. administration)	15,860	16,230	16,780	17,591	18,289
Public Health/Aging	2,023	2,053	2,182	1,945	1,923
Mental Hygiene	3,644	2,799	3,390	3,878	4,082
Social Services	3,056	3,010	3,200	3,297	3,392
Transportation	4,344	4,722	4,820	4,919	5,020
Local Government Assistance	763	767	778	787	795
All Other	1,069	998	976	1,009	1,012
State Operations	18,210	17,715	18,254	18,873	19,174
Personal Service	12,568	12,348	12,640	13,090	13,223
Non-Personal Service	5,642	5,367	5,614	5,783	5,951
General State Charges	6,580	7,084	7,529	7,941	8,271
Pension Contribution	1,605	2,013	2,256	2,418	2,446
Health Insurance (Active Employees)	1,750	1,830	1,925	2,051	2,221
Health Insurance (Retired Employees)	1,409	1,471	1,550	1,651	1,788
All Other	1,816	1,770	1,798	1,821	1,816
Debt Service	6,132	5,833	6,136	6,465	6,816
Capital Projects	5	5	5	5	5
Total Disbursements	**89,621**	**89,823**	**93,704**	**97,463**	**101,077**
Net Other Financing Sources/(Uses)	4,249	2,759	2,258	2,010	1,585
Net Operating Surplus/(Deficit)	**(230)**	**81**	**(2,000)**	**(3,378)**	**(3,919)**
Reconciliation to General Fund Gap:					
Designated Fund Balances:	230	(81)	(93)	(185)	(242)
General Fund	313	(167)	(10)	(14)	(14)
Special Revenue Funds	(119)	92	(78)	(162)	(204)
Debt Service Funds	36	(6)	(5)	(9)	(24)
General Fund Budget Gap	**0**	**0**	**(2,093)**	**(3,563)**	**(4,161)**

RECEIPTS OVERVIEW

THE NATIONAL ECONOMY

The national economy slowed in the fourth quarter of calendar year 2012, but an unexpectedly steep decline in Federal government spending of 15 percent resulted in virtual stagnation during the quarter. Although the most recent high frequency data indicates an upward revision to the U.S. Bureau of Economic Analysis' initial estimate for the fourth quarter, growth for that quarter is still likely to have been the weakest since the first quarter of calendar year 2011. In addition, there is a great degree of uncertainty surrounding the Federal government spending sequester, which is scheduled to take effect on March 1 unless a compromise is reached before then. Weaker than expected inventory growth for the fourth quarter, and a discouraging industrial production report for January could be signaling anticipation of softer demand ahead among defense manufacturers. As a result, both government spending and inventory growth have been revised down for 2013. Real U.S. GDP growth of 1.8 percent is now projected for 2013, following growth of 2.2 percent for 2012.

Outside of government spending and inventory growth, domestic final demand displayed a healthy expansion during the fourth quarter. With household spending growing 2.2 percent in the fourth quarter as anticipated, the outlook for consumer spending remains unchanged from the Executive Budget forecast. Residential fixed investment exhibited real growth of 15.3 percent in the fourth quarter, while real nonresidential investment grew a healthy 8.4 percent. In late January, Congress passed the second of two installments of appropriations to fund the Superstorm Sandy recovery effort. Based on Congressional Budget Office estimates, almost $60 billion in Federal funds is expected to be spent over 10 years on the recovery effort, with $9.0 billion expected to be spent during the 2013 Federal fiscal year, and $12.7 billion during 2014, before adjusting for inflation. These estimates represent less spending during the 2013 calendar year than anticipated in the Executive Budget forecast, but more in 2014 and the outyears. On balance, real growth in residential fixed investment for 2013 has been revised down to 14.6 percent, while real growth in nonresidential fixed investment has been revised up to 5.5 percent.

Based on the U.S. Bureau of Labor Statistics' recent release of its annual benchmark revision to national employment, it now appears that job growth for much of 2012 was stronger than originally estimated. For the final six months of 2012, private sector U.S. employment displayed monthly average growth of 183,500, revised up from 160,200 prior to the revision. Indeed, between January 2010 and December 2012, 622,000 more private sector jobs were added than pre-benchmark estimates suggested. As a result, employment growth has been revised up for both 2012 and 2013 to 1.7 percent and 1.5 percent, respectively. This forecast implies continued moderate but steady growth. Businesses accelerated a substantial volume of both wage and dividend payouts in advance of the January 1 tax hike for high income taxpayers.

U.S. ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2012 (Estimated)	2013 (Forecast)	2014 (Forecast)
Real U.S. Gross Domestic Product	2.2	1.8	3.1
Consumer Price Index (CPI)	2.1	2.1	2.1
Personal Income	3.5	3.1	6.2
Nonagricultural Employment	1.7	1.5	1.9
Source: Moody's Analytics; DOB staff estimates.			

A number of risks have intensified. With energy prices spiking yet again, it remains uncertain how gasoline price volatility will interact with the recent payroll tax hike. In addition, the sequester deadline is fast approaching and could result in a much larger decline in government spending than anticipated. Displays of political gridlock could extend the impact on overall economic activity well beyond those sectors directly affected by the cuts. Although the global economy is expected to improve, the Euro-area and Japan remain in recession. Slower export growth than expected could negatively affect growth in U.S. corporate profits, investment, and jobs. Alternatively, a stronger than expected pickup in the global economy could result in a faster upturn in the demand for U.S. exports, having the opposite effect. Finally, stronger than anticipated home and equity price growth present upside risks to household spending.

THE NEW YORK STATE ECONOMY

Despite Superstorm Sandy's devastating impact on the downstate region, the pace of New York private sector job growth has remained strong, bouncing back from a loss of almost 30,000 jobs in November. The State has continued to exhibit growth in professional and business services, private educational services, and tourism-related leisure and hospitality services. Private sector employment growth of 1.9 percent and 1.5 percent are projected for 2012 and 2013, respectively, virtually unchanged from the Executive Budget. Public sector employment is expected to continue to decline well into 2014. In contrast, wage growth has continued to lose momentum, as two of the State's high-wage sectors, finance and manufacturing, proceed to downsize. However, declining wage growth is estimated to have been mitigated in the fourth quarter by the accelerated payment of a sizeable portion of wages in advance of the tax increase. Wage growth for 2012 has been revised up to 3.1 percent, while growth for 2013 has been revised down to 3.3 percent. Similarly, personal income growth has been revised up to 3.4 percent for 2012, and down to 2.2 percent for 2013.

NEW YORK STATE ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2012 (Estimated)	2013 (Forecast)	2014 (Forecast)
Personal Income	3.4	2.2	5.9
Wages	3.1	3.3	5.0
Nonagricultural Employment	1.4	1.2	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. In addition, with Wall Street still adjusting their compensation practices in the wake of the passage of financial reform, both the bonus and non-bonus components of employee pay are becoming increasingly 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. A weaker labor market than projected could also result in lower wages, which in turn could result in weaker household consumption. Similarly, should financial and real estate markets be weaker than anticipated, taxable capital gains realizations could be negatively affected. 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.

STATE REVENUES

All Funds tax receipts growth during the current fiscal year-to-date has been buoyed by capital gains realizations taken in late 2012 in anticipation of Federal tax rate increases and the apparent shift of some financial sector bonus payments from the first quarter of 2013 into December 2012 to ensure the benefit of lower Federal income tax rates. DOB's forecast calls for a 5.7 percent year-to-year increase in financial sector bonus payments for FY 2013. All Funds FY 2013 tax receipts were virtually unchanged through November when compared to the same period in FY 2012. This was consistent with the tepid year-over-year changes to New York economic indicators discussed above and law changes that reduced the MTA payroll tax, fully restored the clothing exemption, and reformed PIT. Through January 2013, however, growth for this measure has jumped to 3.3 percent, the result of the capital gains (and associated December and January estimated tax payments) and bonus income shifting noted above, and because of the impact of law changes that were relevant during the first three quarters of the fiscal year but are nearly irrelevant in the fourth. The initial quarter of 2012 was the first quarter to contain the impacts of PIT reform and the proportion of clothing and shoes purchased during the first quarter is small, thereby blunting the impact of the partial clothing exemption still in effect in 2012. All Funds FY 2013 tax receipts growth, as a whole, is estimated at 2.5 percent.

All Funds FY 2014 tax receipts growth is projected to be 4.8 percent. After slowing in FY 2013, average wage, total wage, and personal income growth are expected to recover and result in net growth in personal income FY 2014 tax receipts of 5.7 percent. Some of this increase can be attributed to final return payments associated with the capital gains realizations noted previously. A decline in projected corporate profits growth for the 2013 calendar year combined with the impact of a corporate and utilities tax refund should provide a slowdown in All Funds FY 2014 business tax receipts growth. Improved income and employment growth, combined with the expected impact of third-party reporting on audit receipts, is expected to produce All Funds FY 2014 sales tax growth of 4.5 percent.

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

State Fiscal Year	Actual Receipts	Base Receipts	Inflation Adjusted Base Receipts
1989-90	6.8	8.3	2.7
1990-91	(0.8)	(3.8)	(8.9)
1991-92	7.2	1.4	(1.9)
1992-93	6.1	5.0	1.7
1993-94	4.3	0.7	(1.8)
1994-95	0.1	1.5	(1.0)
1995-96	2.6	3.6	0.7
1996-97	2.0	2.5	(0.1)
1997-98	3.7	5.6	3.8
1998-99	7.2	7.9	6.0
1999-00	7.5	9.1	6.1
2000-01	7.9	10.1	7.1
2001-02	(4.9)	(4.2)	(6.1)
2002-03	(6.7)	(8.0)	(10.8)
2003-04	8.2	5.8	2.8
2004-05	13.4	11.5	7.8
2005-06	10.2	9.4	5.4
2006-07	9.7	12.9	10.4
2007-08	3.7	6.3	2.0
2008-09	(0.8)	(3.1)	(3.5)
2009-10	(3.2)	(12.3)	(14.0)
2010-11	5.6	2.9	0.3
2011-12	5.6	7.3	5.0
2012-13*	2.5	5.1	3.3
2013-14**	4.8	5.1	2.9
2014-15**	2.6	4.9	2.5
2015-16**	4.1	2.8	0.3
2016-17**	4.5	3.5	0.9
	Actual Change	**Base Change**	**Adjusted Base Change**
Historical Average (1989-90 to 2011-12)	**4.2**	**3.5**	**0.6**
Forecast Average (2012-13 to 2016-17)	**3.7**	**4.3**	**2.0**
Forecast Average (2013-14 to 2016-17)	**4.0**	**4.1**	**1.7**
Recessions	**1.3**	**(1.2)**	**(4.2)**
Expansions	**6.0**	**6.5**	**3.7**

*Estimated Receipts
**Projected Receipts

TOTAL RECEIPTS (millions of dollars)							
	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change	FY 2014 Proposed	Annual $ Change	Annual % Change
General Fund	**56,900**	**59,062**	**2,162**	**3.8%**	**61,055**	**1,993**	**3.4%**
Taxes	41,754	43,047	1,293	3.1%	45,286	2,239	5.2%
Miscellaneous Receipts	3,162	3,724	562	17.8%	3,101	(623)	-16.7%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
Transfers	11,924	12,231	307	2.6%	12,666	435	3.6%
State Funds	**88,111**	**90,866**	**2,755**	**3.1%**	**92,895**	**2,029**	**2.2%**
Taxes	64,297	65,922	1,625	2.5%	69,105	3,183	4.8%
Miscellaneous Receipts	23,669	24,799	1,130	4.8%	23,703	(1,096)	-4.4%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	**132,745**	**135,038**	**2,293**	**1.7%**	**140,942**	**5,904**	**4.4%**
Taxes	64,297	65,922	1,625	2.5%	69,105	3,183	4.8%
Miscellaneous Receipts	23,837	24,985	1,148	4.8%	23,889	(1,096)	-4.4%
Federal Grants	44,611	44,131	(480)	-1.1%	47,948	3,817	8.6%

FY 2013 OVERVIEW

- Total All Funds FY 2013 receipts are estimated to reach $135 billion, an increase of nearly $2.3 billion (1.7 percent) from FY 2012. All Funds tax receipts are estimated to increase by $1.6 billion, or 2.5 percent. The majority of the increase in tax receipts is attributable to growth in personal income tax collections.

- Total State Funds FY 2013 receipts are estimated to reach nearly $90.9 billion, an increase of $2.8 billion (3.1 percent).

- Total General Fund FY 2013 receipts are estimated at $59.1 billion, an increase of $2.2 billion (3.8 percent). General Fund tax receipts are estimated to increase by 3.1 percent. General Fund miscellaneous receipts are estimated to increase by 17.8 percent, reflecting an increase in one-time payments such as the settlement from Standard Chartered Bank and payments from the Manhattan District Attorney.

- Factoring out the impact of past changes to tax policy and tax law, tax receipts in FY 2013 are estimated to increase by 5.1 percent, which represents the level of base tax revenue growth. The level of base tax revenue growth in FY 2012 was 7.3 percent.

FY 2014 OVERVIEW

- Total All Funds FY 2014 receipts are projected to reach $140.9 billion, an increase of $5.9 billion (4.4 percent) from FY 2013 estimates. All Funds tax receipts are projected to grow by $3.2 billion (4.8 percent). This increase is attributable to continued positive economic growth.

- Total State Funds FY 2014 receipts are projected to be $92.9 billion, an increase of $2 billion (2.2 percent) from FY 2013 estimates.

- Total General Fund FY 2014 receipts are projected to be nearly $61.1 billion, an increase of $2 billion (3.4 percent) from FY 2013 estimates. General Fund tax receipts are projected to grow by 5.2 percent, while General Fund miscellaneous receipts are projected to decline by $623 million (16.7 percent). Federal grants revenues are projected to decline by $58 million.

- After controlling for the impact of policy changes, base tax revenue growth is estimated to increase by 5.1 percent for FY 2014.

FY 2015, FY 2016, AND FY 2017 OVERVIEW

TOTAL RECEIPTS (millions of dollars)							
	FY 2014 Proposed	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund	**61,055**	**62,101**	**1,046**	**64,109**	**2,008**	**66,805**	**2,696**
Taxes	45,286	46,140	854	48,140	2,000	50,430	2,290
State Funds	**92,895**	**95,192**	**2,297**	**98,144**	**2,952**	**100,754**	**2,610**
Taxes	69,105	70,926	1,821	73,801	2,875	77,123	3,322
All Funds	**140,942**	**143,036**	**2,094**	**146,799**	**3,763**	**152,409**	**5,610**
Taxes	69,105	70,926	1,821	73,801	2,875	77,123	3,322

Overall, tax receipts growth in the three fiscal years following FY 2014 is expected to remain in the range of 2.6 percent to 4.5 percent. This is consistent with projected modest economic growth in the New York economy during this period and the payback of deferred tax credits.

- Total All Funds FY 2015 receipts are projected to be $143 billion, an increase of $2.1 billion from the prior year. All Funds FY 2016 receipts are expected to increase by $3.8 billion from FY 2015 projections. In FY 2017, receipts are expected to increase by $5.6 billion from FY 2016 projections.

- Total State Funds receipts are projected to be $95.2 billion in FY 2015, $98.1 billion in FY 2016, and $100.8 billion in FY 2017.

- Total General Fund receipts are projected to reach $62.1 billion in FY 2015, $64.1 billion in FY 2016, and $66.8 billion in FY 2017.

BASE GROWTH

Adjusted for law changes, base tax receipts for both FY 2013 and FY 2014 are expected to grow 5.1 percent. Overall base growth in tax receipts is dependent on a multitude of factors.

Estimated base receipts growth in FY 2013 results from:

- Strong corporate profits growth and moderate insurance premium growth; and

- Increased consumption resulting from improved wage and employment growth.

Projected base growth in FY 2014 results from:

- The impact of accelerating wage growth on PIT receipts;

- Moderate corporate profits growth; and

- Improved consumer spending growth resulting from faster wage growth and trend employment growth.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change	FY 2014 Proposed	Annual $ Change	Annual % Change
General Fund[1]	**25,843**	**26,818**	**975**	**3.8%**	**28,396**	**1,578**	**5.9%**
Gross Collections	46,030	47,352	1,322	2.9%	49,898	2,546	5.4%
Refunds	(7,263)	(7,226)	37	-0.5%	(7,478)	(252)	3.5%
STAR	(3,233)	(3,276)	(43)	1.3%	(3,419)	(143)	4.4%
RBTF	(9,691)	(10,032)	(341)	3.5%	(10,605)	(573)	5.7%
State/All Funds	**38,767**	**40,126**	**1,359**	**3.5%**	**42,420**	**2,294**	**5.7%**
Gross Collections	46,030	47,352	1,322	2.9%	49,898	2,546	5.4%
Refunds	(7,263)	(7,226)	37	-0.5%	(7,478)	(252)	3.5%

[1]Excludes Transfers

All Funds FY 2013 receipts are estimated to be $40.1 billion, an increase of $1.4 billion (3.5 percent) from FY 2012 results. This primarily reflects modest increases in withholding, current estimated payments for tax year 2012, higher delinquent collections, higher final returns, and a decrease in total refunds, partially offset by a decrease in extension (i.e., prior year estimated) payments for tax year 2011.

Withholding in FY 2013 is projected to increase $619 million (2.0 percent) from the prior year. This reflects the net impact of modest wage growth (2.7 percent) and additional withholding generated by the December 2011 reform, offset by lower withholding due to the expiration of the temporary high income surcharge in place for 2009 to 2011. Total estimated payments are expected to increase $560 million (4.8 percent). Estimated payments for tax year 2012 are projected to be $899 million (11.1 percent) higher. However, as noted above, extension payments (i.e., prior year estimated) for tax year 2011 are projected to fall 9.6 percent ($338 million) compared to the inflated base of extensions for tax year 2010, which reflected the one-time realization of capital gains caused by uncertainty surrounding the late extension of the lower Federal tax rates on capital gains and high-income taxpayers in December of 2010. Delinquent collections and final return payments are projected to be $87 million (8.0 percent) and $56 million (2.6 percent) higher, respectively.

The decrease in total refunds of $37 million mostly reflects a $108 million (2.3 percent) decrease in prior year refunds related to tax year 2011 and a $98 million (26.8 percent) decrease in the State-City offset, partly reduced by a $169 million (37 percent) increase in previous years refunds related to tax years prior to 2011.

The following table summarizes, by component, actual receipts for FY 2012 and forecast amounts through FY 2016.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS ALL FUNDS (millions of dollars)					
	FY 2012 (Actual)	FY 2013 (Estimated)	FY 2014 (Projected)	FY 2015 (Projected)	FY 2016 (Projected)
Receipts					
Withholding	31,199	31,818	33,466	35,111	37,051
Estimated Payments	11,628	12,188	12,958	13,442	13,500
Current Year	8,096	8,995	8,918	10,283	9,963
Prior Year*	3,532	3,194	4,041	3,159	3,537
Final Returns	2,116	2,172	2,266	2,151	2,251
Current Year	223	227	241	242	242
Prior Year*	1,893	1,945	2,025	1,909	2,009
Delinquent	1,087	1,174	1,208	1,245	1,295
Gross Receipts	46,030	47,352	49,898	51,949	54,097
Refunds					
Prior Year*	4,693	4,585	4,954	5,627	6,304
Previous Years	454	623	551	569	553
Current Year*	1,750	1,750	1,750	1,750	1,751
State-City Offset*	366	268	223	148	148
Total Refunds	7,263	7,226	7,478	8,093	8,755
Net Receipts	**38,767**	**40,126**	**42,420**	**43,856**	**45,342**

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

All Funds FY 2014 receipts are projected to be $42.4 billion, an increase of $2.3 billion (5.7 percent) from FY 2013.

This increase primarily reflects increases of $1.6 billion (5.2 percent) in withholding and $770 million (6.3 percent) in total estimated payments. The increase in total estimated payments mostly represents a projected increase in extension (i.e., prior year estimated) payments of $847 million (26.5 percent) for tax year 2012 reflecting a taxpayer response related to Federal law changes partially reduced by a $77 million decrease in estimated payments related to tax year 2013. The strong projection for extension payments for tax year 2012 reflects a projected 40.8 percent increase in capital gains and a 15.4 percent increase in dividend income. This is due to the early realization of capital gains and dividends due to sunset of lower Federal marginal tax rates on capital gains and dividends and the scheduled increase in Federal tax rates on investment income starting with tax year 2013 as a part of the Federal Affordable Care Act. Alternatively, the reduction in estimated taxes associated with tax year 2013 partially reflects the timing shift of incomes from tax year 2013 into 2012, as discussed above. Compared to the previous fiscal year, current year estimated payments for tax year 2013 also include $70 million from the legislative proposal to extend for three more years the 25 percent itemized deduction limitation on charitable contributions of high income taxpayers.

Payments from final returns are expected to increase $94 million (4.3 percent). Likewise, delinquent collections are projected to increase by $34 million (2.9 percent) compared to the prior year, with most of the increase ($25 million) coming from proposals to allow warrantless wage garnishment and the suspension of driver's licenses of taxpayers with past-due tax debts. The increase in total refunds of $252 million primarily reflects a $369 million (8 percent) increase in prior year refunds for tax year 2012 partially offset by a $72 million (11.6 percent) drop in previous years refunds related to tax years prior to 2012 and a $45 million decrease in the State-City offset.

General Fund FY 2013 receipts of $26.8 billion are expected to increase by $975 million (3.8 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. The RBTF deposit is projected to be $10 billion while the STAR transfer is projected to be $3.3 billion.

General Fund FY 2014 income tax receipts of $28.4 billion are projected to increase by $1.6 billion (5.9 percent). The RBTF deposit is projected to be $10.6 billion while the STAR transfer is projected to be $3.4 billion.

PERSONAL INCOME TAX (millions of dollars)							
	FY 2014 Proposed	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund[1]	**28,396**	**29,290**	**894**	**30,303**	**1,013**	**32,057**	**1,754**
Gross Collections	49,898	51,949	2,051	54,097	2,148	57,056	2,959
Refunds	(7,478)	(8,093)	(615)	(8,755)	(662)	(9,239)	(484)
STAR	(3,419)	(3,602)	(183)	(3,704)	(102)	(3,805)	(101)
RBTF	(10,605)	(10,964)	(359)	(11,335)	(371)	(11,955)	(620)
State/All Funds	**42,420**	**43,856**	**1,436**	**45,342**	**1,486**	**47,817**	**2,475**
Gross Collections	49,898	51,949	2,051	54,097	2,148	57,056	2,959
Refunds	(7,478)	(8,093)	(615)	(8,755)	(662)	(9,239)	(484)

[1]Excludes Transfers

All Funds FY 2015 income tax receipts of $43.9 billion are projected to increase $1.4 billion (3.4 percent) from the prior year. Gross receipts are projected to increase 4.1 percent ($2.1 billion) and reflect withholding that is projected to grow by $1.6 billion (4.9 percent) and current year estimated payments related to tax year 2014 that are projected to grow by $1.4 billion (15.3 percent).

The increase in withholding reflects moderate wage growth. The increase in estimated payments from tax year 2014 includes an additional $70 million compared to the prior year from the three-year extension of the 25 percent itemized deduction limitation. Payments from final returns are expected to decrease $115 million (5.1 percent). Delinquencies are projected to increase $37 million (3 percent) from the prior year. Total refunds are projected to increase by $615 million (8.2 percent) from the prior year, mostly reflecting a $673 million increase in prior year refunds due to partial payback of the deferral of business tax credits.

General Fund FY 2015 income tax receipts of $29.3 billion are projected to increase by $894 million (3.1 percent). RBTF deposits are projected to be $11 billion, and the STAR transfer is projected to be $3.6 billion.

All Funds income tax receipts are projected to be $45.3 billion in FY 2016 and $47.8 billion in FY 2017. General Fund receipts are projected at $30.3 billion and $32.1 billion, respectively.

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change	FY 2014 Proposed	Annual $ Change	Annual % Change
General Fund[1]	**9,055**	**9,127**	**72**	**0.8%**	**9,492**	**365**	**4.0%**
Sales Tax	8,346	8,430	84	1.0%	8,802	372	4.4%
Cigarette and Tobacco Taxes	471	448	(23)	-4.9%	441	(7)	-1.6%
Alcoholic Beverage Taxes	238	249	11	4.6%	249	0	0.0%
State/All Funds	**14,571**	**14,630**	**59**	**0.4%**	**15,167**	**537**	**3.7%**
Sales Tax	11,876	11,994	118	1.0%	12,533	539	4.5%
Cigarette and Tobacco Taxes	1,633	1,561	(72)	-4.4%	1,535	(26)	-1.7%
Motor Fuel Tax	501	490	(11)	-2.2%	500	10	2.0%
Highway Use Tax	132	141	9	6.8%	140	(1)	-0.7%
Alcoholic Beverage Taxes	238	249	11	4.6%	249	0	0.0%
Taxicab Surcharge	87	86	(1)	-1.1%	96	10	11.6%
Auto Rental Tax	104	109	5	4.8%	114	5	4.6%

[1]Excludes Transfers

All Funds FY 2013 user taxes and fees receipts are estimated to be $14.6 billion, an increase of $59 million (0.4 percent) from the prior year. Sales tax receipts are expected to increase by $118 million (1 percent) from the prior year due to base growth (i.e., absent law changes) of 3.4 percent, offset partly by a return of the clothing exemption at a $110 per item threshold. Cigarette and tobacco tax and motor fuel tax collections are estimated to decrease by $72 million and $11 million, respectively, due to lower consumption.

General Fund FY 2013 user taxes and fees receipts are estimated to total $9.1 billion, an increase of $72 million (0.8 percent) from the prior year. The increase reflects growth in sales tax receipts ($84 million) and alcoholic beverage taxes ($11 million), offset slightly by a decline in cigarette and tobacco taxes ($23 million).

All Funds FY 2014 user taxes and fees receipts are projected to be nearly $15.2 billion, an increase of $537 million (3.7 percent) from the prior year. The increase in sales tax receipts of $539 million (4.5 percent) reflects sales tax base growth of 3.2 percent, proposed law changes of $21 million, and an estimated $83 million in incremental audit recoveries due to 2010 third party reporting legislation.

General Fund FY 2014 user taxes and fees receipts are projected to total $9.5 billion, an increase of $365 million (4 percent) from the prior year. This increase largely reflects the projected increases in All Funds sales tax receipts discussed above, offset slightly by a decline in cigarette and tobacco tax receipts.

USER TAXES AND FEES (millions of dollars)	FY 2014 Proposed	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund[1]	**9,492**	**9,890**	**398**	**10,309**	**419**	**10,585**	**276**
Sales Tax	8,802	9,202	400	9,624	422	9,901	277
Cigarette and Tobacco Taxes	441	435	(6)	428	(7)	421	(7)
Alcoholic Beverage Taxes	249	253	4	257	4	263	6
State/All Funds	**15,167**	**15,730**	**563**	**16,315**	**585**	**16,684**	**369**
Sales Tax	12,533	13,104	571	13,697	593	14,089	392
Cigarette and Tobacco Taxes	1,535	1,508	(27)	1,478	(30)	1,448	(30)
Motor Fuel Tax	500	503	3	507	4	510	3
Highway Use Tax	140	143	3	151	8	149	(2)
Alcoholic Beverage Taxes	249	253	4	257	4	263	6
Taxicab Surcharge	96	100	4	101	1	101	0
Auto Rental Tax	114	119	5	124	5	124	0

[1]Excludes Transfers

All Funds user taxes and fees receipts are projected to increase by $563 million (3.7 percent) in FY 2015, $585 million (3.7 percent) in FY 2016, and $369 million (2.3 percent) in FY 2017. This outyear growth is due to projected trends in retail consumption growth and declines in cigarette consumption.

General Fund user taxes and fees receipts are projected to increase by $398 million (4.2 percent) in FY 2015, $419 million (4.2 percent) in FY 2016, and $276 million (2.7 percent) in FY 2017. This outyear growth is consistent with the same trends associated with All Funds, noted above.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change	FY 2014 Proposed	Annual $ Change	Annual % Change
General Fund	**5,760**	**6,038**	**278**	**4.8%**	**6,244**	**206**	**3.4%**
Corporate Franchise Tax	2,724	2,570	(154)	-5.7%	2,881	311	12.1%
Corporation and Utilities Tax	617	655	38	6.2%	633	(22)	-3.4%
Insurance Tax	1,257	1,291	34	2.7%	1,364	73	5.7%
Bank Tax	1,161	1,522	361	31.1%	1,366	(156)	-10.2%
Petroleum Business Tax	1	0	(1)	-100.0%	0	0	0.0%
State/All Funds	**7,877**	**8,181**	**304**	**3.9%**	**8,460**	**279**	**3.4%**
Corporate Franchise Tax	3,176	2,946	(230)	-7.2%	3,310	364	12.4%
Corporation and Utilities Tax	797	839	42	5.3%	811	(28)	-3.3%
Insurance Tax	1,413	1,448	35	2.5%	1,531	83	5.7%
Bank Tax	1,391	1,823	432	31.1%	1,618	(205)	-11.2%
Petroleum Business Tax	1,100	1,125	25	2.3%	1,190	65	5.8%

All Funds FY 2013 business tax receipts are estimated at $8.2 billion, an increase of $304 million (3.9 percent) from the prior year. This increase is mainly driven by the bank tax. Growth in bank tax gross receipts and audits offsets lower corporate franchise tax receipts. The decline in corporate franchise tax receipts is driven mainly by lower audit collections. The corporation and utilities, and insurance tax receipts are moderately higher than the prior year. All Funds FY 2013 receipts include $384 million from the tax deferral of certain tax credits, an incremental increase of $71 million.

All Funds FY 2013 corporate franchise tax receipts are estimated to be $2.9 billion, a decrease of $230 million (7.2 percent) from FY 2012. The year-to-year decrease is mainly attributable to lower audit receipts. Fewer large cases are expected to be closed in FY 2013 compared to FY 2012. Non-audit receipts are expected to increase $105 million from the prior year as gross receipts increase from the prior year and fewer cash refunds are paid.

All Funds FY 2013 corporation and utilities tax receipts are estimated to be $839 million, an increase of $42 million (5.3 percent) from FY 2012. The main driver for the year-to-year increase is a large telecommunications audit that was received in April 2012. Gross FY 2013 receipts are estimated to decline 1 percent from FY 2012 as the telecommunications sector continues to erode from consumers continuing to shift to Internet-based communication tools from landline telecommunications. Softness in the utilities sector is also apparent in FY 2013 as personal consumption expenditures for electricity and natural gas declined from FY 2012.

All Funds FY 2013 insurance tax receipts are estimated to be $1.4 billion, an increase of $35 million (2.5 percent) from last year. This increase is driven by higher calendar year 2012 liability. Gross receipts are expected to grow moderately (3.1 percent) as economic growth continues.

All Funds FY 2013 bank tax receipts are estimated to be $1.8 billion, an increase of $432 million (31.1 percent) from FY 2012. This increase is mainly attributable to strong 2012 payments from commercial banks and higher audit receipts. Throughout calendar year 2012 banks have reported healthy profits from reductions in loan loss reserves and increased refinancing activity due to low mortgage rates. A large bank audit was received in December 2012 that contributed to higher year-to-year audit receipts.

All Funds FY 2013 PBT receipts are estimated to be $1.1 billion, an increase of $25 million (2.3 percent) above last year. This increase is mainly attributable to the 5 percent increase in the PBT index effective January 2012 and the 5 percent increase effective January 2013, offset by declines in gasoline and highway diesel fuel consumption.

General Fund FY 2013 business tax receipts of just over $6 billion are estimated to increase by $278 million (4.8 percent) from FY 2012. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

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

	FY 2010 (Actual)	FY 2011 (Actual)	FY 2012 (Actual)	FY 2013 (Estimated)	FY 2014 (Projected)
Corporate Franchise Tax	**2,511**	**2,846**	**3,176**	**2,946**	**3,310**
Audit	698	810	1,080	745	1,003
Non-Audit	1,813	2,036	2,096	2,201	2,307
Corporation and Utilities Taxes	**954**	**813**	**797**	**839**	**811**
Audit	52	13	30	60	76
Non-Audit	902	800	767	779	735
Insurance Taxes	**1,491**	**1,351**	**1,413**	**1,448**	**1,531**
Audit	35	38	21	32	21
Non-Audit	1,456	1,313	1,392	1,416	1,510
Bank Taxes	**1,399**	**1,179**	**1,391**	**1,823**	**1,618**
Audit	290	239	125	382	193
Non-Audit	1,109	940	1,266	1,441	1,425
Petroleum Business Taxes	**1,104**	**1,090**	**1,100**	**1,125**	**1,190**
Audit	10	7	6	6	6
Non-Audit	1,094	1,083	1,094	1,119	1,184
Total Business Taxes	**7,459**	**7,279**	**7,877**	**8,181**	**8,460**
Audit	1,085	1,107	1,262	1,225	1,299
Non-Audit	6,374	6,172	6,615	6,956	7,161

All Funds FY 2014 business tax receipts of nearly $8.5 billion are projected to increase by $279 million (3.4 percent) from the prior year. Corporation franchise tax FY 2014 receipts are projected to increase by $364 million (12.4 percent) from the previous year, driven by growth in audit receipts ($258 million or 34.7 percent). Included in FY 2014 is an incremental increase of $14 million (from $384 million in FY 2013 to $398 million in FY 2014) in receipts from the deferral of certain tax credits.

Corporation and utilities taxes are projected to decline by $28 million (3.3 percent). Gross FY 2014 receipts are expected to be flat compared to the prior year as lower 186-e receipts are offset with higher 186-a receipts. Receipts in FY 2014 include a large telecommunications refund ($30 million) and higher audit receipts (an incremental increase of $22 million).

Insurance taxes are forecast to increase by $83 million (5.7 percent). The year-to-year increase reflects trend growth in the insurance tax as the economy registers steady growth.

Bank tax FY 2014 receipts are projected to decline by $205 million (11.2 percent) from the previous year. The unusually high commercial bank calendar year filer payments seen in FY 2013 are not expected to be repeated in FY 2014, resulting in a decline in projected gross receipts. Additionally, audit receipts are expected to be lower (a decrease of $189 million) in FY 2014 as fewer large cases are settled.

The projected petroleum business tax increase of $65 million (5.8 percent) is due to an increase in the PBT rate index of 5 percent effective in January 2013 and the projected increase in the petroleum business tax rate index of 3 percent effective in January 2014. Motor and diesel fuel taxable consumption are also projected to grow compared to the prior fiscal year.

General Fund FY 2014 business tax receipts of $6.2 billion are projected to increase $206 million (3.4 percent) from the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

BUSINESS TAXES
(millions of dollars)

	FY 2014 Proposed	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund	**6,244**	**5,736**	**(508)**	**6,294**	**558**	**6,544**	**250**
Corporate Franchise Tax	2,881	2,225	(656)	2,618	393	2,757	139
Corporation and Utilities Tax	633	660	27	679	19	700	21
Insurance Tax	1,364	1,408	44	1,484	76	1,499	15
Bank Tax	1,366	1,443	77	1,513	70	1,588	75
Petroleum Business Tax	0	0	0	0	0	0	0
State/All Funds	**8,460**	**8,039**	**(421)**	**8,665**	**626**	**8,980**	**315**
Corporate Franchise Tax	3,310	2,690	(620)	3,115	425	3,277	162
Corporation and Utilities Tax	811	838	27	863	25	895	32
Insurance Tax	1,531	1,580	49	1,662	82	1,683	21
Bank Tax	1,618	1,706	88	1,790	84	1,880	90
Petroleum Business Tax	1,190	1,225	35	1,235	10	1,245	10

All Funds FY 2015, FY 2016 and FY 2017 business tax receipts reflect trend growth that is determined, in part, by the expected level of corporate profits, the expected profitability of banks, the change in taxable insurance premiums, residential energy expenditures and the consumption of telecommunications services. Business tax receipts are estimated to decline to $8 billion (5 percent) in FY 2015, increase to $8.7 billion (7.8 percent) in FY 2016, and increase to $9 billion (3.6 percent) in FY 2017. The decline in FY 2015 reflects the first year of the credit deferral payback to taxpayers. General Fund business tax receipts projections reflect the factors outlined above, and are projected to decline to $5.7 billion (8.1 percent) in FY 2015, increase to $6.3 billion (9.7 percent) in FY 2016, and increase to $6.5 billion (4 percent) in FY 2017.

OTHER TAXES

OTHER TAXES (millions of dollars)	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change	FY 2014 Proposed	Annual $ Change	Annual % Change
General Fund[1]	**1,096**	**1,064**	**(32)**	**-2.9%**	**1,154**	**90**	**8.5%**
Estate Tax	1,078	1,045	(33)	-3.1%	1,135	90	8.6%
Gift Tax	0	0	0	0.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Pari-Mutuel Taxes	17	18	1	5.9%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**1,706**	**1,819**	**113**	**6.6%**	**1,839**	**20**	**1.1%**
Estate Tax	1,078	1,045	(33)	-3.1%	1,135	90	8.6%
Gift Tax	0	0	0	0.0%	0	0	5.8%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Real Estate Transfer Tax	610	755	145	23.8%	685	(70)	-9.3%
Pari-Mutuel Taxes	17	18	1	5.9%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

[1]Excludes Transfers

All Funds FY 2013 other tax receipts are estimated to be just over $1.8 billion, an increase of $113 million (6.6 percent) from FY 2012 receipts, reflecting a decrease of $33 million (3.1 percent) in the estate tax, as a result of fewer large and extra-large payments and an increase of $145 million (23.8 percent) in real estate transfer tax receipts, as a result of the real estate market continuing to recover and a spin-up of collections caused by uncertainty regarding the late 2012 Federal fiscal cliff negotiations.

General Fund FY 2013 other tax receipts are expected to total approximately $1.1 billion, a decrease of $33 million (2.9 percent), due to a decrease in the estate tax, partially offset by higher pari-mutuel tax receipts.

All Funds FY 2014 other tax receipts are projected to be over $1.8 billion, up $20 million (1.1 percent) from FY 2013 reflecting growth in estate tax collections partially offset by a decline in real estate transfer tax collections, due to a shift of collections from FY 2014 into FY 2013 caused by the uncertainty of the aforementioned fiscal cliff negotiations.

General Fund FY 2014 other tax receipts are expected to total under $1.2 billion, an increase of $90 million (8.5 percent) from FY 2013, which is attributable to a projected increase in estate tax receipts due to an expected increase in household net worth.

OTHER TAXES (millions of dollars)	FY 2014 Proposed	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund[1]	**1,154**	**1,224**	**70**	**1,234**	**10**	**1,244**	**10**
Estate Tax	1,135	1,205	70	1,215	10	1,225	10
Gift Tax	0	0	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0	0	0
Pari-Mutuel Taxes	18	18	0	18	0	18	0
All Other Taxes	1	1	0	1	0	1	0
State/All Funds	**1,839**	**1,984**	**145**	**2,069**	**85**	**2,134**	**65**
Estate Tax	1,135	1,205	70	1,215	10	1,225	10
Gift Tax	0	0	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0	0	0
Real Estate Transfer Tax	685	760	75	835	75	890	55
Pari-Mutuel Taxes	18	18	0	18	0	18	0
All Other Taxes	1	1	0	1	0	1	0

[1]Excludes Transfers

All Funds FY 2015, FY 2016 and FY 2017 other tax receipts reflect growth driven by two major economic variables, household net worth (estate tax) and the value of real property transfers (real estate transfer tax). All Funds other tax receipts are estimated to increase to just under $2 billion (7.9 percent) in FY 2015, increase to nearly $2.1 billion (4.3 percent) in FY 2016, and increase to well over $2.1 billion (3.1 percent) in FY 2017. General Fund other tax receipts will reflect the expected increase in household net worth noted above, and are projected to increase to just over $1.2 billion (6.1 percent) in FY 2015, increase by $10 million (0.8 percent) in FY 2016, and increase by $10 million (0.8 percent) in FY 2017.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change	FY 2014 Proposed	Annual $ Change	Annual % Change
General Fund	**3,222**	**3,784**	**562**	**17.4%**	**3,103**	**(681)**	**-18.0%**
Miscellaneous Receipts	3,162	3,724	562	17.8%	3,101	(623)	-16.7%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
State Funds	**23,814**	**24,944**	**1,130**	**4.7%**	**23,790**	**(1,154)**	**-4.6%**
Miscellaneous Receipts	23,669	24,799	1,130	4.8%	23,703	(1,096)	-4.4%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	**68,448**	**69,116**	**668**	**1.0%**	**71,837**	**2,721**	**3.9%**
Miscellaneous Receipts	23,837	24,985	1,148	4.8%	23,889	(1,096)	-4.4%
Federal Grants	44,611	44,131	(480)	-1.1%	47,948	3,817	8.6%

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 FY 2013 miscellaneous receipts are projected to reach $25 billion, an increase of $1.1 billion from FY 2012. Augmenting General Fund growth of $562 million, as described in more detail below, are growth in SUNY income ($213 million), growth in HCRA financing sources ($171 million), and growth in bond proceeds funding for several capital improvement projects ($212 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursements will be received in the State fiscal year in which spending occurs, but due to the variable timing of Federal grant receipts, actual results often differ from the Financial Plan. All Funds FY 2013 Federal grants are projected to total $44.1 billion, a decline of $480 million from the prior year, reflecting a decrease in Federal ARRA funding.

General Fund FY 2013 miscellaneous receipts and Federal grants collections are estimated to be nearly $3.8 billion, an increase of $562 million from FY 2012 receipts. This increase is primarily attributable to one-time payments including: a settlement from Standard Chartered Bank, payments from the Manhattan District Attorney, and payments from the State of New York Mortgage Agency.

All Funds FY 2014 miscellaneous receipts are projected to total $23.9 billion, a decrease of $1.1 billion from FY 2013, largely due to the decline in General Fund miscellaneous receipts ($623 million), described in more detail below, and the decline in debt service receipts that is largely associated with the proposed restructuring of the SUNY Dormitory bonding program which moves associated receipts and spending from the State's All Governmental Funds budget ($526 million).

All Funds FY 2014 Federal grants are projected to total $47.9 billion, an increase of $3.8 billion over the current year, driven primarily by the timing of Federal funding for disaster assistance costs.

General Fund FY 2014 miscellaneous receipts and Federal grants collections are projected to decrease by $681 million, primarily due to the loss of one-time receipts in FY 2013 mentioned above.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

	FY 2014 Proposed	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund	**3,103**	**3,030**	**(73)**	**2,836**	**(194)**	**2,844**	**8**
Miscellaneous Receipts	3,101	3,030	(71)	2,836	(194)	2,844	8
Federal Grants	2	0	(2)	0	0	0	0
State Funds	**23,790**	**24,266**	**476**	**24,343**	**77**	**23,631**	**(712)**
Miscellaneous Receipts	23,703	24,181	478	24,258	77	23,546	(712)
Federal Grants	87	85	(2)	85	0	85	0
All Funds	**71,837**	**72,110**	**273**	**72,998**	**888**	**75,286**	**2,288**
Miscellaneous Receipts	23,889	24,367	478	24,444	77	23,732	(712)
Federal Grants	47,948	47,743	(205)	48,554	811	51,554	3,000

All Funds FY 2015 miscellaneous receipts are projected to total $24.4 billion, an increase of $478 million from FY 2014, driven by additional receipts from HCRA financing sources ($263 million) and growth in SUNY income ($144 million), partially offset by declines in other miscellaneous receipts. All Funds FY 2016 miscellaneous receipts are projected to total $24.4 billion, an increase of $77 million from FY 2015. All Funds FY 2017 miscellaneous receipts are projected to total $23.7 billion, a decline of $712 million from FY 2016, due largely to decreases in miscellaneous receipts projections for programs financed with authority bond proceeds.

All Funds Federal grants are projected at $47.7 billion in FY 2015; $48.6 billion in FY 2016; and $51.6 billion in FY 2017. The multi-year projections for Federal grants are in part driven by the timing of Federal funding for disaster assistance costs which are expected to be received by the State during FY 2014. The larger-than-usual annual increase to Federal Grants in FY 2017, by $3 billion, primarily reflects increased Federal support for Medicaid due to the impact of the Affordable Care Act.

General Fund FY 2015 miscellaneous receipts and Federal grants are estimated to be $3 billion, down $73 million from FY 2014 projections, primarily due to the loss of one-time payments such as payments from the Manhattan District Attorney.

General Fund FY 2016 miscellaneous receipts and Federal grants are projected to be $2.8 billion, down $194 million from FY 2015, resulting from the loss of certain receipts from the State Insurance Fund which are partially offset by increased receipts from the New York Power Authority.

General Fund FY 2017 miscellaneous receipts and Federal grants remain virtually unchanged from the prior year.

DISBURSEMENTS

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, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections account for the timing of payments, since not all of the amounts appropriated in the Budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in Special Revenue Funds have been adjusted downward in all fiscal years based on typical spending patterns and the observed variance between estimated and actual results over time.

Total disbursements in FY 2014 are estimated at $60.9 billion in the General Fund and $89.8 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 spending reductions that would be triggered if the Federal government fails to amend existing deficit reduction legislation.

Medicaid, education, pension costs, employee and retiree health benefits, 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 $59.2 billion in FY 2014 and accounts for over 65 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 2012 Results	FY 2013 Updated	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Medicaid					
Medicaid Coverage	4,579,206	4,812,715	5,176,084	6,110,639	6,169,418
- Family Health Plus Caseload	423,614	446,259	467,246	0	0
- Child Health Plus Caseload	390,556	344,000	356,000	368,000	380,000
State Takeover of County/NYC Costs	$1,535	$1,613	$1,690	$1,665	$1,800
- Family Health Plus	$403	$477	$528	$219	$0
- Medicaid	$1,132	$1,136	$1,162	$1,446	$1,800
Education					
School Aid (School Year)	$19,615	$20,196	$20,807	$21,493	$22,482
Education Personal Income Growth Index	N/A	3.0	3.0	3.3	4.6
Higher Education					
Public Higher Education Enrollment (FTEs)	575,229	567,473	566,707	565,941	565,078
Tuition Assistance Program Recipients	310,140	309,921	310,065	310,065	310,065
Public Assistance					
Family Assistance Program	262,153	256,566	249,528	243,345	238,262
Safety Net Program - Families	120,899	122,368	118,706	115,450	112,747
Safety Net Program - Singles	183,863	187,254	185,777	184,815	184,361
Mental Hygiene					
Total Mental Hygiene Community Beds	87,895	90,844	93,363	97,595	100,051
- OMH Community Beds	36,179	38,778	40,707	44,644	46,778
- OPWDD Community Beds	39,012	39,352	39,843	40,068	40,293
- OASAS Community Beds	12,704	12,714	12,813	12,883	12,980
Prison Population (Corrections)	55,944	55,100	54,300	54,000	53,800

* 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)

The FY 2013 Enacted Budget included a two-year appropriation and continued Education Law provisions to tie future increases in School Aid to the rate of growth in New York State personal income. Under this limit, School Aid funding will increase by $611 million in School Year (SY) 2014, a 3.0 percent increase from SY 2013.[4]

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 which reward school districts that demonstrate significant student performance improvements or those that undertake long-term structural changes to reduce costs and improve efficiency. Allowable growth also includes increases in expense-based aid programs (e.g., Building Aid, Transportation Aid) under existing statutory provisions. Any remaining amount of allowable growth can be allocated pursuant to a chapter of law for purposes including, but not limited to, additional spending for competitive grants, increases in Foundation Aid, or restoration of the Gap Elimination Adjustment.

Based on updated estimates of personal income growth, School Aid is projected to increase by an additional $686 million in SY 2015 and $989 million in SY 2016. School Aid is projected to reach an annual total of $23.8 billion in SY 2017.

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

SY 2013	SY 2014	Change	SY 2015	Change	SY 2016	Change	SY 2017	Change
$20,196	$20,807	$611	$21,493	$686	$22,482	$989	$23,831	$1,349
		3.0%		3.3%		4.6%		6.0%

STATE FISCAL YEAR

The State finances School Aid 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.

[4] Actual cash disbursements are expected to be affected by the withholding of aid for noncompliance with the requirements of the Annual Professional Performance Review process.

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

TOTAL SCHOOL AID - STATE FISCAL YEAR BASIS (millions of dollars)									
	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**20,056**	**20,317**	**1.3%**	**21,077**	**3.7%**	**21,925**	**4.0%**	**23,166**	**5.7%**
General Fund Local Assistance	17,003	17,173	1.0%	17,934	4.4%	18,777	4.7%	20,020	6.6%
Core Lottery Aid	2,192	2,242	2.3%	2,249	0.3%	2,251	0.1%	2,249	-0.1%
VLT Lottery Aid	862	881	2.2%	894	1.5%	897	0.3%	897	0.0%
Lottery Aid Guarantee	20	0	N/A	0	N/A	0	0.0%	0	0.0%
VLT Aid Balance Roll	(21)	21	N/A	0	N/A	0	0.0%	0	0.0%

State spending for School Aid is projected to total $20.3 billion in FY 2014. In future years, receipts available to finance School Aid from core lottery sales are projected to grow marginally, 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; prekindergarten through grade 12 education programs; cultural education; higher and professional education programs; and adult career and continuing education services.

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

OTHER EDUCATION (millions of dollars)									
	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**1,975**	**2,083**	**5.5%**	**2,110**	**1.3%**	**2,176**	**3.1%**	**2,307**	**6.0%**
Special Education	1,358	1,401	3.2%	1,515	8.1%	1,626	7.3%	1,751	7.7%
All Other Education	617	539	-12.6%	534	-0.9%	550	3.0%	556	1.1%
Fiscal Stabilization Aid	0	143	0.0%	61	-57.3%	0	0.0%	0	0.0%

Special education growth is primarily driven by an increase in program costs and enrollment for preschool special education, summer school special education, and State-supported schools for the blind and deaf. The decline in other education spending from FY 2014 over FY 2013 is driven primarily by the

expiration of targeted aid and grants, which are not projected to continue in FY 2014. In recognition of extraordinary school district cost increases, including pension contributions, the FY 2014 Executive Budget also provides $204 million in one-time fiscal stabilization to school districts during SY 2014.

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 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**3,276**	**3,419**	**4.4%**	**3,602**	**5.4%**	**3,704**	**2.8%**	**3,805**	**2.7%**
Basic Exemption	1,829	1,896	3.7%	1,997	5.3%	2,052	2.8%	2,106	2.6%
Enhanced (Seniors)	859	912	6.2%	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 Executive Budget proposes to establish a STAR reregistration and anti-fraud program. This proposal will 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 CUNY, SUNY and HESC. The State provides assistance for CUNY's senior college operations, and works in conjunction with the City of New York to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses.

The State also provides a sizeable benefit to SUNY and CUNY through the debt service it pays on bond-financed capital projects at the universities. This is not reflected in the annual spending totals for

the universities. State debt service payments for 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 HESC 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.

HIGHER EDUCATION

(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**2,628**	**2,788**	**6.1%**	**2,865**	**2.8%**	**2,948**	**2.9%**	**3,020**	**2.4%**
City University	**1,219**	**1,332**	**9.3%**	**1,386**	**4.1%**	**1,455**	**5.0%**	**1,533**	**5.4%**
Operating Aid to NYC (Senior Colleges)	1,025	1,128	10.0%	1,184	5.0%	1,253	5.8%	1,331	6.2%
Community College Aid	194	204	5.2%	202	-1.0%	202	0.0%	202	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	894	948	6.0%	959	1.2%	972	1.4%	966	-0.6%
Aid for Part Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
Scholarships/Awards	41	44	7.3%	47	6.8%	48	2.1%	48	0.0%
State University	**462**	**452**	**-2.2%**	**461**	**2.0%**	**461**	**0.0%**	**461**	**0.0%**
Community College Aid[1]	457	448	-2.0%	457	2.0%	457	0.0%	457	0.0%
Other	5	4	-20.0%	4	0.0%	4	0.0%	4	0.0%

[1] State support for SUNY 4-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, 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 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's Medicaid spending is projected to total approximately $57.6 billion in FY 2014, including the local contribution.[5]

The Executive 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 grant the Executive certain administrative powers to help hold Medicaid spending to the capped level. The statutory changes, currently set to expire at the end of FY 2014, are expected to be extended through FY 2015, pursuant to authorization being recommended in the Executive Budget. The cap itself remains in place, and the Updated 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 Executive Budget also proposes to eliminate the FHP program effective January 1, 2015. The majority of 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 ACA exchange and the State will pay all additional out-of-pocket costs for these individuals. The proposed elimination is expected to provide savings to the State of $38.5 million in FY 2015, and $29.0 million thereafter.

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

	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Department of Health					
DOH State Share	15,912	16,421	16,978	17,805	18,515
Local Assistance	15,860	16,230	16,780	17,591	18,289
State Operations[2]	52	191	198	214	226
Annual $ Change - DOH Only		509	557	827	710
Annual % Change - DOH Only		3.2%	3.4%	4.9%	4.0%
Other State Authorities					
Mental Hygiene	5,785	5,074	5,593	6,215	6,338
Foster Care	87	89	92	96	100
Corrections	0	12	12	13	13
Total State Share (All Agencies)	**21,784**	**21,596**	**22,675**	**24,129**	**24,966**
Annual $ Change - Total State Share		(188)	1,079	1,454	837
Annual % Change - Total State Share		-0.9%	5.0%	6.4%	3.5%

[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] Assumes transfer of the Office of Health Insurance Programs to Medicaid from Public Health without new spending ($91 million).

[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 county (i.e., calendar) fiscal year 2013, with the State assuming all growth in county fiscal 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 the previous statute.

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 State-share Medicaid costs beginning in FY 2014.

Total State Share Medicaid, which includes costs associated with other State agencies, has been revised downward in the Executive Budget in FY 2014 by $850 million, $565 million in FY 2015, and $387 million thereafter. This revision 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 FY 2016 and FY 2017. These savings are part of the Mental Hygiene Stabilization Fund within the DOH global spending cap. In addition, $120 million of savings will be achieved in OPWDD through rate reductions to eliminate cost-of-living adjustments and other rate enhancements received by providers during FYs 2010 and 2011.

The FY 2013 Enacted Budget included authorization to establish the phased-takeover of local government administration of the Medicaid program, and to cap spending on local Medicaid administration at FY 2012 appropriation levels. The FY 2013 Enacted Budget also 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 funded from the General Fund, HCRA, provider assessment revenue, and indigent care revenue. The chart below provides information on the financing sources for State Medicaid spending.

DEPARTMENT OF HEALTH MEDICAID* (millions of dollars)									
	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
State Operating Funds	**15,912**	**16,421**	**3.2%**	**16,978**	**3.4%**	**17,805**	**4.9%**	**18,515**	**4.0%**
Total General Fund - Local	11,053	11,099	0.4%	11,316	2.0%	12,032	6.3%	12,556	4.4%
Total General Fund - State Operations	52	191	267.3%	198	3.7%	214	8.1%	226	5.6%
Other State Funds Support	4,807	5,131	6.7%	5,464	6.5%	5,559	1.7%	5,733	3.1%
HCRA Financing	3,222	3,529	9.5%	3,862	9.4%	3,957	2.5%	4,131	4.4%
Indigent Care Support	792	817	3.2%	817	0.0%	817	0.0%	817	0.0%
Provider Assessment Revenue	793	785	-1.0%	785	0.0%	785	0.0%	785	0.0%

* Does not include Medicaid spending in other State agencies or the local government share of total Medicaid program spending.

The Executive Budget proposes to transfer 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 to provide flexibility to meet 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. SOFA primarily oversees community-based services, including but not limited to in-home services and nutrition assistance, provided through a network of county Area Agencies on Aging and local providers.

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

PUBLIC HEALTH AND AGING (millions of dollars)	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**2,023**	**2,053**	**1.5%**	**2,182**	**6.3%**	**1,945**	**-10.9%**	**1,923**	**-1.1%**
Public Health	**1,907**	**1,940**	**1.7%**	**2,063**	**6.3%**	**1,819**	**-11.8%**	**1,792**	**-1.5%**
Child Health Plus	356	375	5.3%	440	17.3%	369	-16.1%	303	-17.9%
General Public Health Work	247	215	-13.0%	237	10.2%	233	-1.7%	238	2.1%
EPIC	116	196	69.0%	217	10.7%	237	9.2%	258	8.9%
Early Intervention	164	163	-0.6%	163	0.0%	166	1.8%	166	0.0%
HCRA Program Account	452	373	-17.5%	377	1.1%	377	0.0%	377	0.0%
F-SHRP	175	205	17.1%	205	0.0%	0	-100.0%	0	0.0%
All Other	397	413	4.0%	424	2.7%	437	3.1%	450	3.0%
Aging	**116**	**113**	**-2.6%**	**119**	**5.3%**	**126**	**5.9%**	**131**	**4.0%**

Spending growth through FY 2015 largely reflects costs associated with the CHP program, including 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. To reduce the State share of the CHP program costs, the Executive Budget proposes to transfer the rate-setting responsibility from the DFS to the DOH effective April 1, 2013, which will lower spending growth relative to previous models by temporarily maintaining the existing rate packages over nine months until the new rate setting methodology is implemented concurrently with the New York State Health Benefit Insurance Exchange on January 1, 2014, as required by the ACA.

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.

Spending growth in FY 2014 from the F-SHRP program, which represents 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, reflects the anticipation of peak utilization prior to the expiration of funding. The year-over-year decrease for GPHW in FY 2014 reflects a reestimate of anticipated spending. Other public health programs are being consolidated in order to enhance programmatic and administrative efficiencies, the impact of which is expected to provide savings to the General Fund of approximately $40 million in each year of the Updated Financial Plan.

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 HEAL NY capital program.

HCRA receipts include surcharges and assessments on hospital revenues, a "covered lives" assessment paid by insurance carriers, a portion of cigarette tax revenues, and other revenues dedicated by statute, as well as potential future proceeds from insurance company conversions. Estimated growth in total HCRA revenues, approximately 1.5 percent annually, reflects downward adjustments of approximately $200 million to surcharge revenues.

HCRA helps fund Medicaid, EPIC, CHP, FHP and Indigent Care (which provide funds to hospitals serving a disproportionate share of individuals without health insurance). HCRA also provides funding for workforce recruitment and retention and rate adjustments to health facilities, physician excess medical malpractice, and HEAL NY for capital improvements to health care facilities. The Executive Budget proposes to consolidate various public health programs to enhance programmatic and administrative efficiencies, as well as to implement other programmatic changes. Such changes are expected to lower spending in HCRA by approximately $200 million annually.

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 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Opening Balance	**3**	**0**	**0**	**0**	**0**
Total Receipts	**5,438**	**5,644**	**5,886**	**5,981**	**6,081**
Surcharges	2,815	2,778	2,871	2,957	3,046
Covered Lives Assessment	1,045	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,113	1,094	1,073	1,050	1,027
Conversion Proceeds	0	175	300	300	300
Hospital Assessments	394	417	444	469	495
NYC Cigarette Tax Transfer/Other	71	135	153	160	168
Total Disbursements	**5,441**	**5,644**	**5,886**	**5,981**	**6,081**
Medicaid Assistance Account	3,228	3,529	3,863	3,957	4,131
Medicaid Costs	*1,840*	*2,230*	*2,775*	*3,308*	3,482
Family Health Plus	*689*	*650*	*439*	*0*	0
Workforce Recruitment & Retention	*211*	*197*	*197*	*197*	197
All Other	*488*	*452*	*452*	*452*	452
HCRA Program Account	476	392	396	396	396
Hospital Indigent Care	792	817	817	817	817
Elderly Pharmaceutical Insurance Coverage	127	209	230	250	271
Child Health Plus	362	381	447	377	310
Public Health Programs	129	0	0	0	0
All Other	327	316	133	184	156
Annual Operating Surplus/(Deficit)	**(3)**	**0**	**0**	**0**	**0**
Closing Balance	**0**	**0**	**0**	**0**	**0**

MENTAL HYGIENE

MENTAL HYGIENE (millions of dollars)	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**3,644**	**2,799**	**-23.2%**	**3,390**	**21.1%**	**3,878**	**14.4%**	**4,082**	**5.3%**
People with Developmental Disabilities	**2,234**	**1,384**	**-38.0%**	**1,826**	**31.9%**	**2,121**	**16.2%**	**2,184**	**3.0%**
Residential Services	1,577	1,492	-5.4%	1,604	7.5%	1,687	5.2%	1,731	2.6%
Day Programs	570	539	-5.4%	579	7.4%	609	5.2%	625	2.6%
Clinic	23	22	-4.3%	23	4.5%	24	4.3%	25	4.2%
Other Local	64	61	-4.7%	65	6.6%	68	4.6%	70	2.9%
Mental Hygiene Stabilization Fund	0	(730)	0.0%	(445)	-39.0%	(267)	-40.0%	(267)	0.0%
Mental Health	**1,094**	**1,099**	**0.5%**	**1,232**	**12.1%**	**1,408**	**14.3%**	**1,535**	**9.0%**
Adult Local Services	913	918	0.5%	1,025	11.7%	1,188	15.9%	1,311	10.4%
Children Local Services	181	181	0.0%	207	14.4%	220	6.3%	224	1.8%
Alcohol and Substance Abuse	**315**	**315**	**0.0%**	**331**	**5.1%**	**348**	**5.1%**	**362**	**4.0%**
Outpatient/Methadone	135	135	0.0%	141	4.4%	150	6.4%	155	3.3%
Residential	106	106	0.0%	112	5.7%	117	4.5%	122	4.3%
Prevention	44	44	0.0%	45	2.3%	48	6.7%	51	6.3%
Crisis	17	17	0.0%	18	5.9%	18	0.0%	19	5.6%
Program Support	8	8	0.0%	10	25.0%	10	0.0%	10	0.0%
LGU Administration	5	5	0.0%	5	0.0%	5	0.0%	5	0.0%
CQCAPD/Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

The Department of Mental Hygiene is comprised of three independent agencies, OMH, OPWDD 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.

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 5.2 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 Updated Financial Plan estimates for costs associated with efforts to move individuals in nursing homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

The Executive Budget includes proposals to lower spending growth by eliminating 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, and scaling back existing plans to provide new residential, day program and other support services to the developmentally disabled, and mental health bed development.

OPWDD's Medicaid-related spending estimates have been revised downward in the Executive Budget by $850 million in FY 2014, $565 million in FY 2015, and $387 million thereafter. This revision 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 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. These savings are part of Mental Hygiene Stabilization Fund within the DOH global spending cap. In addition, $120 million of savings will be achieved in OPWDD through rate reductions to eliminate cost-of-living adjustments and other rate enhancements received by providers during FYs 2010 and 2011.

SOCIAL SERVICES

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**1,513**	**1,390**	**-8.1%**	**1,288**	**-7.3%**	**1,316**	**2.2%**	**1,326**	**0.8%**
SSI	741	766	3.4%	664	-13.3%	691	4.1%	700	1.3%
Public Assistance Benefits[1]	620	503	-18.9%	503	0.0%	503	0.0%	503	0.0%
Welfare Initiatives	19	18	-5.3%	18	0.0%	18	0.0%	18	0.0%
All Other	133	103	-22.6%	103	0.0%	104	1.0%	105	1.0%

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

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.

The annual decline in OTDA spending from FY 2013 is driven primarily by the State's projected costs for public assistance caseload. 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 local departments of social services and community-based organizations. Specifically, child welfare services, which are financed jointly by the Federal government, the State, and local districts, are structured to encourage local governments to invest in preventive services 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 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**1,543**	**1,620**	**5.0%**	**1,912**	**18.0%**	**1,980**	**3.6%**	**2,066**	**4.3%**
Child Welfare Service	336	481	43.2%	512	6.4%	545	6.4%	594	9.0%
Foster Care Block Grant	436	437	0.2%	456	4.3%	473	3.7%	491	3.8%
Adoption	175	167	-4.6%	169	1.2%	172	1.8%	176	2.3%
Day Care	220	140	-36.4%	354	152.9%	354	0.0%	354	0.0%
Youth Programs	125	148	18.4%	163	10.1%	164	0.6%	164	0.0%
Medicaid	87	89	2.3%	92	3.4%	96	4.3%	100	4.2%
Committees on Special Education	39	38	-2.6%	42	10.5%	47	11.9%	51	8.5%
Adult Protective/Domestic Violence	34	41	20.6%	45	9.8%	51	13.3%	58	13.7%
All Other	91	79	-13.2%	79	0.0%	78	-1.3%	78	0.0%

Updated Financial Plan growth is driven by increases in claims-based programs and 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. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding. The reduction in All Other OCFS spending reflects the elimination of the human services COLA in FY 2014.

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. 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. Operating aid to the MTA and other transit systems is expected to increase in FY 2014 by approximately 9 percent, reflecting spending adjustments made in conjunction with upward revisions in the receipts forecast.

TRANSPORTATION (millions of dollars)	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**4,344**	**4,722**	**8.7%**	**4,820**	**2.1%**	**4,919**	**2.1%**	**5,020**	**2.1%**
Mass Transit Operating Aid:	1,907	2,105	10.4%	2,101	-0.2%	2,101	0.0%	2,101	0.0%
Metro Mass Transit Aid	1,762	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	1,724	1,884	9.3%	1,975	4.8%	2,070	4.8%	2,168	4.7%
Dedicated Mass Transit	667	687	3.0%	698	1.6%	702	0.6%	706	0.6%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	1	1	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. Along with AIM, the State provides incentive grants to local governments. Other direct aid to local governments includes VLT impact aid, Small Government Assistance and Miscellaneous Financial Assistance. 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 Current	FY 2014 Proposed	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change
Total State Operating Funds	**763**	**767**	**0.5%**	**778**	**1.4%**	**787**	**1.2%**	**795**	**1.0%**
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	14	19	35.7%	33	73.7%	44	33.3%	52	18.2%
All Other Local Aid	34	33	-2.9%	30	-9.1%	28	-6.7%	28	0.0%

ALL OTHER LOCAL ASSISTANCE SPENDING

Other local assistance programs and activities include criminal justice, economic development, housing, parks and recreation and environmental quality. Spending in these areas is not expected to change materially over the Updated 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 2012 Results	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected
Negotiated Base Salary Increases [1]					
CSEA/NYSCOPBA/Council 82	0	0	0	2%	2%
PEF / NYSPBA	0	0	0	2%	TBD
State Workforce[2]	119,579	119,728	119,601	119,697	119,697
ERS Pension Contribution Rate[3]					
Before Amortization (Normal/Admin/GLIP)	16.5%	19.4%	21.7%	21.5%	18.0%
After Amortization	10.5%	11.5%	12.5%	13.5%	14.5%
PFRS Pension Contribution Rate[3]					
Before Amortization (Normal/Admin/GLIP)	22.3%	26.6%	30.1%	30.1%	26.2%
After Amortization	18.5%	19.5%	20.5%	21.5%	22.5%
Employee/Retiree Health Insurance Growth Rates	7.2%	3.1%	5.4%	8.5%	8.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.4%	14.6%	14.2%	14.5%	14.8%

[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 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 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Subject to Direct Executive Control	**10,165**	**9,618**	**9,882**	**10,256**	**10,401**
Mental Hygiene	2,957	2,851	2,862	2,995	2,949
Corrections and Community Supervision	2,743	2,557	2,615	2,751	2,706
State Police	641	645	650	664	670
Public Health	540	424	431	413	414
Tax and Finance	380	359	366	372	381
Children and Family Services	313	276	251	248	252
Environmental Conservation	234	229	230	233	235
Financial Services	202	203	205	208	208
Temporary and Disability Assistance	191	185	195	192	196
Parks, Recreation and Historic Preservation	175	174	177	179	180
Disaster Assistance	145	(165)	0	0	0
Workers' Compensation Board	152	149	153	156	158
Lottery	161	172	176	177	177
General Services	156	159	141	143	145
Information Technology Services	59	143	156	160	160
All Other	1,116	1,257	1,274	1,365	1,570
University System	**5,651**	**5,703**	**5,838**	**5,976**	**6,108**
State University	5,537	5,612	5,745	5,882	6,012
City University	114	91	93	94	96
Independent Agencies	**304**	**302**	**310**	**319**	**323**
Law	165	163	167	171	173
Audit & Control	139	139	143	148	150
Total, excluding Legislature and Judiciary	**16,120**	**15,623**	**16,030**	**16,551**	**16,832**
Judiciary	1,871	1,873	2,000	2,095	2,111
Legislature	219	219	224	227	231
Statewide Total	**18,210**	**17,715**	**18,254**	**18,873**	**19,174**
Personal Service	12,568	12,348	12,640	13,090	13,223
	4.3%	-1.8%	2.4%	3.6%	1.0%
Non-Personal Service	5,642	5,367	5,614	5,783	5,951
	4.4%	-4.9%	4.6%	3.0%	2.9%

[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 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**6,580**	**7,084**	**7.7%**	**7,529**	**6.3%**	**7,941**	**5.5%**	**8,271**	**4.2%**
Fringe Benefits	**6,150**	**6,685**	**8.7%**	**7,128**	**6.6%**	**7,541**	**5.8%**	**7,871**	**4.4%**
Health Insurance	3,159	3,301	4.5%	3,475	5.3%	3,702	6.5%	4,009	8.3%
Employee Health Insurance	1,750	1,830	4.6%	1,925	5.2%	2,051	6.5%	2,221	8.3%
Retiree Health Insurance	1,409	1,471	4.4%	1,550	5.4%	1,651	6.5%	1,788	8.3%
Pensions	1,605	2,013	25.4%	2,256	12.1%	2,418	7.2%	2,446	1.2%
Social Security	960	959	-0.1%	964	0.5%	982	1.9%	999	1.7%
All Other Fringe	426	412	-3.3%	433	5.1%	439	1.4%	417	-5.0%
Fixed Costs	**430**	**399**	**-7.2%**	**401**	**0.5%**	**400**	**-0.2%**	**400**	**0.0%**

GSCs are projected to increase at an average annual rate of 6.0 percent over the Updated 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 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 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Total Transfers to Other Funds	**6,916**	**8,434**	**9,105**	**9,605**	**10,151**
Mental Hygiene Medicaid State Share	**2,975**	**1,730**	**1,288**	**1,261**	**1,228**
Debt Service	**1,644**	**1,334**	**1,476**	**1,450**	**1,347**
Capital Projects	**868**	**1,256**	**1,369**	**1,381**	**1,772**
Dedicated Highway and Bridge Trust Fund	519	568	578	589	697
All Other Capital	349	688	791	792	1,075
All Other Transfers	**1,429**	**4,114**	**4,972**	**5,513**	**5,804**
Mental Hygiene	0	1,952	2,841	3,400	3,687
SUNY - University Operations	340	969	969	969	969
Department of Transportation (MTA Tax)	279	332	334	334	334
SUNY - Disproportionate Share	228	228	228	228	228
Judiciary Funds	107	107	108	109	109
SUNY - Hospital Operations	81	67	60	60	60
Banking Services	57	65	65	65	65
Statewide Financial System	48	53	55	55	55
Indigent Legal Services	40	40	40	40	40
Mass Transportation Operating Assistance	37	37	37	37	37
Alcoholic Beverage Control	17	18	20	20	20
Information Technology Services	10	40	14	6	10
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
All Other	163	184	179	168	168

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

The projected decreases for Mental Hygiene Medicaid State Share agencies reflect the impact of reduced Federal revenue for services provided at state operated facilities offset partially by personnel costs from recent contractual agreements between the State and employee bargaining units.

General Fund transfers to other funds are expected to total $8.4 billion in FY 2014 - a $1.5 billion (or 22 percent) increase from FY 2013. This increase is a function of the re-categorization of SUNY operating support; the additional support provided to the MTA to offset the recent payroll tax reduction; 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 certain bonds issued by State public authorities (e.g., ESD, DASNY, and the NYSTA, subject to an appropriation). Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	Annual Change	Percent Change
General Fund	**1,644**	**1,334**	**(310)**	**-18.9%**
Other State Support	4,488	4,499	11	0.2%
State Operating Funds	**6,132**	**5,833**	**(299)**	**-4.9%**
Total All Funds	**6,132**	**5,833**	**(299)**	**-4.9%**

Total debt service is projected at $5.8 billion in FY 2014, of which $1.3 billion is paid from the General Fund through transfers, and $4.5 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.

Executive Budget projections for debt service spending have been revised to reflect a number of factors, including actual bond sale results to date, assumed debt management savings of $128 million in FY 2014, increased debt service costs associated with proposed additional capital commitment levels, as well as the assumed prepayment of $183 million of debt service otherwise due during FY 2014.

FISCAL YEAR 2013 TEN-MONTH OPERATING RESULTS (APRIL 2012 - JANUARY 2013)

This section provides a summary of operating results for April 2012 through January 2013 compared to (1) the initial projections set forth in the FY 2013 Enacted Budget; (2) the Prior Quarterly Update to the AIS; and (3) the prior year results through January 2012 (FY 2012).

GENERAL FUND RESULTS

The State ended January 2013 with a closing balance of $7.1 billion in the General Fund, $1.1 billion higher than initially estimated, when the FY 2013 budget was enacted, due to higher than anticipated receipts ($384 million) and lower than anticipated spending ($734 million). Compared to the Prior Quarterly Update projections, the General Fund balance was $1.7 billion higher than estimated.

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

				Above/(Below) Variance	
	Enacted Plan	Prior AIS Update	Results	Enacted Plan	Prior AIS Update
Opening Balance	**1,787**	**1,787**	**1,787**	**0**	**0**
Total Receipts	**47,981**	**47,885**	**48,365**	**384**	**480**
Taxes:	45,452	45,237	45,603	151	366
Personal Income Tax [1]	*29,853*	*29,699*	*30,251*	*398*	*552*
User Taxes and Fees [1]	*10,050*	*9,945*	*9,861*	*(189)*	*(84)*
Business Taxes	*4,198*	*4,218*	*4,108*	*(90)*	*(110)*
Other Taxes [1]	*1,351*	*1,375*	*1,383*	*32*	*8*
Receipts and Grants	2,328	2,393	2,573	245	180
Transfers From Other Funds	201	255	189	(12)	(66)
Total Spending	**43,807**	**44,333**	**43,073**	**(734)**	**(1,260)**
Education	11,455	11,710	11,449	(6)	(261)
Health Care	9,972	9,734	9,470	(502)	(264)
Social Services	2,515	2,501	2,458	(57)	(43)
All Other Local Assistance	4,597	4,540	4,382	(215)	(158)
Personal Service	5,050	5,304	5,326	276	22
Non-Personal Service	1,454	1,410	1,289	(165)	(121)
General State Charges	2,925	3,013	3,104	179	91
Debt Service Transfer	1,745	1,728	1,625	(120)	(103)
Capital Projects Transfer	562	579	409	(153)	(170)
State Share Medicaid Transfer	2,341	2,629	2,334	(7)	(295)
SUNY Operations Transfer	340	340	340	-	-
All Other Transfers	851	845	887	36	42
Change in Operations	**4,174**	**3,552**	**5,292**	**1,118**	**1,740**
Closing Balance	**5,961**	**5,339**	**7,079**	**1,118**	**1,740**

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

RECEIPTS

Total receipts through January 2013 exceeded initial projections by $384 million, reflecting the combined impact of higher tax collections ($151 million) and higher non-tax receipts and transfers ($233

million). The variance in tax collections is largely attributable to higher than anticipated personal income tax collections ($398 million) which are mainly the result of taxpayers realizing capital gains in advance of potentially higher Federal tax rates, partially offset by lower than expected withholding, sales tax receipts, and gross business tax receipts. The increase in non-tax receipts is primarily a reflection of a $340 million payment to the State in a settlement agreement between Standard Chartered Bank and DFS regarding claims that the bank did not comply with financial regulations, and payment from the Manhattan District Attorney

Total receipts were $480 million above the Prior Quarterly Update projection, most notably due to higher than anticipated personal income tax collections and the unanticipated settlement payment to the State from Standard Chartered Bank, partly offset by lower than expected sales tax receipts and gross business tax receipts.

SPENDING

General Fund spending through January 2013 was $734 million below initial projections. Local assistance spending was $780 million lower than planned and was mainly comprised of lower spending for health care ($502 million) and other local assistance ($215 million), partially offset by higher than anticipated personal services costs ($276 million). The health care variance is a factor of delayed Federal approval of retroactive Medicaid rate packages. The variance in other local assistance spending reflects slower than anticipated disbursements across multiple agencies and programs, including Council on the Arts grant awards, economic development programs and general municipal aid.

Personal service spending exceeded initial estimates by $276 million, due almost exclusively to retroactive payments pursuant to labor settlements for periods prior to FY 2011, consistent with agreement reached between the State and two public employee unions after enactment of the FY 2013 budget, and financed from General Fund balances designated for this purpose. Non-personal service spending fell below initial projections by $165 million and was distributed across many State agencies.

GSCs were $179 million higher than initially projected, due mainly to delayed reimbursement from non-General Fund accounts and higher Workers' Compensation payments.

General Fund transfers to other funds to support various activities were below initial estimates, due mainly to slower than anticipated transfers for debt service ($120 million) and support of capital projects ($153 million). These results reflect savings from refundings, the timing and size of bond sales, and the financing mix for capital projects, which have been reflected as downward revisions to FY 2013 annual estimates in the Updated Financial Plan.

For context, total FY 2013 General Fund spending has been increased since the initial projection by roughly $500 million. The most notable spending increases include higher Medicaid spending due to a financing swap between the General Fund and HCRA, resulting in no change in Medicaid spending on a State Operating Funds basis ($450 million); payment of retroactive labor agreements ($345 million); initial State outlays related to Superstorm Sandy ($200 million); and higher GSC costs ($185 million) related to workers' compensation payments and litigation costs. These increases in spending are partly offset by downward spending adjustments to annual estimates that reflect operating results to date described above.

Compared to the Prior Quarterly Update projection, General Fund spending was $1.3 billion below projections, most notably due to slower than expected payments for special education and other education programs ($294 million), Medicaid ($197 million), State-operated mental hygiene facilities ($295

million), and General Fund transfers in support of capital projects ($170 million) and debt service ($103 million).

GENERAL FUND YEAR-OVER-YEAR RESULTS

GENERAL FUND OPERATING RESULTS YEAR-OVER-YEAR THROUGH JANUARY (millions of dollars)				
	FY 2012 Results	FY 2013 Results	Increase/(Decrease) $	%
Opening Balance	**1,376**	**1,787**	**411**	
Receipts	**46,476**	**48,365**	**1,889**	**4.1%**
Personal Income Tax[1]	28,953	30,251	1,298	4.5%
User Taxes and Fees[1]	9,812	9,861	49	0.5%
Business Taxes	3,920	4,108	188	4.8%
Other Taxes[1]	1,299	1,383	84	6.5%
Non-Tax Revenue	2,492	2,762	270	10.8%
Disbursements	**41,227**	**43,073**	**1,846**	**4.5%**
Education	10,940	11,449	509	4.7%
Health Care	9,687	9,470	(217)	-2.2%
Social Services	2,283	2,458	175	7.7%
All Other Local Assistance	4,377	4,382	5	0.1%
Personal Service	4,982	5,326	344	6.9%
Non-Personal Service	1,346	1,289	(57)	-4.2%
General State Charges	2,912	3,104	192	6.6%
Transfers To Other Funds	4,700	5,595	895	19.0%
Change in Operations	**5,249**	**5,292**	**43**	
Closing Balance	**6,625**	**7,079**	**454**	

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

Total receipts through January 2013 were $1.9 billion (4.1 percent) higher than in the prior fiscal year for the same period. Tax receipts through January 2013 were $1.6 billion (3.7 percent) higher than in the prior fiscal year. The personal income tax receipts increase is a function of higher estimated payments for the 2012 tax year; and modest increase in withholding; and a reduction in refunds. The business tax increase reflects stronger liability year payments in 2012 relative to the prior year, as well as higher audit receipts and lower refunds for all business taxes combined. Higher non-tax receipts are mainly due to a legal settlement received in the current year.

Through January 2013, disbursements were $1.8 billion (4.5 percent) higher than the prior year due largely to School Aid growth consistent with the spending cap ($342 million), growth in social services spending ($175 million) that is driven by increases to the public assistance grants and caseload, growth in personal service costs ($344 million) related to retroactive labor settlements with the NYSCOBPA and Council 82 employee unions, GSCs ($192 million) due to increases in health insurance costs, and increased transfers in support of SUNY operations that is attributable to an accounting change ($340 million), increased transfers in support of State-operated mental hygiene facilities ($202 million), and increased transfers in support of capital projects ($182 million).

STATE OPERATING FUNDS RESULTS

The State ended January 2013 with a closing balance of $10.8 billion in State Operating Funds, $1.2 billion above the initial projections comprised of lower spending ($1.2 billion), lower receipts ($219 million) and higher net financing sources ($230 million). Compared to the Prior Quarterly Update projections, the State Operating Funds balance was $1.7 billion higher.

STATE OPERATING FUNDS RESULTS THROUGH JANUARY 2013
(millions of dollars)

				Above/(Below) Variance	
	Enacted Plan	Prior AIS Update	Results	Enacted Plan	Prior AIS Update
Opening Balance	**3,847**	**3,847**	**3,847**	**0**	**0**
Total Receipts	**70,902**	**70,446**	**70,683**	**(219)**	**237**
Taxes:	54,681	54,469	54,807	126	338
Personal Income Tax	*34,963*	*34,798*	*35,361*	*398*	*563*
User Taxes and Fees	*12,003*	*11,890*	*11,752*	*(251)*	*(138)*
Business Taxes	*5,334*	*5,350*	*5,239*	*(95)*	*(111)*
Other Taxes	*2,381*	*2,431*	*2,455*	*74*	*24*
Miscellaneous/Federal Receipts	16,221	15,977	15,876	(345)	(101)
Total Spending	**68,365**	**68,501**	**67,172**	**(1,193)**	**(1,329)**
Education	14,266	14,520	14,259	(7)	(261)
Health Care	15,107	14,828	14,430	(677)	(398)
Social Services	2,518	2,506	2,466	(52)	(40)
All Other Local Assistance	13,357	13,352	13,184	(173)	(168)
Personal Service	10,241	10,541	10,565	324	24
Non-Personal Service	4,387	4,264	4,052	(335)	(212)
General State Charges	4,567	4,638	4,418	(149)	(220)
Debt Service	3,922	3,848	3,791	(131)	(57)
Capital Projects	-	4	7	7	3
Other Financing Sources	**3,243**	**3,382**	**3,473**	**230**	**91**
Change in Operations	**5,780**	**5,327**	**6,984**	**1,204**	**1,657**
Closing Balance	**9,627**	**9,174**	**10,831**	**1,204**	**1,657**

RECEIPTS

Total receipts in State Operating Funds were $219 million lower than initial projections, comprised of $345 million in lower than estimated non-tax receipts partly offset by $126 million in higher tax collections, consistent with the General Fund operating results. The variance in miscellaneous receipts is mainly due to lower than expected HCRA receipts largely attributable to the surcharge revenue due to the combined impact of industry cost containment and service delivery goals implemented through MRT efficiency initiatives.

Total receipts were $237 million above the Prior Quarterly Update projection due to higher than anticipated personal income tax collections, partly offset by lower than anticipated revenues from other taxes and miscellaneous receipts.

SPENDING

Compared to the initial projections, total State Operating Funds spending was $1.2 billion lower than planned. In addition to the General Fund variances described above, the most notable variances include lower than expected spending in the areas of GSCs, largely due to administrative processing delays associated with the reimbursement of agency fringe benefit costs ($328 million); public health programs; and non-personal service costs.

Total State Operating Funds spending was $1.3 billion below the First Quarterly Update estimates, consistent with the General Fund results described earlier.

FINANCING SOURCES

Other financing sources, which represent the difference between transfers to and from other funds within the fund types that comprise State Operating Funds, were $230 million higher than initial projections. This variance was driven primarily by the combined impact of lower than planned transfers from the General Fund to the Capital Projects Fund ($153 million) due to the postponement of certain bond sales.

STATE OPERATING FUNDS YEAR-OVER-YEAR RESULTS

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

	FY 2012 Results	FY 2013 Results	Increase/(Decrease) $	%
Opening Balance	**3,969**	**3,847**	**(122)**	**-3.1%**
Receipts	**68,483**	**70,683**	**2,200**	**3.2%**
Personal Income Tax	33,782	35,361	1,579	4.7%
User Taxes and Fees	11,753	11,752	(1)	0.0%
Business Taxes	5,020	5,239	219	4.4%
Other Taxes	2,508	2,455	(53)	-2.1%
Miscellaneous/Federal Receipts	15,420	15,876	456	3.0%
Disbursements	**65,640**	**67,172**	**1,532**	**2.3%**
Education	13,630	14,259	629	4.6%
Health Care	14,617	14,430	(187)	-1.3%
Social Services	2,294	2,466	172	7.5%
All Other Local Assistance	12,898	13,184	286	2.2%
Personal Service	9,919	10,565	646	6.5%
Non-Personal Service	4,179	4,052	(127)	-3.0%
General State Charges	4,313	4,418	105	2.4%
Debt Service	3,784	3,791	7	0.2%
Capital Projects	6	7	1	16.7%
Other Financing Sources	**3,853**	**3,473**	**(380)**	
Change in Operations	**6,696**	**6,984**	**288**	
Closing Balance	**10,665**	**10,831**	**166**	

Total receipts through January 2013 were $2.2 billion higher (3.2 percent) than in the prior fiscal year for the same period. Tax receipts through January 2013 were $1.7 billion higher than the FY 2012 level. Non-tax receipts through January 2013 were $456 million above results in the prior fiscal year. Disbursements through January 2013 were $1.5 billion (2.3 percent) above the prior year. The annual growth in receipts and spending in State Operating Funds is consistent with General Fund annual changes described earlier in this section.

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

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

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

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

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

Summary of Net Assets
(millions of dollars)

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

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

STATE RETIREMENT SYSTEMS

GENERAL

This section summarizes key information regarding the New York State and Local Retirement System ("NYSLRS" or the "Systems") and the Common Retirement Fund ("CRF"), a pooled investment vehicle in which the assets of the Systems are held and invested. Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2012, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2012. 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 2012, as well as NYSLRS' CAFR and Asset Listing, the NYSLRS' CAFR for each of the eight prior fiscal years, and benefit plan booklets describing how each of the Systems' tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications. The audited Financial Statements for the fiscal year ending March 31, 2012 were completed in July 2012 and can also be accessed at this link.

The 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 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 34 percent of the membership during FY 2012. There were 3,039 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2012, approximately 656,000 persons were members of the Systems and, in addition, approximately 403,000 pensioners or beneficiaries were receiving pension benefits. Article 5,

section 7 of the State Constitution considers membership in any State pension or retirement system to be "a contractual relationship, the benefits of which shall not be diminished or impaired."

COMPARISON OF BENEFITS BY TIER

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

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

2010 RETIREMENT INCENTIVE PROGRAM

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

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

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

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

CONTRIBUTIONS AND FUNDING

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 are required to contribute 3 percent of their salaries for the first ten years of membership. All ERS members joining after 2009, and most PFRS members joining after January 9, 2010, are members of Tier 5 and are required to contribute 3 percent of their salaries for their career. However, if a participating employer had a collective bargaining agreement in effect when Tier 5 became effective (January 9, 2010) that provided for PFRS members to be non-contributory, individuals who first become Tier 5 members prior to the expiration of the agreement are non-contributory in their plan for their career. Individuals who first became Tier 5 members after the expiration of the current collective bargaining agreement are subject to the 3 percent contribution. Members in Tier 6 are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members 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 and further increases are expected for FY 2015. The amount of such future increases will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the Systems as of each April 1. Final contribution rates for FY 2014 were released in early September 2012. The average ERS rate increased from 18.9 percent of salary in FY 2013 to 20.9 percent of salary in FY 2014, while the average PFRS rate increased from 25.8 percent of salary in FY 2013 to 28.9 percent of salary in FY 2014. Information regarding average rates for FY 2014 may be found in the 2012 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 five percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2012, the amortized amount receivable pursuant to Chapter 260 from the State is $249 million and from participating employers is $65.3 million. The State paid $1,511.1 million in contributions (including Judiciary) for FY 2012 including amortization payments of approximately $69.1 million pursuant to Chapter 260.

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

penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the 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 fiscal year 2011, the State Comptroller set an interest rate of 5 percent. For amounts amortized in fiscal year 2012, the interest rate is 3.75 percent. For amounts amortized in fiscal year 2013, the rate is 3 percent. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions. As of March 31, 2012, the amortized amount receivable for the 2011 amortization is $230.67 million from the State and $40.39 million from participating employers. In FY 2012, the State elected to amortize $562.9 million and 134 participating employers amortized a total of $216.33 million.

The estimated State payment (including Judiciary) for FY 2013 is $2,186.1 million. The State has prepaid $37 million 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, 2013 payment to $1,370.6 million. The State payment for FY 2013 is an estimate. If this amount changes, then the amount that can be amortized would also change. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF.

The Executive Budget includes a proposal which, if enacted, would give the State Comptroller the authority to offer a stable pension contribution option to local governments and school districts. The stated purpose of this proposal is to 1) provide long-term stability and predictability in local pension budgeting, and 2) accelerate anticipated estimated local savings from the implementation of Tiers V and VI, which are less costly than the previous Tiers I through IV.

Under the stable rate proposal, the State Comptroller may allow counties, cities, towns, villages, school districts, boards of cooperative educational services, and the health care centers of Nassau, Westchester and Erie Counties, the option to elect stable employer contribution rates of 12 percent of salary for ERS members and 18.5 percent of salary for PFRS members. The proposal assumes that the stable rate would need to be in place for approximately 25 years to assure adequate funding of the pension systems. The State Comptroller may increase the stable rates by up to 2 percent of salary at the five and ten-year marks and may also adjust the program length to assure adequate pension system funding. Eligible participating employers would only be authorized to opt into the stable rate beginning with fiscal year 2014. The State Comptroller is currently reviewing this Executive Budget proposal.

PENSION ASSETS AND LIABILITIES

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

Systems Actuary will be based on audited net assets available for benefits as of March 31, 2012 and will be included in the NYSLRS' CAFR for that fiscal year.

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

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $194.3 billion on April 1, 2011 to $198.6 billion (including $89.3 billion for current retirees and beneficiaries) on April 1, 2012. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2012 in that amortized cost was used instead of market value for bonds and mortgages, and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected loss for FY 2012, 40 percent of the unexpected gain for the FY 2011, 60 percent of the unexpected gain for FY 2010 and 80 percent of the unexpected loss for FY 2009.[7] Actuarial assets decreased from $148.6 billion on April 1, 2011 to $147.8 billion on April 1, 2012. The funded ratio, as of April 1, 2012, calculated by the System Actuary in August 2012 using the entry age normal funding method and actuarial assets, was 87 percent.[8]

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[6] More detail on the CRF's asset allocation, long-term policy allocation and transition target allocation can be found on page 72 of the NYSLRS CAFR for the fiscal year ending March 31, 2012.

[7] 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.

[8] 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, 2012 can be found on page 54 of the NYSLRS' CAFR for the fiscal year ending March 31, 2012. Detail regarding employers Annual Required Contributions for FY 2012 and each of the 5 previous fiscal years can be found on page 55 of the NYSLRS' CAFR for the fiscal year ending March 31, 2012.

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

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

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

Sources: State and Local Retirement Systems.

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

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

Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
2003	97,373	(13.6)
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2010	134,252	21.0
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2012	153,394	2.6

Sources: State and Local Retirement Systems.

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

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

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

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

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

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As of December 31, 2011 (New York Job Development Authority or "NYJDA" is as of March 31, 2012), each of the 18 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $170 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities. Note that while the following table reflects revised information, including adjustment of certain authority debt between categories since reported with the AIS in May 2012, and the addition of the NYJDA to this list, the total debt outstanding for the authorities has not changed materially since the AIS.

Outstanding Debt of Certain Authorities (1) (2) (3)
As of December 31, 2011 (4)
(millions of dollars)

Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority (5)	22,953	22,246	**45,199**
Metropolitan Transportation Authority	2,034	21,601	**23,635**
Port Authority of NY & NJ	0	19,515	**19,515**
Thruway Authority	11,071	3,085	**14,156**
Housing Finance Agency	1,077	9,528	**10,605**
UDC/ESD (6)	9,426	1,004	**10,430**
Triborough Bridge and Tunnel Authority	9	8,544	**8,553**
Environmental Facilities Corporation	896	7,258	**8,154**
Long Island Power Authority (7)	0	6,631	**6,631**
New York Job Development Authority (4)	19	6,611	**6,630**
Energy Research and Development Authority (7)	0	3,836	**3,836**
State of New York Mortgage Agency	0	3,217	**3,217**
Local Government Assistance Corporation	3,119	0	**3,119**
Tobacco Settlement Financing Corporation	2,690	0	**2,690**
Power Authority	0	1,784	**1,784**
Battery Park City Authority	0	1,053	**1,053**
Municipal Bond Bank Agency	368	353	**721**
Niagara Frontier Transportation Authority	0	170	**170**
TOTAL OUTSTANDING	53,662	116,436	**170,098**

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).

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

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

(4) All Job Development Authority (JDA) debt outstanding reported as of March 31, 2012. This includes $6.6 billion in conduit debt issued by JDA's blended component units consisting of $6.1 billion issued by New York Liberty Development Corporation ($1.2 billion of which is also included in the amount reported for PANYNJ) and $511 million issued by the Brooklyn Arena Local Development Corporation. In addition, JDA has $19 million in State-Guaranteed bonds outstanding.

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

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

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

THE CITY OF NEW YORK

The fiscal demands on the State may be affected by the fiscal condition of the City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of the City, and certain entities issuing debt for the benefit of the City, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and the financing entities issuing debt on its behalf is available by contacting Raymond J. Orlando, City Director of Investor Relations, (212) 788-5875, or contacting the City Office of Management and Budget, 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.

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
2003	29,679	13,134 (4)	2,151	0	1,258	0	2,328	(64)	48,486
2004	31,378	13,364	1,758	0	1,256	0	2,561	(52)	50,265
2005	33,903	12,977	0	2,551	1,283	0	3,746	(39)	54,421
2006	35,844	12,233	0	2,470	1,334	0	3,500	0	55,381
2007	34,506	14,607	0	2,368	1,317	2,100	3,394	0	58,292
2008	36,100	14,828	0	2,339	1,297	2,067	2,556	0	59,187
2009	39,991	16,913	0	2,253	1,274	2,033	2,442	0	64,906
2010	41,555	20,094	0	2,178	1,265	2,000	2,402	0	69,494
2011	41,785	23,820	0	2,117	1,260	2,000	2,556	0	73,538
2012	42,286	26,268	0	2,054	1,253	3,000	2,457	0	77,318

Source: Office of the State Comptroller.

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

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

(3) Includes bonds issued by the Fiscal Year 2005 Securitization Corporation 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.

(4) Includes $1.11 billion of bond anticipation notes issued to finance the City's capital expenditures.

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

OTHER LOCALITIES

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

The Buffalo Fiscal Stability Authority has exercised Control Period powers with respect to the City of Buffalo since the City's 2004 fiscal year, but 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 would incur a major operating funds deficit of 1 percent or more during the County's 2011 fiscal year. Nassau County challenged NIFA's determination and authority to impose a Control Period in State Supreme Court and did not prevail. NIFA is now exercising Control Period powers over Nassau County.

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' 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, if any, by NIFA to the United States Court of Appeals for the Second Circuit. The County has announced its intent to appeal.

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

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control, 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. And, in some cases, these delays have necessitated short-term borrowing at the local level. More recent developments 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; new constraints (for local governments other than in New York City and school districts outside New York City and the four other largest cities in New York State) on raising property tax revenues given legislation that now limits growth in the tax levy, subject to override; 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, and 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 Executive Budget includes a proposal which, if enacted, would give the State Comptroller and the Board of the Teachers' Retirement System (TRS) the authority to offer a stable pension contribution option to local governments and school districts. The stated purpose of this proposal is to 1) provide long-term stability and predictability in local pension budgeting, and 2) accelerate anticipated local savings from the implementation of Tiers V and VI, which are less costly than the previous Tiers I through IV.

Under the stable rate proposal, the State Comptroller may allow counties, cities, towns, villages, school districts, boards of cooperative educational services, and the health care centers of Nassau, Westchester and Erie Counties, the option to elect stable employer contribution rates of 12 percent of salary for ERS members and 18.5 percent of salary for PFRS members. School districts and boards of cooperative educational services may elect a stable employer contribution rate of 12.5 percent if the Board of the Teachers' Retirement System approves the option for TRS. The proposal assumes that the stable rate would need to be in place for approximately 25 years to assure adequate funding of the pension systems. The State Comptroller and the Board of Teachers' Retirement System may increase the stable rates by up to 2 percent of salary at the five and ten-year marks and they may also adjust the program length to assure adequate pension system funding. Eligible participating employers would only be authorized to opt into the stable rate beginning with fiscal year 2014. Both the State Comptroller and the Board of the Teachers' Retirement System are currently reviewing this Executive Budget proposal.

The following table summarizes the debt of New York City and all other New York State localities.

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
2001	40,305	0	20,303	4,745	60,608	4,745
2002	42,721	2,200	21,721	5,184	64,442	7,384
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	30,752	4,755	86,133	4,755
2007	58,192	100	32,270	4,567	90,462	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,907	99,395	6,940
2010	69,494	0	36,093	7,359	105,587	7,359
2011	73,538	0	35,976	7,227	109,514	7,227

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 the 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" in the section of this document entitled "The City of New York"). Also included are the bonds of the Fiscal Year 2005 Securitization Corporation, the Industrial Development Agency, the Samurai Funding Corporation, 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).

In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al.* (NDNY), plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants' motion for judgment on the pleadings, relying on the decisions in *Sherrill, Cayuga,* and *Oneida,* is pending in District Court. A Report and Recommendation was issued by the Magistrate on September 28, 2012 recommending that all claims be dismissed except those over an area known as the Hogansburg Triangle, which claims the Magistrate recommends should proceed through discovery and additional motion practice. The parties are in the midst of filing objections to the Report, after which a decision will be issued by the District Judge.

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.

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 March 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 <u>not</u> select or advocate the selection of any particular cleanup program for the Site-cleanup decisions are being made via the ongoing Environmental Impact Statement (EIS) process.

The Consent Decree also does not resolve two claims raised in the State's lawsuit - the State's natural resource damages claim and its Nuclear Waste Policy Act claim. The first claim, which the Federal government has agreed to toll, will be pursued by the 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. The parties have agreed on a briefing schedule for competing motions to dismiss the Nuclear Waste Policy Act claim, with opening briefs to be submitted in March 2013.

METROPOLITAN TRANSPORTATION AUTHORITY

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

The defendant-appellants' briefs on appeal and plaintiff-respondent's briefs have been filed in the Appellate Division, Second Department. On February 20, 2013, the Appellate Division granted leave to file an *amicus curiae* brief in support of the State's position to New York State AFL-CIO, Transport Workers Union Local 100 and New York State Transport Union Conference. 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 monies 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 and is awaiting decision.

SCHOOL AID

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

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

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

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

On August 18, 2011, Supreme Court, Albany County granted the State's motion to stay all proceedings in the case until further order of the court or a decision from the Court of Appeals. The plaintiffs have filed a motion to have the stay vacated or modified to permit the continuation of depositions and the filing of a motion for partial summary judgment. In a Decision/Order dated December 6, 2011, Supreme Court, Albany County, granted plaintiffs' motion for renewal and modified

the stay to the extent of permitting discovery to continue, but refused to allow plaintiffs to file a motion for partial summary judgment or any other dispositive motion. Depositions are being conducted. The discovery deadline is March 1, 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 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.

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 limitation on the tax that school districts can levy on the real property subject to tax within their borders violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statute would prevent students from receiving a sound basic education 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.

REPRESENTATIVE PAYEES

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

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

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. By decision and order dated September 27, 2010, the Court of Claims (Ruderman, J.), granted the State's motion for summary judgment and dismissed the individual claims. The Court held that the State statutes relied on by claimants do not apply to Social Security benefits and that executive directors of OMH facilities are acting properly in accordance with the Social Security Act and applicable Federal regulations. Claimants served a notice of appeal on November 23, 2010. By decision and order dated January 17, 2012, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. On May 8, 2012, the Court of Appeals denied claimants motion for leave. As a result, the case has been concluded in the State's favor and the claim has been dismissed.

SALES TAX

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

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

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

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

On February 10, 2011, the Seneca Nation of Indians commenced *Seneca Nation of Indians v. State of New York, et al., (Sup. Ct., Erie Co.)*, challenging the promulgation of regulations to implement the statutory voucher system intended to enable the State to collect taxes on certain sales of cigarettes on Indian reservations. Plaintiffs seek declaratory judgment that the regulations are void and temporary and permanent injunctions against enforcing both the regulations and the statutory provisions authorizing the voucher system. On June 8, 2011, Supreme Court, Erie County, issued an order granting defendants' motion for summary judgment and dismissing the complaint. On November 18, 2011, the Appellate Division, Fourth Department, affirmed. Plaintiffs' motion for leave to appeal to the Court of Appeals was denied on February 21, 2012.

In July 2011, plaintiffs commenced *Akwesasne Convenience Store Association et al. v. State of New York, (Sup. Ct., Erie Co.)*, against the State of New York and other defendants, seeking a declaration that the statutory voucher system impermissibly burdens Indian commerce and is preempted by Federal law and further seeking to enjoin the implementation, administration or enforcement of the system. The court denied plaintiffs' request for a temporary restraining order and, by decision dated August 18, 2011, also

denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. By decision dated August 2, 2012, the Supreme Court, Erie County, granted defendants' motion for summary judgment dismissing the complaint and denied plaintiffs' cross motion for summary judgment. Plaintiffs appealed directly to the Court of Appeals by notice of appeal filed on October 12, 2012. On January 15, 2013, the Court of Appeals transferred the appeal to the Appellate Division, Fourth Department, on the grounds that a direct appeal to the Court of Appeals does not lie.

CIVIL SERVICE LITIGATION

In *Simpson v. New York State Department of Civil Service et ano.,* plaintiffs have brought a class action under 42 U.S.C 2000d et seq., claiming that a civil service test administered between 1996 and 2006 resulted in a disparate impact upon the class. This case was settled on December 29, 2010, for $45 million in damages and fees, payable in four equal annual installments, starting on or about April 1, 2011 or upon passage of the State budget. The settlement was approved following an April 15, 2011 fairness hearing. Payment of the annual installments of the settlement proceeds is proceeding.

EMINENT DOMAIN

In *Gyrodyne Company of America, Inc. v. State of New York (Court of Claims)*, claimant sought compensation under the Eminent Domain Procedures Law in connection with the appropriation by the State of 245 acres of land in connection with the expansion of SUNY Stony Brook. By decision dated June 21, 2010, the Court of Claims awarded claimant $125 million as compensation for the appropriation. On September 13, 2010, the State appealed from the decision. In a decision dated November 22, 2011, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. The State's motion for reargument or, in the alternative, leave to appeal to the Court of Appeals, was denied by the Second Department on February 17, 2012. On June 5, 2012, the Court of Appeals denied the State's motion for leave to appeal. The Division of the Budget advises that the State paid approximately $167 million on July 5, 2012, representing the (i) judgment for damages of $125 million, plus statutory interest at an annual rate of 9 percent from November 2005 on the unpaid balance of $98.7 million, and (ii) associated costs, disbursements and expenses of $1.5 million plus interest thereon.

INSURANCE DEPARTMENT ASSESSMENTS

In New *York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.),* several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. The State filed its answer on May 4, 2010. On June 9, 2010, the State filed a motion for summary judgment. By decision dated March 10, 2011, plaintiffs' motion for permission to conduct discovery prior to responding to the State's motion for summary judgment was granted. Plaintiffs have since filed an amended complaint adding challenges to assessments issued after the commencement of this action and the State has withdrawn its motion for summary judgment without prejudice. The State has filed its answer to the amended complaint and is engaged in the discovery process. The discovery deadline is April 2, 2013.

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, with the hearings involving Missouri and Illinois. New York's diligent enforcement hearings took place June 25-29, 2012. State-specific hearings are scheduled for two weeks each month until June 2013.

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. New York and 32 other states and territories rejected the term sheet. The Signatory Parties have 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 object to approval of the term sheet because its terms negatively impact New York and the other 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. If the Signatory States are removed from the calculation, they still have to be treated as either diligent or not diligent for purposes of allocation of the NPM Adjustment. The term sheet is silent as to how the reallocation provision should apply. The non-joining states seek to have the signatory states treated as non-diligent for purposes of allocation of the NPM Adjustment. The Signatory Parties object. Depending on how the Panel rules, this could have a very significant impact on New York State's annual

payments. The Panel held a status conference on January 22, 2013, to discuss the term sheet and has scheduled a hearing for March 7, 2013 at which it will hear arguments from both the Signatory Parties and the non-joining states. If the Panel decides to deem the 19 states (collectively the "Signatory States") "diligent" for purposes of allocation of the NPM Adjustment, and New York is then found to have been "not diligent" in its enforcement of its escrow statute in 2003, New York would have liability not only for its share of the NPM Adjustment but also for its proportionate share of the NPM Adjustment attributable to the Signatory States. In the event of an arbitration ruling against New York State's interests, New York State could challenge the ruling by moving to set aside an arbitral award in New York State courts.

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FINANCIAL PLAN TABLES

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

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

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

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

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

Cashflow - FY 2013 Monthly Results and Projections
General Fund

Generally Accepted Accounting Principles - General Fund Basis
Update of FY 2013 (Change from AIS)
Projections FY 2014 through FY 2017

Corrected Table

CASH FINANCIAL PLAN
GENERAL FUND
ANNUAL CHANGE FROM PRIOR YEAR TO CURRENT YEAR
(millions of dollars)

	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change
Opening Fund Balance	1,376	1,787	411	29.9%
Receipts:				
Taxes:				
Personal Income Tax	25,843	26,818	975	3.8%
User Taxes and Fees	9,055	9,127	72	0.8%
Business Taxes	5,760	6,038	278	4.8%
Other Taxes	1,096	1,064	(32)	-2.9%
Miscellaneous Receipts	3,162	3,724	562	17.8%
Federal Receipts	60	60	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,097	8,312	215	2.7%
Sales Tax in Excess of LGAC Debt Service	2,396	2,416	20	0.8%
Real Estate Taxes in Excess of CW/CA Debt Service	387	540	153	39.5%
All Other Transfers	1,044	963	(81)	-7.8%
Total Receipts	56,900	59,062	2,162	3.8%
Disbursements:				
Local Assistance Grants	38,419	39,776	1,357	3.5%
Departmental Operations:				
Personal Service	5,781	6,190	409	7.1%
Non-Personal Service	1,713	1,904	191	11.2%
General State Charges	4,720	4,589	(131)	-2.8%
Transfers to Other Funds:				
Debt Service	1,516	1,644	128	8.4%
Capital Projects	798	868	70	8.8%
State Share Medicaid	2,722	2,975	253	9.3%
SUNY Operations	0	340	340	N/A
Other Purposes	820	1,089	269	32.8%
Total Disbursements	56,489	59,375	2,886	5.1%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	411	(313)	(724)	-176.2%
Closing Fund Balance	1,787	1,474	(313)	-17.5%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	102	57	(45)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	283	77	(206)	
Debt Reduction	13	13	0	
Undesignated Fund Balance	62	0	(62)	

Source: NYS DOB

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

	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts:				
Taxes:				
Personal Income Tax	28,396	29,290	30,303	32,057
User Taxes and Fees	9,492	9,890	10,309	10,585
Business Taxes	6,244	5,736	6,294	6,544
Other Taxes	1,154	1,224	1,234	1,244
Miscellaneous Receipts	3,101	3,030	2,836	2,844
Federal Receipts	2	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,739	8,929	8,960	9,184
Sales Tax in Excess of LGAC Debt Service	2,546	2,665	2,809	2,922
Real Estate Taxes in Excess of CW/CA Debt Service	476	556	631	689
All Other Transfers	905	781	733	736
Total Receipts	61,055	62,101	64,109	66,805
Disbursements:				
Local Assistance Grants	40,035	41,946	44,358	46,750
Departmental Operations:				
Personal Service	5,672	5,839	6,100	6,116
Non-personal Service	1,783	1,953	1,995	2,068
General State Charges	4,964	5,341	5,600	5,867
Transfers to Other Funds:				
Debt Service	1,334	1,476	1,450	1,347
Capital Projects	1,256	1,369	1,381	1,772
State Share Medicaid	1,730	1,288	1,261	1,228
SUNY Operations	969	969	969	969
Other Purposes	3,145	4,003	4,544	4,835
Total Disbursements	60,888	64,184	67,658	70,952
Reserves:				
Community Projects Fund	(57)	0	0	0
Prior-Year Labor Agreements (2007-2011)	(26)	10	14	14
Debt Reduction Reserve	250	0	0	0
Undesignated Fund Balance	0	0	0	0
Increase (Decrease) in Reserves	167	10	14	14
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(2,093)	(3,563)	(4,161)

Source: NYS DOB

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

	AIS Enacted Budget	*Change*	Prior AIS Update	*Change*	Current AIS Update
Receipts:					
Taxes:					
Personal Income Tax	26,916	*0*	26,916	*(98)*	26,818
User Taxes and Fees	9,271	*(75)*	9,196	*(69)*	9,127
Business Taxes	6,038	*(3)*	6,035	*3*	6,038
Other Taxes	1,144	*2*	1,146	*(82)*	1,064
Miscellaneous Receipts	3,229	*125*	3,354	*370*	3,724
Federal Receipts	60	*0*	60	*0*	60
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,272	*(22)*	8,250	*62*	8,312
Sales Tax in Excess of LGAC Debt Service	2,456	*(26)*	2,430	*(14)*	2,416
Real Estate Taxes in Excess of CW/CA Debt Service	444	*25*	469	*71*	540
All Other	1,070	*(31)*	1,039	*(76)*	963
Total Receipts	58,900	*(5)*	58,895	*167*	59,062
Disbursements:					
Local Assistance Grants	39,645	*23*	39,668	*108*	39,776
Departmental Operations:					
Personal Service	5,892	*278*	6,170	*20*	6,190
Non-Personal Service	1,844	*(9)*	1,835	*69*	1,904
General State Charges	4,403	*96*	4,499	*90*	4,589
Transfers to Other Funds:					
Debt Service	1,580	*(16)*	1,564	*80*	1,644
Capital Projects	1,055	*0*	1,055	*(187)*	868
State Share Medicaid	2,978	*(3)*	2,975	*0*	2,975
SUNY Operations	340	*0*	340	*0*	340
Other Purposes	1,131	*(29)*	1,102	*(13)*	1,089
Total Disbursements	58,868	*340*	59,208	*167*	59,375
Reserves:					
Community Projects Fund	(45)	*0*	(45)	*0*	(45)
Undesignated Fund Balance	(62)	*0*	(62)	*0*	(62)
Prior-Year Labor Agreements (2007-2011)	139	*(345)*	(206)	*0*	(206)
Increase (Decrease) in Reserves	32	*(345)*	(313)	*0*	(313)
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	*0*	0	*0*	0

Source: NYS DOB

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

	AIS Enacted Budget	*Change*	Prior AIS Update	*Change*	Current AIS Update
Receipts:					
Taxes:					
Personal Income Tax	28,920	*0*	28,920	*(524)*	28,396
User Taxes and Fees	9,626	*(56)*	9,570	*(78)*	9,492
Business Taxes	6,208	*0*	6,208	*36*	6,244
Other Taxes	1,137	*2*	1,139	*15*	1,154
Miscellaneous Receipts	2,829	*50*	2,879	*222*	3,101
Federal Receipts	2	*0*	2	*0*	2
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,842	*(44)*	8,798	*(59)*	8,739
Sales Tax in Excess of LGAC Debt Service	2,579	*(19)*	2,560	*(14)*	2,546
Real Estate Taxes in Excess of CW/CA Debt Service	500	*25*	525	*(49)*	476
All Other	862	*4*	866	*39*	905
Total Receipts	61,505	*(38)*	61,467	*(412)*	61,055
Disbursements:					
Local Assistance Grants	41,872	*(1)*	41,871	*(1,836)*	40,035
Departmental Operations:					
Personal Service	5,370	*117*	5,487	*185*	5,672
Non-Personal Service	1,637	*(7)*	1,630	*153*	1,783
General State Charges	4,834	*55*	4,889	*75*	4,964
Transfers to Other Funds:					
Debt Service	1,653	*(36)*	1,617	*(283)*	1,334
Capital Projects	1,293	*(6)*	1,287	*(31)*	1,256
State Share Medicaid	2,772	*(5)*	2,767	*(1,037)*	1,730
SUNY Operations	982	*1*	983	*(14)*	969
Other Purposes	1,980	*21*	2,001	*1,144*	3,145
Total Disbursements	62,393	*139*	62,532	*(1,644)*	60,888
Reserves:					
Community Projects Fund	(56)	*(1)*	(57)	*0*	(57)
Prior-Year Labor Agreements (2007-2011)	118	*(144)*	(26)	*0*	(26)
Debt Reduction	0	*0*	0	*250*	250
Increase (Decrease) in Reserves	62	*(145)*	(83)	*250*	167
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(950)	*(32)*	(982)	*982*	0

Source: NYS DOB

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

	AIS Enacted Budget	*Change*	Prior AIS Update	*Change*	Current AIS Update
Receipts:					
Taxes:					
Personal Income Tax	29,612	*1*	29,613	*(323)*	29,290
User Taxes and Fees	10,042	*(56)*	9,986	*(96)*	9,890
Business Taxes	5,713	*(27)*	5,686	*50*	5,736
Other Taxes	1,222	*2*	1,224	*0*	1,224
Miscellaneous Receipts	2,297	*0*	2,297	*733*	3,030
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,981	*(33)*	8,948	*(19)*	8,929
Sales Tax in Excess of LGAC Debt Service	2,706	*(17)*	2,689	*(24)*	2,665
Real Estate Taxes in Excess of CW/CA Debt Service	576	*25*	601	*(45)*	556
All Other	770	*4*	774	*7*	781
Total Receipts	61,919	*(101)*	61,818	*283*	62,101
Disbursements:					
Local Assistance Grants	43,227	*(2)*	43,225	*(1,279)*	41,946
Departmental Operations:					
Personal Service	5,496	*136*	5,632	*207*	5,839
Non-Personal Service	1,722	*49*	1,771	*182*	1,953
General State Charges	5,179	*56*	5,235	*106*	5,341
Transfers to Other Funds:					
Debt Service	1,585	*(71)*	1,514	*(38)*	1,476
Capital Projects	1,408	*(5)*	1,403	*(34)*	1,369
State Share Medicaid	2,626	*(5)*	2,621	*(1,333)*	1,288
SUNY Operations	1,001	*1*	1,002	*(33)*	969
Other Purposes	2,972	*23*	2,995	*1,008*	4,003
Total Disbursements	65,216	*182*	65,398	*(1,214)*	64,184
Reserves:					
Prior-Year Labor Agreements (2007-2011)	118	*(108)*	10	*0*	10
Increase (Decrease) in Reserves	118	*(108)*	10	*0*	10
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(3,415)	*(175)*	(3,590)	*1,497*	(2,093)

Source: NYS DOB

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

	AIS Enacted Budget	*Change*	Prior AIS Update	*Change*	Current AIS Update
Receipts:					
Taxes:					
Personal Income Tax	30,614	*0*	30,614	*(311)*	30,303
User Taxes and Fees	10,406	*(55)*	10,351	*(42)*	10,309
Business Taxes	6,291	*(54)*	6,237	*57*	6,294
Other Taxes	1,222	*2*	1,224	*10*	1,234
Miscellaneous Receipts	2,389	*0*	2,389	*447*	2,836
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,195	*(68)*	9,127	*(167)*	8,960
Sales Tax in Excess of LGAC Debt Service	2,832	*(16)*	2,816	*(7)*	2,809
Real Estate Taxes in Excess of CW/CA Debt Service	651	*25*	676	*(45)*	631
All Other	760	*4*	764	*(31)*	733
Total Receipts	64,360	*(162)*	64,198	*(89)*	64,109
Disbursements:					
Local Assistance Grants	45,490	*(1)*	45,489	*(1,131)*	44,358
Departmental Operations:					
Personal Service	5,753	*162*	5,915	*185*	6,100
Non-Personal Service	1,806	*15*	1,821	*174*	1,995
General State Charges	5,470	*57*	5,527	*73*	5,600
Transfers to Other Funds:					
Debt Service	1,559	*(71)*	1,488	*(38)*	1,450
Capital Projects	1,301	*(2)*	1,299	*82*	1,381
State Share Medicaid	2,526	*(5)*	2,521	*(1,260)*	1,261
SUNY Operations	1,021	*1*	1,022	*(53)*	969
Other Purposes	3,446	*26*	3,472	*1,072*	4,544
Total Disbursements	68,372	*182*	68,554	*(896)*	67,658
Reserves:					
Prior-Year Labor Agreements (2007-2011)	118	*(104)*	14	*0*	14
Increase (Decrease) in Reserves	118	*(104)*	14	*0*	14
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(4,130)	*(240)*	(4,370)	*807*	(3,563)

Source: NYS DOB

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

	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected
Taxes:				
Withholdings	31,818	33,466	35,111	37,051
Estimated Payments	12,188	12,958	13,442	13,500
Final Payments	2,172	2,266	2,151	2,251
Other Payments	1,174	1,208	1,245	1,295
Gross Collections	47,352	49,898	51,949	54,097
State/City Offset	(268)	(223)	(148)	(148)
Refunds	(6,958)	(7,255)	(7,945)	(8,607)
Reported Tax Collections	40,126	42,420	43,856	45,342
STAR (Dedicated Deposits)	(3,276)	(3,419)	(3,602)	(3,704)
RBTF (Dedicated Transfers)	(10,032)	(10,605)	(10,964)	(11,335)
Personal Income Tax	26,818	28,396	29,290	30,303
Sales and Use Tax	11,239	11,736	12,269	12,833
Cigarette and Tobacco Taxes	448	441	435	428
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	249	249	253	257
Highw ay Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	11,936	12,426	12,957	13,518
LGAC Sales Tax (Dedicated Transfers)	(2,809)	(2,934)	(3,067)	(3,209)
User Taxes and Fees	9,127	9,492	9,890	10,309
Corporation Franchise Tax	2,570	2,881	2,225	2,618
Corporation and Utilities Tax	655	633	660	679
Insurance Taxes	1,291	1,364	1,408	1,484
Bank Tax	1,522	1,366	1,443	1,513
Petroleum Business Tax	0	0	0	0
Business Taxes	6,038	6,244	5,736	6,294
Estate Tax	1,045	1,135	1,205	1,215
Real Estate Transfer Tax	755	685	760	835
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	1,819	1,839	1,984	2,069
Real Estate Transfer Tax (Dedicated)	(755)	(685)	(760)	(835)
Other Taxes	1,064	1,154	1,224	1,234
Payroll Tax	0	0	0	0
Total Taxes	43,047	45,286	46,140	48,140
Licenses, Fees, Etc.	763	680	647	638
Abandoned Property	715	650	655	655
Motor Vehicle Fees	99	26	26	26
ABC License Fee	56	54	50	55
Reimbursements	272	272	272	272
Investment Income	5	5	30	30
Other Transactions	1,814	1,414	1,350	1,160
Miscellaneous Receipts	3,724	3,101	3,030	2,836
Federal Grants	60	2	0	0
Total	46,831	48,389	49,170	50,976

Souce: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,787	1,632	428	3,847
Receipts:				
Taxes	43,047	8,046	13,476	64,569
Miscellaneous Receipts	3,724	15,713	996	20,433
Federal Receipts	60	1	79	140
Total Receipts	46,831	23,760	14,551	85,142
Disbursements:				
Local Assistance Grants	39,776	18,918	0	58,694
Departmental Operations:				
Personal Service	6,190	6,378	0	12,568
Non-Personal Service	1,904	3,681	57	5,642
General State Charges	4,589	1,991	0	6,580
Debt Service	0	0	6,132	6,132
Capital Projects	0	5	0	5
Total Disbursements	52,459	30,973	6,189	89,621
Other Financing Sources (Uses):				
Transfers from Other Funds	12,231	7,716	6,353	26,300
Transfers to Other Funds	(6,916)	(384)	(14,751)	(22,051)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,315	7,332	(8,398)	4,249
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(313)	119	(36)	(230)
Closing Fund Balance	1,474	1,751	392	3,617

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,286	8,315	14,105	67,706
Miscellaneous Receipts	3,101	15,739	517	19,357
Federal Receipts	2	1	79	82
Total Receipts	48,389	24,055	14,701	87,145
Disbursements:				
Local Assistance Grants	40,035	19,151	0	59,186
Departmental Operations:				
Personal Service	5,672	6,676	0	12,348
Non-Personal Service	1,783	3,544	40	5,367
General State Charges	4,964	2,120	0	7,084
Debt Service	0	0	5,833	5,833
Capital Projects	0	5	0	5
Total Disbursements	52,454	31,496	5,873	89,823
Other Financing Sources (Uses):				
Transfers from Other Funds	12,666	7,728	4,952	25,346
Transfers to Other Funds	(8,434)	(379)	(13,774)	(22,587)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,232	7,349	(8,822)	2,759
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	167	(92)	6	81
Designated General Fund Reserves:				
Community Projects Fund	(57)			
Prior-Year Labor Agreements (2007-2011)	(26)			
Debt Reduction	250			
Increase (Decrease) in Reserves	167			
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	46,140	8,686	14,672	69,498
Miscellaneous Receipts	3,030	16,149	689	19,868
Federal Receipts	0	1	79	80
Total Receipts	49,170	24,836	15,440	89,446
Disbursements:				
Local Assistance Grants	41,946	19,834	0	61,780
Departmental Operations:				
Personal Service	5,839	6,801	0	12,640
Non-Personal Service	1,953	3,621	40	5,614
General State Charges	5,341	2,188	0	7,529
Debt Service	0	0	6,136	6,136
Capital Projects	0	5	0	5
Total Disbursements	55,079	32,449	6,176	93,704
Other Financing Sources (Uses):				
Transfers from Other Funds	12,931	7,844	4,578	25,353
Transfers to Other Funds	(9,105)	(153)	(13,837)	(23,095)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,826	7,691	(9,259)	2,258
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,083)	78	5	(2,000)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	10			
Increase (Decrease) in Reserves	10			
Net General Fund Deficit	(2,093)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,140	8,953	15,260	72,353
Miscellaneous Receipts	2,836	16,275	531	19,642
Federal Receipts	0	1	79	80
Total Receipts	50,976	25,229	15,870	92,075
Disbursements:				
Local Assistance Grants	44,358	19,821	0	64,179
Departmental Operations:				
Personal Service	6,100	6,990	0	13,090
Non-Personal Service	1,995	3,748	40	5,783
General State Charges	5,600	2,341	0	7,941
Debt Service	0	0	6,465	6,465
Capital Projects	0	5	0	5
Total Disbursements	58,053	32,905	6,505	97,463
Other Financing Sources (Uses):				
Transfers from Other Funds	13,133	8,147	4,511	25,791
Transfers to Other Funds	(9,605)	(309)	(13,867)	(23,781)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,528	7,838	(9,356)	2,010
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,549)	162	9	(3,378)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	14			
Increase (Decrease) in Reserves	14			
Net General Fund Deficit	(3,563)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,787	1,594	(449)	428	3,360
Receipts:					
Taxes	43,047	8,046	1,353	13,476	65,922
Miscellaneous Receipts	3,724	15,899	4,366	996	24,985
Federal Receipts	60	41,797	2,195	79	44,131
Total Receipts	46,831	65,742	7,914	14,551	135,038
Disbursements:					
Local Assistance Grants	39,776	55,013	2,115	0	96,904
Departmental Operations:					
Personal Service	6,190	7,030	0	0	13,220
Non-Personal Service	1,904	4,644	0	57	6,605
General State Charges	4,589	2,277	0	0	6,866
Debt Service	0	0	0	6,132	6,132
Capital Projects	0	5	5,910	0	5,915
Total Disbursements	52,459	68,969	8,025	6,189	135,642
Other Financing Sources (Uses):					
Transfers from Other Funds	12,231	7,717	1,185	6,353	27,486
Transfers to Other Funds	(6,916)	(4,371)	(1,466)	(14,751)	(27,504)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	5,315	3,346	119	(8,398)	382
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(313)	119	8	(36)	(222)
Closing Fund Balance	1,474	1,713	(441)	392	3,138

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	45,286	8,315	1,399	14,105	69,105
Miscellaneous Receipts	3,101	15,925	4,346	517	23,889
Federal Receipts	2	45,646	2,221	79	47,948
Total Receipts	48,389	69,886	7,966	14,701	140,942
Disbursements:					
Local Assistance Grants	40,035	60,009	2,073	0	102,117
Departmental Operations:					
Personal Service	5,672	7,357	0	0	13,029
Non-Personal Service	1,783	4,679	0	40	6,502
General State Charges	4,964	2,442	0	0	7,406
Debt Service	0	0	0	5,833	5,833
Capital Projects	0	5	6,169	0	6,174
Total Disbursements	52,454	74,492	8,242	5,873	141,061
Other Financing Sources (Uses):					
Transfers from Other Funds	12,666	7,729	1,513	4,952	26,860
Transfers to Other Funds	(8,434)	(3,215)	(1,526)	(13,774)	(26,949)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	4,232	4,514	325	(8,822)	249
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	167	(92)	49	6	130
Designated General Fund Reserves:					
Community Projects Fund	(57)				
Prior-Year Labor Agreements (2007-2011)	(26)				
Debt Reduction	250				
Increase (Decrease) in Reserves	167				
Net General Fund Deficit	0				
Carry-Forward Potential FY 2013 Shortfall					
Proposed Cash Surplus/(Gap)	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	46,140	8,686	1,428	14,672	70,926
Miscellaneous Receipts	3,030	16,335	4,313	689	24,367
Federal Receipts	0	45,636	2,028	79	47,743
Total Receipts	49,170	70,657	7,769	15,440	143,036
Disbursements:					
Local Assistance Grants	41,946	61,396	1,786	0	105,128
Departmental Operations:					
Personal Service	5,839	7,475	0	0	13,314
Non-Personal Service	1,953	4,603	0	40	6,596
General State Charges	5,341	2,509	0	0	7,850
Debt Service	0	0	0	6,136	6,136
Capital Projects	0	5	6,481	0	6,486
Total Disbursements	55,079	75,988	8,267	6,176	145,510
Other Financing Sources (Uses):					
Transfers from Other Funds	12,931	7,845	1,432	4,578	26,786
Transfers to Other Funds	(9,105)	(2,436)	(1,480)	(13,837)	(26,858)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	3,826	5,409	258	(9,259)	234
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,083)	78	(240)	5	(2,240)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	10				
Increase (Decrease) in Reserves	10				
Net General Fund Deficit	(2,093)				

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,140	8,953	1,448	15,260	73,801
Miscellaneous Receipts	2,836	16,461	4,616	531	24,444
Federal Receipts	0	46,815	1,660	79	48,554
Total Receipts	50,976	72,229	7,724	15,870	146,799
Disbursements:					
Local Assistance Grants	44,358	62,852	1,516	0	108,726
Departmental Operations:					
Personal Service	6,100	7,693	0	0	13,793
Non-Personal Service	1,995	4,625	0	40	6,660
General State Charges	5,600	2,678	0	0	8,278
Debt Service	0	0	0	6,465	6,465
Capital Projects	0	5	7,204	0	7,209
Total Disbursements	58,053	77,853	8,720	6,505	151,131
Other Financing Sources (Uses):					
Transfers from Other Funds	13,133	8,148	1,444	4,511	27,236
Transfers to Other Funds	(9,605)	(2,362)	(1,482)	(13,867)	(27,316)
Bond and Note Proceeds	0	0	120	0	120
Net Other Financing Sources (Uses)	3,528	5,786	82	(9,356)	40
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,549)	162	(914)	9	(4,292)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	14				
Increase (Decrease) in Reserves	14				
Net General Fund Deficit	(3,563)				

Source: NYS DOB

CASHFLOW
GENERAL FUND
FY 2013
(dollars in millions)

	2012 April Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results	2013 January Results	February Projected	March Projected	Total
OPENING BALANCE	1,787	5,637	2,018	2,935	2,404	1,546	4,282	3,649	2,453	4,629	7,079	7,445	1,787
RECEIPTS:													
Personal Income Tax	3,851	1,236	2,486	1,768	1,824	2,774	1,908	1,339	2,871	3,205	1,867	1,689	26,818
User Taxes and Fees	652	681	899	703	693	920	695	675	919	762	636	892	9,127
Business Taxes	205	42	1,044	80	68	1,019	155	101	1,174	220	81	1,849	6,038
Other Taxes	114	84	77	80	116	68	120	70	83	93	79	80	1,064
Total Taxes	4,822	2,043	4,506	2,631	2,701	4,781	2,878	2,185	5,047	4,280	2,663	4,510	43,047
Licenses, Fees, etc.	40	35	85	65	54	109	2	4	49	46	100	174	763
Abandoned Property	39	(21)	45	14	17	72	(1)	129	24	24	20	353	715
ABC License Fee	6	6	5	5	5	4	5	4	5	6	4	44	99
Motor vehicle fees	6	(6)	(1)	13	(11)	0	0	4	13	28	17	(7)	56
Reimbursements	2	5	38	4	(14)	48	16	14	35	16	40	68	272
Investment Income	1	0	0	0	1	0	0	0	0	0	2	1	5
Other Transactions	23	74	244	66	66	710	84	28	80	56	39	344	1,814
Total Miscellaneous Receipts	117	93	416	167	118	943	106	183	206	176	222	977	3,724
Federal Grants	4	14	0	0	16	0	0	13	0	0	0	13	60
PIT in Excess of Revenue Bond Debt Service	1,282	270	964	415	361	1,054	388	141	1,010	1,105	405	917	8,312
Sales Tax in Excess of LGAC Debt Service	190	55	430	212	149	289	213	206	287	232	3	150	2,416
Real Estate Taxes in Excess of CW/CA Debt Service	57	45	33	49	47	38	42	33	51	81	44	20	540
All Other	1	40	23	5	20	9	39	21	2	30	99	674	963
Total Transfers from Other Funds	1,530	410	1,450	681	577	1,390	682	401	1,350	1,448	551	1,761	12,231
TOTAL RECEIPTS	6,473	2,560	6,372	3,479	3,412	7,114	3,666	2,782	6,603	5,904	3,436	7,261	59,062
DISBURSEMENTS:													
School Aid	133	2,730	1,705	135	581	1,283	705	1,085	1,469	313	405	6,459	17,003
Higher Education	16	18	379	295	356	60	146	320	79	138	100	689	2,596
All Other Education	3	61	332	88	100	344	89	27	216	52	308	341	1,961
Medicaid - DOH	931	1,029	712	918	1,195	590	1,047	843	795	945	1,234	814	11,053
Public Health	1	11	29	37	163	75	21	57	34	33	61	137	659
Mental Hygiene	1	0	379	2	1	396	167	1	381	96	132	389	1,945
Children and Families	3	14	130	107	220	210	68	68	76	191	73	382	1,542
Temporary & Disability Assistance	61	327	145	167	140	114	99	121	99	100	15	121	1,509
Transportation	0	24	0	0	24	0	0	24	15	0	10	1	98
Unrestricted Aid	0	12	294	1	2	89	11	1	204	1	4	144	763
All Other	2	(8)	195	92	16	107	(71)	22	63	31	54	144	647
Total Local Assistance Grants	1,151	4,218	4,300	1,842	2,798	3,268	2,282	2,569	3,431	1,900	2,396	9,621	39,776
Personal Service	596	631	549	416	594	437	654	465	434	550	402	462	6,190
Non-Personal Service	52	146	142	113	177	143	126	89	158	143	194	421	1,904
Total State Operations	648	777	691	529	771	580	780	554	592	693	596	883	8,094
General State Charges	413	442	90	433	434	398	186	329	112	265	(175)	1,662	4,589
Debt Service	506	0	(55)	458	(40)	(119)	506	(17)	(2)	388	(18)	37	1,644
Capital Projects	(116)	113	102	214	(46)	0	137	(146)	27	124	15	444	868
State Share Medicaid	8	441	248	289	249	214	232	392	221	43	218	420	2,975
SUNY Operations	0	0	0	180	0	0	0	160	0	0	0	0	340
Other Purposes	13	188	79	65	104	37	176	137	46	41	38	165	1,089
Total Transfers to Other Funds	411	742	374	1,206	267	132	1,051	526	292	596	253	1,066	6,916
TOTAL DISBURSEMENTS	2,623	6,179	5,455	4,010	4,270	4,378	4,299	3,978	4,427	3,454	3,070	13,232	59,375
Excess/(Deficiency) of Receipts over Disbursements	3,850	(3,619)	917	(531)	(858)	2,736	(633)	(1,196)	2,176	2,450	366	(5,971)	(313)
CLOSING BALANCE	5,637	2,018	2,935	2,404	1,546	4,282	3,649	2,453	4,629	7,079	7,445	1,474	1,474

Source: NYS DOB

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

	AIS Enacted Budget	Change	Current AIS Update
Revenues:			
Taxes:			
Personal income tax	26,972	(96)	26,876
User taxes and fees	9,284	(282)	9,002
Business taxes	6,047	119	6,166
Other taxes	1,139	(113)	1,026
Miscellaneous revenues	7,017	434	7,451
Federal grants	60	0	60
Total revenues	50,519	62	50,581
Expenditures:			
Grants to local governments	42,345	31	42,376
State operations	11,876	466	12,342
General State charges	5,845	61	5,906
Debt service	0	0	0
Capital projects	0	0	0
Total expenditures	60,066	558	60,624
Other financing sources (uses):			
Transfers from other funds	15,061	89	15,150
Transfers to other funds	(6,034)	68	(5,966)
Proceeds from financing arrangements/	0		0
advance refundings	403	(75)	328
Net other financing sources (uses)	9,430	82	9,512
Operating Surplus/(Deficit)	(117)	(414)	(531)

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
FY 2013 THROUGH FY 2017
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Revenues:					
Taxes:					
Personal income tax	26,876	27,174	29,120	30,992	33,081
User taxes and fees	9,002	9,512	9,912	10,333	10,600
Business taxes	6,166	6,151	5,966	6,156	6,498
Other taxes	1,026	1,203	1,231	1,241	1,251
Miscellaneous revenues	7,451	5,968	5,988	5,568	5,545
Federal grants	60	2	0	0	0
Total revenues	50,581	50,010	52,217	54,290	56,975
Expenditures:					
Grants to local governments	42,376	41,840	43,675	45,765	47,989
State operations	12,342	11,805	12,378	12,669	12,940
General State charges	5,906	6,609	7,003	7,316	7,654
Debt service	0	0	0	0	0
Capital projects	0	0	0	0	0
Total expenditures	60,624	60,254	63,056	65,750	68,583
Other financing sources (uses):					
Transfers from other funds	15,150	14,552	14,317	14,345	14,584
Transfers to other funds	(5,966)	(5,886)	(6,205)	(6,235)	(6,597)
Proceeds from financing arrangements/ advance refundings	328	403	400	400	400
Net other financing sources (uses)	9,512	9,069	8,512	8,510	8,387
Operating Surplus/(Deficit)	(531)	(1,175)	(2,327)	(2,950)	(3,221)

Source: NYS DOB

GLOSSARY OF ACRONYMS

ACA ..... Affordable Care Act
AIM ..... Aid and Incentive for Municipalities
ALES ..... Agency Law Enforcement Services
AMTAP ..... Additional Mass Transportation Operations Assistance Program
APSU ..... Agency Police Services Unit
ARC ..... Annual Required Contribution
ARRA ..... American Recovery and Reinvestment Act of 2009
BANs ..... Bond Anticipation Notes
BCA ..... Budget Control Act
BCI ..... New York State Police Investigators Unit
BIC ..... Bond Issuance Charge
CAFR ..... Comprehensive Annual Financial Report
CDA ..... Continuing Disclosure Agreement
CDT ..... Continuing Day Treatment Clinic
CEFAP ..... Community Enhancement Facilities Assistance Program
CERCLA ..... Comprehensive Environmental Response, Compensation and Liability Act
CFY ..... City Fiscal Year
CHIPs ..... Consolidated Highway Improvement Programs
CHP ..... Child Health Plus
CMS ..... Centers for Medicare and Medicaid Services
COLA ..... Cost of Living Adjustment
CPI ..... Consumer Price Index
CQCAPD ..... Commission on Quality of Care and Advocacy for Persons with Disabilities
CRF ..... Common Retirement Fund
CSEA ..... Civil Service Employees Association
CUNY ..... City University of New York
CUNY DC-37 ..... City University of New York District Council 37
CW/CA ..... Clean Water/Clean Air
DASNY ..... Dormitory Authority of the State of New York
DEC ..... Department of Environmental Conservation
DDPC ..... Developmental Disabilities Planning Council
DFS ..... Department of Financial Services
DHBTF ..... Dedicated Highway and Bridge Trust Fund
DHCR ..... Division of Homes and Community Renewal
DMNA ..... Division of Military and Naval Affairs
DMV ..... Department of Motor Vehicles
DOB ..... Division of the Budget
DOCCS ..... Department of Corrections and Community Supervision
DOH ..... Department of Health
DOT ..... Department of Transportation
DRL ..... Deficit Reduction Leave
DRP ..... Deficit Reduction Program
DRRF ..... Debt Reduction Reserve Fund
DSFs ..... Debt Service Funds
DTF ..... Department of Taxation and Finance
EFC ..... Environmental Facilities Corporation
EI ..... Early Intervention
EIS ..... Environmental Impact Statement
EPF ..... Environmental Projection Fund
EMMA ..... Electronic Municipal Market Access
ENI ..... Entire Net Income
EPF ..... Environmental Protection Fund
EPIC ..... Elderly Pharmaceutical Insurance Coverage

ERDA ..... Energy Research and Development Authority
ERI ..... Early Retirement Incentive
ERS ..... Employees' Retirement System
ESD ..... Empire State Development
EXCEL ..... Expanding our Children's Education and Learning
FCB ..... Financial Control Board
FHP ..... Family Health Plus
FMAP ..... Federal Medical Assistance Percentage
FMP ..... Fiscal Management Plan
F-SHRP ..... Federal-State Health Reform Partnership
FTE ..... Full-Time Equivalent
FY ..... Fiscal Year
GAAP ..... Generally Accepted Accounting Principles
GASB ..... Governmental Accounting Standards Board
GEA ..... Gap Elimination Adjustment
GDP ..... Gross Domestic Product
GLIP ..... Group Life Insurance Fund
GOER ..... Governor's Office of Employee Relations
GPHW ..... General Public Health Work
GSCs ..... General State Charges
GSEU ..... Graduate Student Employees Union
HCRA ..... Health Care Reform Act
HEAL NY ..... Health Care Efficiency and Affordability Law for New Yorkers
HESC ..... Higher Education Services Corporation
HFA ..... Housing Finance Agency
HLRW ..... High-Level Radioactive Waste
HMO ..... Health Maintenance Organization
HUD ..... Housing and Urban Development
IBO ..... Independent Budget Office
ICF/DD ..... Intermediate Care Facilities for the Developmentally Disabled
ITS ..... Information Technology Services
JDA ..... Job Development Authority
LGAC ..... Local Government Assistance Corporation
LIBOR ..... London Inter-Bank Offered Rates
LICH ..... Long Island College Hospital
LGU ..... Local Government Unit
LTRO ..... Long-Term Refinancing Operation
MA ..... Medicaid
MBBA ..... Municipal Bond Bank Agency
M/C ..... Managerial/Confidential
MCFFA ..... Medical Care Facilities Financing Agency
MD&A ..... Management Discussion & Analysis
MIF ..... Mortgage Insurance Fund
MMIS ..... Medicaid Management Information System
MRT ..... Medicaid Redesign Team
MSA ..... Master Settlement Agreement
MTA ..... Metropolitan Transportation Authority
NAICS ..... North American Industry Classification System
NIFA ..... Nassau County Interim Finance Authority
NPM ..... Non-Participating Manufacturers
NYS-CARES ..... New York State - Creating Alternatives in Residential Environments and Services
NYSCOPBA ..... New York State Correctional Officers and Police Benevolent Association
NY-HELPS ..... New York Higher Education Loan Program
NYSHIP ..... New York State Health Insurance Plan
NYSLRS ..... New York State Local Retirement System
NYSPBA ..... New York State Police Benevolent Association

NYSTA ..... New York State Thruway Authority
NYSTAR ..... Office of Science, Technology, and Academic Research
OASAS ..... Office of Alcoholism and Substance Abuse Services
OCA ..... Office of Court Administration
OCFS ..... Office of Children and Family Services
OFT ..... Office for Technology
OGS ..... Office of General Services
OMB ..... Office of Management and Budget
OMH ..... Office of Mental Health
OPEB ..... Other Post-Employment Benefits
OPM ..... Original Participating Manufacturer
OPWDD ..... Office for People with Developmental Disabilities
OSC ..... Office of the State Comptroller
OSDC ..... Office of the State Deputy Controller
OTB ..... Off Track Betting
OTDA ..... Office of Temporary and Disability Assistance
PACB ..... Public Authorities Control Board
PAYGO ..... Pay-As-You-Go
PBA ..... Police Benevolent Association of New York State Troopers
PBT ..... Petroleum Business Tax
PEF ..... Public Employees Federation
PFRS ..... Police and Fire Retirement System
PILOT ..... Payment in Lieu of Taxes
PIT ..... Personal Income Tax
PM ..... Participating Manufacturers
QPAI ..... Qualified Production Activity Income
RIC ..... Regulated Investment Company
RBTF ..... Revenue Bond Tax Fund
SAGE ..... Spending and Government Efficiency Commission
SBE ..... Sound Basic Education
SED ..... State Education Department
SFS ..... Statewide Financial System
SIF ..... State Insurance Fund
SIP ..... Strategic Investment Program
SOF ..... State Operating Funds
SOFA ..... State Office for the Aging
SONYMA ..... State of New York Mortgage Agency
SPM ..... Subsequent Participating Manufacturers
SRFs ..... Special Revenue Funds
SSI ..... Supplemental Security Income
STAR ..... School Tax Relief
STARC ..... Sales Tax Asset Receivable Corporation
STIP ..... Short-Term Investment Pool
SUNY ..... State University of New York
SY ..... School Year
TA ..... Thruway Authority
TANF ..... Temporary Assistance for Needy Families
TAP ..... Tuition Assistance Program
TRANs ..... Tax and Revenue Anticipation Notes
TSFC ..... Tobacco Settlement Financing Corporation
UDC ..... Urban Development Corporation
UUP ..... United University Professions
VLT ..... Video Lottery Terminal
WHTI ..... Western Hemisphere Travel Initiative

Annual Information Statement

State of New York

May 11, 2012

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

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INTRODUCTION

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

In this AIS, readers will find:

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

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

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

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

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

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

INTRODUCTION

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

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

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

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

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

USAGE NOTICE

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

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

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

BUDGETARY AND ACCOUNTING BACKGROUND

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

THE STATE BUDGET PROCESS

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

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

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

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

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

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

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

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

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

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

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

FINANCIAL PLAN INFORMATION

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

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

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

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

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

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

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

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

FINANCIAL PLAN OVERVIEW

PROJECTED SPENDING MEASURES AT-A-GLANCE *

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

PROJECTED RECEIPTS AT-A-GLANCE*

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

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

PROJECTED ECONOMIC INDICATORS AT-A-GLANCE

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

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

OTHER KEY FINANCIAL MEASURES AT-A-GLANCE

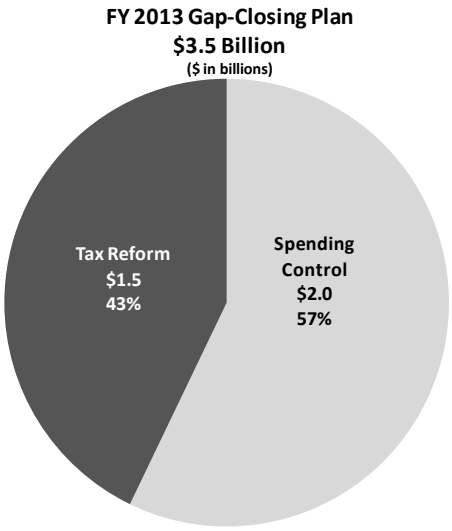
OTHER FINANCIAL PLAN MEASURES (millions of dollars)	FY 2012 Results	FY 2013 Enacted
Total General Fund Reserves	$1,787	$1,819
Rainy Day Reserves	$1,306	$1,306
All Other Reserves	$481	$513
State Workforce (Subject to Direct Executive Control)[1]	119,579	121,841
Debt		
State Related Debt Outstanding	$56,375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

1 Workforce results are through February 2012.

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

ENACTED BUDGET FOR FISCAL YEAR 2013

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



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

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

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

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

SPENDING CONTROL

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

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

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

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

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

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

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

TAX REFORM

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

OTHER CHANGES

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

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

PROJECTED CLOSING BALANCES

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

GENERAL FUND ESTIMATED CLOSING BALANCES
(millions of dollars)

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

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

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

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

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

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

ANNUAL SPENDING GROWTH

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

STATE SPENDING MEASURES
(millions of dollars)

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

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

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

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

FISCAL YEAR 2013 ENACTED BUDGET GAP-CLOSING PLAN

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

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

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

SPENDING CONTROL

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

STATE AGENCY OPERATIONS

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

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

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

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

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

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

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

LOCAL ASSISTANCE

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

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

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

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

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

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

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

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

INITIATIVES/INVESTMENTS

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

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

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

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

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

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

OTHER CHANGES

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

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

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

OTHER MATTERS AFFECTING THE ENACTED BUDGET FINANCIAL PLAN

GENERAL

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

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

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

BUDGET RISKS AND UNCERTAINTIES

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

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

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

STATUS OF CURRENT LABOR NEGOTIATIONS

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

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

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

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

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

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

CURRENT CASH-FLOW PROJECTIONS

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

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

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

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

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

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

PENSION AMORTIZATION

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

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

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

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

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

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

FEDERAL ACTIONS

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

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

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

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

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

HEALTH INSURANCE COMPANY CONVERSIONS

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

LITIGATION

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

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

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

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

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

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

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

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

BOND MARKET

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

DEBT REFORM ACT LIMIT

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

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

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

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

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

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

SECURED HOSPITAL PROGRAM

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

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

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2013 THROUGH 2016

INTRODUCTION

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

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

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

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

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

SUMMARY

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

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

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

GENERAL FUND PROJECTIONS

GENERAL FUND PROJECTIONS
(millions of dollars)

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

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

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

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

PRELIMINARY FY 2012 RESULTS AND FY 2013 FORECAST OVERVIEW

RECEIPTS

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

OVERVIEW OF THE RECEIPTS FORECAST

- New York's recovery continued in FY 2012, but has been buffeted by double digit declines in financial sector bonus payments during the most recent bonus season, and a slowdown in taxable spending late in FY 2012, likely due to mild weather and high gas prices. The combination of the personal income tax reform enacted in December 2011 and trend economic growth are expected to yield a third consecutive year of receipts growth in FY 2013.

- After inching up 2.9 percent in FY 2011, base receipts adjusted for tax law changes grew by 7.4 percent in FY 2012 and are expected to increase by 6.2 percent in FY 2013.

- Corporate profits are expected to record a fourth consecutive year of growth in calendar year 2012, but growth will be at a lower trend rate when compared to the robust growth rates of recent years.

- Personal income tax liability growth is expected to slow somewhat in tax year 2012. Although the December 2011 tax law changes are expected to generate more revenue than the 2008 permanent law, they will generate less annual revenue than the high income surcharge in effect in tax year 2011. Double digit declines in financial sector bonus payments during the first quarter of 2012 will also contribute to the slowdown in liability growth.

- After accounting for law changes, consumer and business spending on taxable goods and services rose for the second consecutive year in FY 2012, growing 6.7 percent, and is estimated to rise 4 percent in FY 2013.

- The surge in oil prices presents a downside risk to the receipts forecast. The uncertainty surrounding fuel prices over the near-term horizon could result in slower receipts growth than anticipated.

All Funds receipts are projected to total $133.3 billion, an increase of $527 million from FY 2012 results. The table below summarizes the receipts projections for FY 2013 and FY 2014.

TOTAL RECEIPTS (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund	**56,900**	**58,900**	**2,000**	**3.5%**	**61,505**	**2,605**	**4.4%**
Taxes	41,754	43,369	1,615	3.9%	45,891	2,522	5.8%
Miscellaneous Receipts	3,162	3,229	67	2.1%	2,829	(400)	-12.4%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
Transfers	11,924	12,242	318	2.7%	12,783	541	4.4%
State Funds	**88,111**	**90,598**	**2,487**	**2.8%**	**94,509**	**3,911**	**4.3%**
Taxes	64,297	66,370	2,073	3.2%	70,138	3,768	5.7%
Miscellaneous Receipts	23,669	24,083	414	1.7%	24,284	201	0.8%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	**132,745**	**133,272**	**527**	**0.4%**	**138,794**	**5,522**	**4.1%**
Taxes	64,297	66,370	2,073	3.2%	70,138	3,768	5.7%
Miscellaneous Receipts	23,837	24,269	432	1.8%	24,470	201	0.8%
Federal Grants	44,611	42,633	(1,978)	-4.4%	44,186	1,553	3.6%

Base growth of 6.2 percent in tax receipts is estimated for FY 2013, after adjusting for law changes, and is projected to be 5.6 percent in FY 2014. These projected increases in overall base growth in tax receipts are dependent on many factors:

- Continued growth in a broad range of economic activities;
- Improving profitability and compensation gains, particularly among financial services companies;
- Recovery in the overall real estate market, particularly the residential market; and
- Increases in consumer spending as a result of wage and employment gains.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund[1]	**25,843**	**26,916**	**1,073**	**4.2%**	**28,920**	**2,004**	**7.4%**
Gross Collections	46,030	47,702	1,672	3.6%	50,930	3,228	6.8%
Refunds/Offsets	(7,263)	(7,446)	(183)	2.5%	(7,757)	(311)	4.2%
STAR	(3,233)	(3,276)	(43)	1.3%	(3,460)	(184)	5.6%
RBTF	(9,691)	(10,064)	(373)	3.8%	(10,793)	(729)	7.2%
State/All Funds	**38,767**	**40,256**	**1,489**	**3.8%**	**43,173**	**2,917**	**7.2%**
Gross Collections	46,030	47,702	1,672	3.6%	50,930	3,228	6.8%
Refunds	(7,263)	(7,446)	(183)	2.5%	(7,757)	(311)	4.2%

[1] Excludes Transfers.

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

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

All Funds income tax receipts for FY 2014 of $43.2 billion are projected to increase $2.9 billion (7.2 percent) from the prior year. This increase primarily reflects increases of $2.1 billion (6.6 percent) in withholding, $842 million (30.9 percent) in extension payments related to tax year 2012 and $219 million (2.5 percent) in estimated payments related to tax year 2013 partially offset by a $311 million (4.2 percent) increase in total refunds. The strong projection for extension payments for tax year 2012 reflects an assumption of early realization of capital gains due to the projected sunset of the Bush tax cuts as scheduled starting with tax year 2013. Payments from final returns are expected to increase $49 million (2.5 percent) while delinquencies are projected to increase $35 million (3.2 percent) from the prior year.

General Fund income tax receipts for FY 2014 of $28.9 billion are projected to increase by $2 billion (7.4 percent). The RBTF deposit is projected to increase by $729 million.

PERSONAL INCOME TAX
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund[1]	**28,920**	**29,612**	**692**	**30,614**	**1,002**
Gross Collections	50,930	53,120	2,190	55,044	1,924
Refunds/Offsets	(7,757)	(8,781)	(1,024)	(9,233)	(452)
STAR	(3,460)	(3,642)	(182)	(3,744)	(102)
RBTF	(10,793)	(11,085)	(292)	(11,453)	(368)
State/All Funds	**43,173**	**44,339**	**1,166**	**45,811**	**1,472**
Gross Collections	50,930	53,120	2,190	55,044	1,924
Refunds	(7,757)	(8,781)	(1,024)	(9,233)	(452)

[1] Excludes Transfers.

All Funds income tax receipts for FY 2015 of $44.3 billion are projected to increase $1.2 billion (2.7 percent) from the prior year. This change primarily reflects increases of $1.2 billion (3.5 percent) in withholding, $1 billion (11.5 percent) in estimated payments related to tax year 2014 partially offset by a $1 billion (13.2 percent) increase in total refunds and a $115 million decrease in final returns payments for tax year 2013. Extension payments for tax year 2013 are almost flat from the prior year with a $7 million (0.2 percent) decrease while delinquencies are projected to increase $51 million (4.7 percent) from the prior year. The increase in total refunds of $1 billion almost entirely reflects an increase in current refunds for tax year 2013.

General Fund income tax receipts for FY 2015 of $29.6 billion are projected to increase by $692 billion (2.4 percent). The increases in the All Funds receipts are partially offset by a $292 million increase in RBFT deposits and $182 million increase in STAR payments.

All Funds income tax receipts are projected to increase by nearly $1.5 billion (3.4 percent) in FY 2016 to reach $45.8 billion while General Fund receipts are projected to be $30.6 billion.

USER TAXES AND FEES

USER TAXES AND FEES
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund*	**9,055**	**9,271**	**216**	**2.4%**	**9,626**	**355**	**3.8%**
Sales Tax	8,346	8,561	215	2.6%	8,922	361	4.2%
Cigarette and Tobacco Taxes	471	469	(2)	-0.4%	462	(7)	-1.5%
Alcoholic Beverage Taxes	238	241	3	1.3%	242	1	0.4%
State/All Funds	**14,571**	**14,921**	**350**	**2.4%**	**15,413**	**492**	**3.3%**
Sales Tax	11,876	12,205	329	2.8%	12,717	512	4.2%
Cigarette and Tobacco Taxes	1,633	1,615	(18)	-1.1%	1,585	(30)	-1.9%
Motor Fuel	501	515	14	2.8%	517	2	0.4%
Highway Use Tax	132	147	15	11.4%	142	(5)	-3.4%
Alcoholic Beverage Taxes	238	241	3	1.3%	242	1	0.4%
Taxicab Surcharge	87	89	2	2.3%	96	7	7.9%
Auto Rental Tax	104	109	5	4.8%	114	5	4.6%

*Excludes Transfers.

All Funds user taxes and fees receipts for FY 2013 are estimated to be $14.9 billion, an increase of $350 million (2.4 percent) from FY 2012. Sales tax receipts are expected to increase by $329 million (2.8 percent) from the prior year due to base growth (i.e., absent law changes) of 4 percent partially offset by a loss of $210 million from an increase in the clothing and footwear exemption threshold from $55 to $110. The remaining estimated increase of $21 million from FY 2012 is mainly from an increase in motor fuel and highway use tax collections offset by a decline in cigarette and tobacco collections. Motor fuel collections are expected to rebound with an increase in gasoline and diesel gallonage due to an improving economy. Highway use tax collections are estimated to increase due to the issuance of decals and a triennial registration year. The estimated decline in cigarette and tobacco tax collections reflects trend declines in taxable consumption.

General Fund user taxes and fees receipts are expected to total nearly $9.3 billion in FY 2013, an increase of $216 million (2.4 percent) from FY 2012. This increase mainly reflects growth in sales tax receipts ($215 million).

All Funds user taxes and fees receipts for FY 2014 are projected to be $15.4 billion, an increase of $492 million (3.3 percent) from FY 2013. The increase in sales tax receipts of $512 million (4.2 percent) reflects sales tax base growth of 3.4 percent. Cigarette and tobacco tax receipts primarily reflect the long-term trend decline from this revenue source.

General Fund user taxes and fees receipts are projected to total $9.6 billion in FY 2014, an increase of $355 million (3.8 percent) from FY 2013. This increase largely reflects the projected increases in All Funds sales tax receipts discussed above.

USER TAXES AND FEES (millions of dollars)	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund*	**9,626**	**10,042**	**416**	**10,406**	**364**
Sales Tax	8,922	9,340	418	9,712	372
Cigarette and Tobacco Taxes	462	455	(7)	447	(8)
Alcoholic Beverage Taxes	242	247	5	247	0
State/All Funds	**15,413**	**15,989**	**576**	**16,502**	**513**
Sales Tax	12,717	13,303	586	13,829	526
Cigarette and Tobacco Taxes	1,585	1,556	(29)	1,526	(30)
Motor Fuel	517	520	3	523	3
Highway Use Tax	142	144	2	152	8
Alcoholic Beverage Taxes	242	247	5	247	0
Taxicab Surcharge	96	100	4	101	1
Auto Rental Tax	114	119	5	124	5

*Excludes Transfers.

All Funds user taxes and fees are projected to be nearly $16.0 billion in FY 2015 and $16.5 billion in FY 2016, representing increases of $576 million (3.7 percent) and $513 million (3.2 percent) respectively. These increases represent base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund	**5,760**	**6,038**	**278**	**4.8%**	**6,208**	**170**	**2.8%**
Corporate Franchise Tax	2,724	2,905	181	6.6%	3,009	104	3.6%
Corporation & Utilities Tax	617	652	35	5.7%	696	44	6.7%
Insurance Tax	1,257	1,322	65	5.2%	1,373	51	3.9%
Bank Tax	1,161	1,159	(2)	-0.2%	1,130	(29)	-2.5%
Petroleum Business Tax	1	0	(1)	-100.0%	0	0	0.0%
State/All Funds	**7,877**	**8,229**	**352**	**4.5%**	**8,463**	**234**	**2.8%**
Corporate Franchise Tax	3,176	3,360	184	5.8%	3,511	151	4.5%
Corporation & Utilities Tax	797	847	50	6.3%	894	47	5.5%
Insurance Tax	1,413	1,479	66	4.7%	1,539	60	4.1%
Bank Tax	1,391	1,381	(10)	-0.7%	1,319	(62)	-4.5%
Petroleum Business Tax	1,100	1,162	62	5.6%	1,200	38	3.3%

All Funds business tax receipts for FY 2013 are estimated at $8.2 billion, an increase of $352 million, or 4.5 percent from the prior year. The estimate reflects base growth across all taxes from an improving economy as well as an incremental increase of $71 million from the deferral of certain tax

credits that was part of the FY 2011 Enacted Budget. Adjusted for this deferral, All Funds growth is 3.6 percent.

General Fund business tax receipts for FY 2013 of $6.0 billion are estimated to increase by $278 million (4.8 percent) from FY 2012 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

All Funds business tax receipts for FY 2014 of $8.5 billion are projected to increase $234 million (2.8 percent) from the prior year, reflecting growth across all business taxes except the bank tax. The decline in FY 2014 bank tax receipts is driven by an expected decrease in audit receipts.

General Fund business tax receipts for FY 2014 of $6.2 billion are projected to increase $170 million (2.8 percent) from the prior year.

BUSINESS TAXES
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund	**6,208**	**5,713**	**(495)**	**6,291**	**578**
Corporate Franchise Tax	3,009	2,320	(689)	2,726	406
Corporation & Utilities Tax	696	718	22	741	23
Insurance Tax	1,373	1,414	41	1,487	73
Bank Tax	1,130	1,261	131	1,337	76
State/All Funds	**8,463**	**8,038**	**(425)**	**8,676**	**638**
Corporate Franchise Tax	3,511	2,855	(656)	3,289	434
Corporation & Utilities Tax	894	918	24	947	29
Insurance Tax	1,539	1,587	48	1,666	79
Bank Tax	1,319	1,472	153	1,562	90
Petroleum Business Tax	1,200	1,206	6	1,212	6

All Funds business tax receipts for FY 2015 and FY 2016 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. Business tax receipts are projected to decline to $8.0 billion (5.0 percent) in FY 2015, and increase to $8.7 billion (7.9 percent) in FY 2016. The decline in FY 2015 reflects the first year of the repayment of deferred tax credits to taxpayers. General Fund business tax receipts over this period are expected to decline to $5.7 billion (8.0 percent) in FY 2015 and increase to $6.3 billion (10.1 percent) in FY 2016.

OTHER TAXES

OTHER TAXES (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund[1]	**1,096**	**1,144**	**48**	**4.4%**	**1,137**	**(7)**	**-0.6%**
Estate Tax	1,078	1,127	49	4.5%	1,120	(7)	-0.6%
Gift Tax	0	0	0	NA	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Pari-Mutuel Taxes	17	16	(1)	-5.9%	16	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**1,706**	**1,804**	**98**	**5.7%**	**1,847**	**43**	**2.4%**
Estate Tax	1,078	1,127	49	4.5%	1,120	(7)	-0.6%
Gift Tax	0	0	0	NA	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Real Estate Transfer Tax	610	660	50	8.2%	710	50	7.6%
Pari-Mutuel Taxes	17	16	(1)	-5.9%	16	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

[1] Excludes Transfers.

All Funds other tax receipts for FY 2013 are estimated to be $1.8 billion, an increase of $98 million (5.7 percent) from FY 2012. This mainly reflects a rise of $49 million (4.5 percent) in estate tax receipts and $50 million (8.2 percent) in the real estate transfer tax, which are the result of expected large estate payments in FY 2013 and strong commercial activity and improving vacancy rates in NYC, respectively.

General Fund other tax receipts are expected to be $1.1 billion in FY 2013, an increase of $48 million (4.4 percent) from FY 2012. This reflects the changes in the estate tax and pari-mutuel taxes noted above.

All Funds other tax receipts for FY 2014 are projected to be $1.8 billion, an increase of $43 million (2.4 percent) from FY 2013. This reflects growth in the real estate transfer tax slightly offset by a decline in estate tax receipts. General Fund other tax receipts are expected to total approximately $1.1 billion in FY 2014. This reflects a decrease of $7 million in estate tax receipts due to a forecast decrease in estate payments of $25 million or more ("super large" payments).

OTHER TAXES (millions of dollars)	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund[1]	**1,137**	**1,222**	**85**	**1,222**	**0**
Estate Tax	1,120	1,205	85	1,205	0
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-Mutuel Taxes	16	16	0	16	0
All Other Taxes	1	1	0	1	0
State/All Funds	**1,847**	**2,002**	**155**	**2,077**	**75**
Estate Tax	1,120	1,205	85	1,205	0
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	710	780	70	855	75
Pari-Mutuel Taxes	16	16	0	16	0
All Other Taxes	1	1	0	1	0

[1] Excludes Transfers.

The FY 2015 All Funds receipts projection for other taxes is $2.0 billion, an increase of $155 million (8.4 percent) from FY 2014. Modest growth in the estate tax is projected to follow expected increases in household net worth. Receipts from the real estate transfer tax are projected to increase slightly, reflecting the continuing rebound in the residential and commercial markets.

The FY 2016 All Funds receipts projection for other taxes is nearly $2.1 billion, an increase of $75 million (3.7 percent) from FY 2015. The forecast reflects continued increases in the real estate transfer tax as a result of increases in the value of real property transfers.

General Fund other tax receipts for FY 2015 and FY 2016 are expected to increase by $85 million and remain flat, respectively, consistent with the All Funds trends noted above.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund	**3,222**	**3,289**	**67**	**2.1%**	**2,831**	**(458)**	**-13.9%**
Miscellaneous Receipts	3,162	3,229	67	2.1%	2,829	(400)	-12.4%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
State Funds	**23,814**	**24,228**	**414**	**1.7%**	**24,371**	**143**	**0.6%**
Miscellaneous Receipts	23,669	24,083	414	1.7%	24,284	201	0.8%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	**68,448**	**66,902**	**(1,546)**	**-2.3%**	**68,656**	**1,754**	**2.6%**
Miscellaneous Receipts	23,837	24,269	432	1.8%	24,470	201	0.8%
Federal Grants	44,611	42,633	(1,978)	-4.4%	44,186	1,553	3.6%

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total nearly $24.3 billion in FY 2013, an increase of $432 million from FY 2012, largely driven by growth in HCRA, SUNY, and lottery receipts, partially offset by a decline in mental hygiene receipts.

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, School Aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans for Federal reimbursement to be received in the State fiscal year in which spending occurs, but timing sometimes varies. All Funds Federal grants are projected to total $42.6 billion in FY 2013, a decline of nearly $2.0 billion from the current year, reflecting the expiration of certain Federal ARRA moneys.

General Fund miscellaneous receipts and Federal grants collections are estimated to be $3.3 billion, an increase of $67 million (2.1 percent) from FY 2012 results.

All Funds miscellaneous receipts are projected to increase by $201 million in FY 2014, driven by increases in HCRA resources ($286 million) and SUNY Income Fund revenues ($232 million), partially offset by the General Fund decline that reflects the loss of certain one-time resources.

All Funds Federal grants are projected to increase by $1.6 billion in FY 2014, driven primarily by Medicaid spending.

General Fund miscellaneous receipts and Federal grants for FY 2014 are projected to decline by $458 million from FY 2013, and primarily reflect the loss of certain one-time sweeps and payments expected in FY 2013, including SONYMA and the 18-A utility assessment.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund	**2,831**	**2,297**	**(534)**	**2,389**	**92**
Miscellaneous Receipts	2,829	2,297	(532)	2,389	92
Federal Grants	2	0	(2)	0	0
State Funds	**24,371**	**24,008**	**(363)**	**24,244**	**236**
Miscellaneous Receipts	24,284	23,923	(361)	24,159	236
Federal Grants	87	85	(2)	85	0
All Funds	**68,656**	**71,362**	**2,706**	**73,371**	**2,009**
Miscellaneous Receipts	24,470	24,109	(361)	24,345	236
Federal Grants	44,186	47,253	3,067	49,026	1,773

All Funds miscellaneous receipts decrease by $361 million in FY 2015, driven by the decline in General Fund resources, partially offset by increases in HCRA ($141 million) and SUNY Income Fund revenues ($161 million).

All Funds miscellaneous receipts increase by $236 million in FY 2016, driven by the increase in General Fund resources, augmented by increases in SUNY Income Fund revenues ($161 million).

Annual Federal grants growth of $3.1 billion in FY 2015 and $1.8 billion is primarily due to growth in Medicaid spending.

General Fund miscellaneous receipts and Federal grants are projected to total $2.3 billion in FY 2015, and increase to $2.4 billion in FY 2016.

DISBURSEMENTS

General Fund disbursements in FY 2013 are estimated to total $58.9 billion, an increase of $2.4 billion (4.2 percent) over preliminary FY 2012 results. State Operating Funds disbursements for FY 2013 are estimated to total $88.9 billion, an increase of $1.7 billion (2 percent) over preliminary FY 2012 results.

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

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

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

LOCAL ASSISTANCE GRANTS

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

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

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

[1] FY 2012 results are subject to revision.

EDUCATION

SCHOOL AID

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

School Year (July 1 -June 30)

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

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

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

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

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

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

State Fiscal Year

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

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

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

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**19,662**	**20,039**	**1.9%**	**20,911**	**4.4%**	**21,725**	**3.9%**	**22,671**	**4.4%**
General Fund Local Assistance	16,778	16,986	1.2%	17,832	5.0%	18,641	4.5%	19,585	5.1%
Core Lottery Aid	2,147	2,187	1.9%	2,200	0.6%	2,195	-0.2%	2,197	0.1%
VLT Lottery Aid	682	821	20.4%	879	7.1%	889	1.1%	889	0.0%
General Fund Lottery/VLT Guarantee	55	45	-18.2%	0	-100.0%	0	0.0%	0	0.0%

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

SCHOOL TAX RELIEF PROGRAM

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

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

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

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

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

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

OTHER EDUCATION AID

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

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

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

OTHER EDUCATION
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**1,698**	**1,961**	**15.5%**	**2,000**	**2.0%**	**2,065**	**3.3%**	**2,141**	**3.7%**
Special Education	1,176	1,358	15.5%	1,456	7.2%	1,529	5.0%	1,604	4.9%
All Other Education	522	603	15.5%	544	-9.8%	536	-1.5%	537	0.2%

HIGHER EDUCATION

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

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

HIGHER EDUCATION
(millions of dollars)

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

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

Growth in spending for higher education over the multi-year Financial Plan period largely reflects aid to New York City for reimbursement of CUNY senior college operating expenses associated with the rising contribution rates for fringe benefits, and increased support for the TAP program..

HEALTH CARE

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

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately $54.0 billion in FY 2013, including the local contribution.[4]

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

[4] The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for local social services districts. The FY 2013 Enacted Budget amends these statutory indexing provisions by implementing a three-year phased-takeover of the local share of growth above the previous year's enacted levels beginning in April 2013 for County Fiscal Year 2013 (the county fiscal year is on a calendar year basis), with the State assuming all growth in County Fiscal Year 2015. This initiative is expected to save local governments nearly $1.2 billion through the next five State fiscal years.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS [1] (millions of dollars)	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Department of Health:					
State Share Without FMAP	16,000	15,606	16,513	17,049	17,895
Enhanced FMAP	(703)	254	0	0	0
DOH State Share With FMAP	15,297	15,860	16,513	17,049	17,895
Annual $ Change - DOH Only		563	653	536	846
Annual % Change - DOH Only		3.7%	4.1%	3.2%	5.0%
Other State Agencies:					
Mental Hygiene	5,403	5,810	6,206	6,508	6,868
Education	64	0	0	0	0
Foster Care	113	93	117	122	127
Corrections	0	12	12	12	13
State Operations - Contractual Expenses [2]	15	51	56	56	55
Total State Share (All Agencies)	**20,892**	**21,826**	**22,904**	**23,747**	**24,958**
Annual $ Change - Total State Share		934	1,078	843	1,211
Annual % Change - Total State Share		4.5%	4.9%	3.7%	5.1%

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

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

Factors affecting Medicaid spending over the Financial Plan period include Medicaid enrollment, costs of provider health care services (particularly in managed care), levels of service utilization and the expiration of enhanced Federal aid.[5] The number of Medicaid recipients, including FHP, is expected to total approximately 5.1 million at the end of FY 2013, an increase of 2.4 percent from the FY 2012 caseload. The expiration of the enhanced FMAP contributes to an increase in State-share spending of nearly $1 billion from FY 2012 to FY 2013, and includes costs associated with the Federal funding reconciliation between the State and counties. Pursuant to Federal Health Care Reform, the Federal

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

government is expected to finance a greater share of Medicaid costs for individuals and couples without children, which is expected to lower growth in State-share Medicaid costs beginning in FY 2015.

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

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

DEPARTMENT OF HEALTH MEDICAID
(millions of dollars)

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

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

PUBLIC HEALTH/AGING PROGRAMS

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

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

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

PUBLIC HEALTH AND AGING (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**2,104**	**2,041**	**-3.0%**	**2,219**	**8.7%**	**2,315**	**4.3%**	**2,169**	**-6.3%**
Public Health	**1,992**	**1,925**	**-3.4%**	**2,101**	**9.1%**	**2,190**	**4.2%**	**2,037**	**-7.0%**
Child Health Plus	344	334	-2.9%	369	10.5%	395	7.0%	409	3.5%
General Public Health Work	247	247	0.0%	270	9.3%	283	4.8%	288	1.8%
EPIC	169	151	-10.7%	231	53.0%	255	10.4%	267	4.7%
Early Intervention	167	164	-1.8%	164	0.0%	167	1.8%	171	2.4%
HCRA Program Account	435	452	3.9%	476	5.3%	478	0.4%	478	0.0%
F-SHRP	234	175	-25.2%	205	17.1%	205	0.0%	0	-100.0%
All Other	396	402	1.5%	386	-4.0%	407	5.4%	424	4.2%
Aging	**112**	**116**	**3.6%**	**118**	**1.7%**	**125**	**5.9%**	**132**	**5.6%**

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

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

HCRA

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

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

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

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

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

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

	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Opening Balance	**159**	**3**	**0**	**0**	**0**
Total Receipts	**5,317**	**5,921**	**6,184**	**6,303**	**6,281**
Surcharges	2,711	3,016	3,171	3,263	3,239
Covered Lives Assessment	1,018	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,162	1,146	1,123	1,101	1,079
Conversion Proceeds	0	250	300	300	300
Hospital Assessments	367	394	417	444	469
NYC Cigarette Tax Transfer/Other	59	70	128	150	149
Total Disbursements	**5,473**	**5,924**	**6,184**	**6,303**	**6,281**
Medicaid Assistance Account	3,398	3,679	3,785	4,025	3,993
Medicaid Costs	*2,176*	*2,290*	*2,464*	*2,704*	*2,672*
Family Health Plus	*602*	*690*	*657*	*657*	*657*
Workforce Recruitment & Retention	*184*	*211*	*197*	*197*	*197*
All Other	*436*	*488*	*467*	*467*	*467*
HCRA Program Account	461	476	499	501	501
Hospital Indigent Care	777	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	102	162	246	270	282
Child Health Plus	350	342	377	403	417
Public Health Programs	137	129	129	129	129
All Other	248	344	356	183	167
Annual Operating Surplus/(Deficit)	**(156)**	**(3)**	**0**	**0**	**0**
Closing Balance	**3**	**0**	**0**	**0**	**0**

MENTAL HYGIENE

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

MENTAL HYGIENE
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**3,756**	**3,640**	**-3.1%**	**4,047**	**11.2%**	**4,308**	**6.4%**	**4,500**	**4.5%**
People with Developmental Disabilities	**2,324**	**2,235**	**-3.8%**	**2,461**	**10.1%**	**2,571**	**4.5%**	**2,642**	**2.8%**
Residential Services	1,600	1,535	-4.1%	1,699	10.7%	1,779	4.7%	1,831	2.9%
Day Programs	613	588	-4.1%	650	10.5%	681	4.8%	700	2.8%
Clinic	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Other	86	87	1.2%	87	0.0%	86	-1.1%	86	0.0%
Mental Health	**1,124**	**1,090**	**-3.0%**	**1,247**	**14.4%**	**1,381**	**10.7%**	**1,486**	**7.6%**
Adult Local Services	938	909	-3.1%	1,042	14.6%	1,154	10.7%	1,242	7.6%
Children Local Services	186	181	-2.7%	205	13.3%	227	10.7%	244	7.5%
Alcohol and Substance Abuse	**307**	**314**	**2.3%**	**338**	**7.6%**	**355**	**5.0%**	**371**	**4.5%**
Outpatient/Methadone	131	135	3.1%	142	5.2%	148	4.2%	155	4.7%
Residential	112	116	3.6%	125	7.8%	132	5.6%	139	5.3%
Prevention	32	33	3.1%	38	15.2%	40	5.3%	41	2.5%
Crisis	17	17	0.0%	19	11.8%	20	5.3%	21	5.0%
Program Support	8	8	0.0%	9	12.5%	10	11.1%	10	0.0%
LGU Administration	7	5	-28.6%	5	0.0%	5	0.0%	5	0.0%
CQCAPD	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 4.6 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the mental hygiene service systems, including: increases primarily associated with the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline. Additional outyear spending is assumed in Financial Plan estimates for costs associated with efforts to move individuals in nursing

homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

SOCIAL SERVICES

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

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

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

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

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

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

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

TRANSPORTATION

In FY 2013, the DOT will provide $4.4 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. The MTA, due to the size and scope of its transit system, receives the majority of the statewide mass transit operating aid, within which the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Spending from this fund is projected to grow between 5 percent and 10 percent each year from FY 2014 to FY 2016.

TRANSPORTATION (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**4,230**	**4,378**	**3.5%**	**4,556**	**4.1%**	**4,650**	**2.1%**	**4,745**	**2.0%**
Mass Transit Operating Aid:	1,784	1,907	6.9%	1,907	0.0%	1,907	0.0%	1,907	0.0%
Metro Mass Transit Aid	1,645	1,762	7.1%	1,762	0.0%	1,762	0.0%	1,762	0.0%
Public Transit Aid	87	93	6.9%	93	0.0%	93	0.0%	93	0.0%
18-B General Fund Aid	27	27	0.0%	27	0.0%	27	0.0%	27	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,725	1,742	1.0%	1,915	9.9%	2,007	4.8%	2,100	4.6%
Dedicated Mass Transit	674	683	1.3%	689	0.9%	691	0.3%	693	0.3%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	2	1	-50.0%	0	-100.0%	0	0.0%	0	0.0%

Legislation enacted in December 2011 eliminates the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The State is expected to compensate the MTA for the decrease in receipts from the December 2011 tax reduction which is expected to result in a net cost to the State of approximately $250 million per year.

LOCAL GOVERNMENT ASSISTANCE

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

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

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

ALL OTHER LOCAL ASSISTANCE SPENDING

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

AGENCY OPERATIONS

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

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

		Forecast			
	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Negotiated Base Salary Increases [1]					
CSEA	0	0	0	2%	2%
PEF	0	0	0	2%	TBD
State Workforce [2]	119,579	121,841	122,142	122,142	122,142
ERS Pension Contribution Rate[3]					
Before Amortization	16.5%	19.4%	21.6%	23.1%	20.6%
After Amortization	10.5%	11.5%	12.5%	13.5%	14.5%
PFRS Pension Contribution Rate[3]					
Before Amortization	22.3%	26.9%	29.2%	31.3%	28.5%
After Amortization	18.5%	19.5%	20.5%	21.5%	22.5%
Employee/Retiree Health Insurance Growth Rates	6.0%	-2.7%	7.2%	8.3%	8.3%
PS/Fringe as % of Receipts (All Funds Basis)	14.7%	14.6%	14.6%	14.7%	14.9%

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

[2] Subject to direct Executive control. This table reflects State workforce counts through February 2012.

[3] As Percent of Salary.

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

STATE OPERATING FUNDS - AGENCY OPERATIONS (millions of dollars)									
	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Subject to Direct Executive Control	**9,594**	**9,652**	**0.6%**	**9,725**	**0.8%**	**9,982**	**2.6%**	**10,392**	**4.1%**
Mental Hygiene	2,941	2,961	0.7%	3,078	4.0%	3,186	3.5%	3,337	4.7%
Corrections and Community Supervision	2,472	2,391	-3.3%	2,445	2.3%	2,499	2.2%	2,630	5.2%
State Police	611	643	5.2%	649	0.9%	655	0.9%	668	2.0%
Public Health	540	555	2.8%	607	9.4%	629	3.6%	634	0.8%
Tax and Finance	383	393	2.6%	395	0.5%	406	2.8%	413	1.7%
Children and Family Services	293	316	7.8%	315	-0.3%	301	-4.4%	298	-1.0%
Environmental Conservation	245	235	-4.1%	235	0.0%	236	0.4%	239	1.3%
Financial Services	210	202	-3.8%	207	2.5%	209	1.0%	212	1.4%
Temporary and Disability Assistance	150	203	35.3%	205	1.0%	216	5.4%	214	-0.9%
Parks, Recreation and Historic Preservation	183	164	-10.4%	166	1.2%	169	1.8%	171	1.2%
Workers' Compensation Board	158	151	-4.4%	150	-0.7%	153	2.0%	156	2.0%
Lottery	140	161	15.0%	155	-3.7%	159	2.6%	159	0.0%
General Services	120	154	28.3%	138	-10.4%	133	-3.6%	136	2.3%
All Other	1,148	1,123	-2.2%	980	-12.7%	1,031	5.2%	1,125	9.1%
University System	**5,538**	**5,624**	**1.6%**	**5,735**	**2.0%**	**5,881**	**2.5%**	**6,022**	**2.4%**
State University	5,430	5,521	1.7%	5,630	2.0%	5,773	2.5%	5,912	2.4%
City University	108	103	-4.6%	105	1.9%	108	2.9%	110	1.9%
Independent Agencies	**295**	**304**	**3.1%**	**305**	**0.3%**	**313**	**2.6%**	**321**	**2.6%**
Law	160	165	3.1%	163	-1.2%	167	2.5%	171	2.4%
Audit & Control	135	139	3.0%	142	2.2%	146	2.8%	150	2.7%
Total, excluding Legislature and Judiciary	**15,427**	**15,580**	**1.0%**	**15,765**	**1.2%**	**16,176**	**2.6%**	**16,735**	**3.5%**
Judiciary	1,827	1,856	1.6%	1,914	3.1%	2,000	4.5%	2,095	4.8%
Legislature	197	219	11.2%	221	0.9%	224	1.4%	227	1.3%
Statewide Total	**17,451**	**17,655**	**1.2%**	**17,900**	**1.4%**	**18,400**	**2.8%**	**19,057**	**3.6%**
Personal Service	12,047	12,165	1.0%	12,366	1.7%	12,683	2.6%	13,188	4.0%
Non-Personal Service	5,404	5,490	1.6%	5,534	0.8%	5,717	3.3%	5,869	2.7%

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

GENERAL STATE CHARGES

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

GENERAL STATE CHARGES
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**6,593**	**6,422**	**-2.6%**	**7,001**	**9.0%**	**7,500**	**7.1%**	**7,974**	**6.3%**
Fringe Benefits	**6,217**	**6,069**	**-2.4%**	**6,646**	**9.5%**	**7,130**	**7.3%**	**7,605**	**6.7%**
Health Insurance	3,275	3,202	-2.2%	3,411	6.5%	3,670	7.6%	3,951	7.7%
Employee Health Insurance	2,052	1,987	-3.2%	2,132	7.3%	2,294	7.6%	2,469	7.6%
Retiree Health Insurance	1,223	1,215	-0.7%	1,279	5.3%	1,376	7.6%	1,482	7.7%
Pensions	1,697	1,600	-5.7%	2,012	25.8%	2,257	12.2%	2,467	9.3%
Social Security	914	931	1.9%	944	1.4%	969	2.6%	1,000	3.2%
All Other Fringe	331	336	1.5%	279	-17.0%	234	-16.1%	187	-20.1%
Fixed Costs	**376**	**353**	**-6.1%**	**355**	**0.6%**	**370**	**4.2%**	**369**	**-0.3%**

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

GSCs are projected to increase at an average annual rate of 4.9 percent over the Financial Plan period. The annual decrease in FY 2013 is driven by the impact of collective bargaining agreements, workforce attrition and the prepayment of certain pension costs in FY 2012. Increases in future years are driven by projected growth in health insurance and pension costs, offset by revenue collected from fringe benefit assessments, particularly from the mental hygiene agencies. For more information on long-term pension costs, see the section on "Other Matters Affecting the Enacted Budget Financial Plan - Pension Amortization" herein.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Total Transfers to Other Funds	**5,856**	**7,084**	**8,680**	**9,592**	**9,853**
Medicaid State Share	2,722	2,978	2,772	2,626	2,526
Debt Service	1,516	1,580	1,653	1,585	1,559
Capital Projects	798	1,055	1,293	1,408	1,301
Dedicated Highway and Bridge Trust Fund	449	499	600	624	624
All Other Capital	349	556	693	784	677
All Other Transfers	820	1,471	2,962	3,973	4,467
Mental Hygiene	0	8	803	1,732	2,320
SUNY - Disproportionate Share/Medicaid	225	228	228	228	228
Judiciary Funds	123	115	116	117	118
School Aid - Lottery/VLT Aid Guarantee	55	45	0	0	0
SUNY - University Operations	0	340	982	1,001	1,021
SUNY - Hospital Operations	60	81	88	88	88
Banking Services	70	57	65	65	65
Statewide Financial System	36	48	55	55	55
Indigent Legal Services	40	40	40	40	40
Department of Transportation (MTA Tax)	22	279	332	334	334
Mass Transportation Operating Assistance	47	19	19	19	19
Alcoholic Beverage Control	16	17	19	20	20
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
OFT Centralized Tech Services	0	22	52	20	10
All Other	104	150	141	232	127

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

A significant portion of the capital and operating expenses of DOT and DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the

fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds.

Transfers to other funds are expected to total $7.1 billion in FY 2013, an annual increase of $1.3 billion, or 22 percent. This increase is mainly due to higher costs related to the Financial Plan re-categorization of SUNY operating support, supplementation to MTA for the recent payroll tax reduction, Medicaid State share, and capital projects.

DEBT SERVICE

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Annual Change	Percent Change
General Fund	**1,516**	**1,580**	**64**	**4.2%**
Other State Support	4,348	4,484	136	3.1%
State Operating Funds	**5,864**	**6,064**	**200**	**3.4%**

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

Enacted Budget Financial Plan projections for debt service spending reflect the pre-payment of $135 million of SUNY debt service in March 2012. Otherwise, FY 2013 debt service estimates have been revised downward by approximately $84 million, primarily to reflect bond sale results to date and anticipated savings from refundings and other debt management actions. For more information on debt service, see the section on "Debt and Other Financing Activities" later in this AIS.

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

	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change
Opening Fund Balance	1,376	1,787	411	29.9%
Receipts:				
Taxes:				
Personal Income Tax	25,843	26,916	1,073	4.2%
User Taxes and Fees	9,055	9,271	216	2.4%
Business Taxes	5,760	6,038	278	4.8%
Other Taxes	1,096	1,144	48	4.4%
Miscellaneous Receipts	3,162	3,229	67	2.1%
Federal Receipts	60	60	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,097	8,272	175	2.2%
Sales Tax in Excess of LGAC Debt Service	2,396	2,456	60	2.5%
Real Estate Taxes in Excess of CW/CA Debt Service	387	444	57	14.7%
All Other Transfers	1,044	1,070	26	2.5%
Total Receipts	56,900	58,900	2,000	3.5%
Disbursements:				
Local Assistance Grants	38,419	39,645	1,226	3.2%
Departmental Operations:				
Personal Service	5,781	5,892	111	1.9%
Non-Personal Service	1,713	1,844	131	7.6%
General State Charges	4,720	4,403	(317)	-6.7%
Transfers to Other Funds:				
Debt Service	1,516	1,580	64	4.2%
Capital Projects	798	1,055	257	32.2%
State Share Medicaid	2,722	2,978	256	9.4%
SUNY Operations	0	340	340	--
Other Purposes	820	1,131	311	37.9%
Total Disbursements	56,489	58,868	2,379	4.2%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	411	32	(379)	-92.2%
Closing Fund Balance	1,787	1,819	32	1.8%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	102	57	(45)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	283	422	139	
Undesignated Fund Balance	75	13	(62)	

Source: NYS DOB

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

	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts:				
Taxes:				
Personal Income Tax	26,916	28,920	29,612	30,614
User Taxes and Fees	9,271	9,626	10,042	10,406
Business Taxes	6,038	6,208	5,713	6,291
Other Taxes	1,144	1,137	1,222	1,222
Miscellaneous Receipts	3,229	2,829	2,297	2,389
Federal Receipts	60	2	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,272	8,842	8,981	9,195
Sales Tax in Excess of LGAC Debt Service	2,456	2,579	2,706	2,832
Real Estate Taxes in Excess of CW/CA Debt Service	444	500	576	651
All Other Transfers	1,070	862	770	760
Total Receipts	58,900	61,505	61,919	64,360
Disbursements:				
Local Assistance Grants	39,645	41,872	43,227	45,490
Departmental Operations:				
Personal Service	5,892	5,370	5,496	5,753
Non-personal Service	1,844	1,637	1,722	1,806
General State Charges	4,403	4,834	5,179	5,470
Transfers to Other Funds:				
Debt Service	1,580	1,653	1,585	1,559
Capital Projects	1,055	1,293	1,408	1,301
State Share Medicaid	2,978	2,772	2,626	2,526
SUNY Operations	340	982	1,001	1,021
Other Purposes	1,131	1,980	2,972	3,446
Total Disbursements	58,868	62,393	65,216	68,372
Reserves:				
Community Projects Fund	(45)	(56)	0	0
Undesignated Fund Balance	(62)	0	0	0
Prior-Year Labor Agreements (2007-2011)	139	118	118	118
Increase (Decrease) in Reserves	32	62	118	118
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(950)	(3,415)	(4,130)

Source: NYS DOB

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

	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Taxes:				
Withholdings	32,748	34,817	36,032	37,947
Estimated Payments	11,602	12,663	13,702	13,560
Final Payments	2,203	2,266	2,151	2,251
Other Payments	1,149	1,184	1,235	1,286
Gross Collections	47,702	50,930	53,120	55,044
State/City Offset	(298)	(198)	(148)	(148)
Refunds	(7,148)	(7,559)	(8,633)	(9,085)
Reported Tax Collections	40,256	43,173	44,339	45,811
STAR (Dedicated Deposits)	(3,276)	(3,460)	(3,642)	(3,744)
RBTF (Dedicated Transfers)	(10,064)	(10,793)	(11,085)	(11,453)
Personal Income Tax	26,916	28,920	29,612	30,614
Sales and Use Tax	11,414	11,895	12,452	12,948
Cigarette and Tobacco Taxes	469	462	455	447
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	241	242	247	247
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	12,124	12,599	13,154	13,642
LGAC Sales Tax (Dedicated Transfers)	(2,853)	(2,973)	(3,112)	(3,236)
User Taxes and Fees	9,271	9,626	10,042	10,406
Corporation Franchise Tax	2,905	3,009	2,320	2,726
Corporation and Utilities Tax	652	696	718	741
Insurance Taxes	1,322	1,373	1,414	1,487
Bank Tax	1,159	1,130	1,261	1,337
Petroleum Business Tax	0	0	0	0
Business Taxes	6,038	6,208	5,713	6,291
Estate Tax	1,127	1,120	1,205	1,205
Real Estate Transfer Tax	660	710	780	855
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	16	16	16	16
Other Taxes	1	1	1	1
Gross Other Taxes	1,804	1,847	2,002	2,077
Real Estate Transfer Tax (Dedicated)	(660)	(710)	(780)	(855)
Other Taxes	1,144	1,137	1,222	1,222
Payroll Tax	0	0	0	0
Total Taxes	43,369	45,891	46,589	48,533
Licenses, Fees, Etc.	678	689	621	612
Abandoned Property	785	670	655	655
Motor Vehicle Fees	99	26	26	26
ABC License Fee	51	50	50	50
Reimbursements	262	262	262	262
Investment Income	10	30	30	30
Other Transactions	1,344	1,102	653	754
Miscellaneous Receipts	3,229	2,829	2,297	2,389
Federal Grants	60	2	0	0
Total	46,658	48,722	48,886	50,922

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,787	1,632	428	3,847
Receipts:				
Taxes	43,369	8,142	13,458	64,969
Miscellaneous Receipts	3,229	15,707	996	19,932
Federal Receipts	60	1	79	140
Total Receipts	46,658	23,850	14,533	85,041
Disbursements:				
Local Assistance Grants	39,645	19,128	0	58,773
Departmental Operations:				
Personal Service	5,892	6,273	0	12,165
Non-Personal Service	1,844	3,599	47	5,490
General State Charges	4,403	2,019	0	6,422
Debt Service	0	0	6,064	6,064
Capital Projects	0	5	0	5
Total Disbursements	51,784	31,024	6,111	88,919
Other Financing Sources (Uses):				
Transfers from Other Funds	12,242	7,736	6,322	26,300
Transfers to Other Funds	(7,084)	(480)	(14,609)	(22,173)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,158	7,256	(8,287)	4,127
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	32	82	135	249
Closing Fund Balance	1,819	1,714	563	4,096

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,891	8,469	14,357	68,717
Miscellaneous Receipts	2,829	16,352	1,043	20,224
Federal Receipts	2	1	79	82
Total Receipts	48,722	24,822	15,479	89,023
Disbursements:				
Local Assistance Grants	41,872	20,007	0	61,879
Departmental Operations:				
Personal Service	5,370	6,996	0	12,366
Non-Personal Service	1,637	3,850	47	5,534
General State Charges	4,834	2,167	0	7,001
Debt Service	0	0	6,401	6,401
Capital Projects	0	5	0	5
Total Disbursements	53,713	33,025	6,448	93,186
Other Financing Sources (Uses):				
Transfers from Other Funds	12,783	8,731	6,188	27,702
Transfers to Other Funds	(8,680)	(247)	(15,107)	(24,034)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,103	8,484	(8,919)	3,668
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(888)	281	112	(495)
Designated General Fund Reserves:				
Community Projects Fund	(56)			
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	62			
Net General Fund Deficit	(950)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,589	8,819	14,858	70,266
Miscellaneous Receipts	2,297	16,653	1,094	20,044
Federal Receipts	0	1	79	80
Total Receipts	48,886	25,473	16,031	90,390
Disbursements:				
Local Assistance Grants	43,227	20,688	0	63,915
Departmental Operations:				
Personal Service	5,496	7,187	0	12,683
Non-Personal Service	1,722	3,948	47	5,717
General State Charges	5,179	2,321	0	7,500
Debt Service	0	0	6,522	6,522
Capital Projects	0	5	0	5
Total Disbursements	55,624	34,149	6,569	96,342
Other Financing Sources (Uses):				
Transfers from Other Funds	13,033	9,103	5,691	27,827
Transfers to Other Funds	(9,592)	(45)	(15,017)	(24,654)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,441	9,058	(9,326)	3,173
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,297)	382	136	(2,779)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	118			
Net General Fund Deficit	(3,415)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,533	9,078	15,425	73,036
Miscellaneous Receipts	2,389	16,823	1,092	20,304
Federal Receipts	0	1	79	80
Total Receipts	50,922	25,902	16,596	93,420
Disbursements:				
Local Assistance Grants	45,490	20,774	0	66,264
Departmental Operations:				
Personal Service	5,753	7,435	0	13,188
Non-Personal Service	1,806	4,016	47	5,869
General State Charges	5,470	2,504	0	7,974
Debt Service	0	0	6,655	6,655
Capital Projects	0	5	0	5
Total Disbursements	58,519	34,734	6,702	99,955
Other Financing Sources (Uses):				
Transfers from Other Funds	13,438	9,500	5,444	28,382
Transfers to Other Funds	(9,853)	(216)	(15,332)	(25,401)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,585	9,284	(9,888)	2,981
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,012)	452	6	(3,554)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	118			
Net General Fund Deficit	(4,130)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,787	1,594	(449)	428	3,360
Receipts:					
Taxes	43,369	8,142	1,401	13,458	66,370
Miscellaneous Receipts	3,229	15,893	4,151	996	24,269
Federal Receipts	60	40,303	2,191	79	42,633
Total Receipts	46,658	64,338	7,743	14,533	133,272
Disbursements:					
Local Assistance Grants	39,645	53,781	2,104	0	95,530
Departmental Operations:					
Personal Service	5,892	6,918	0	0	12,810
Non-Personal Service	1,844	4,528	0	47	6,419
General State Charges	4,403	2,295	0	0	6,698
Debt Service	0	0	0	6,064	6,064
Capital Projects	0	5	5,867	0	5,872
Total Disbursements	51,784	67,527	7,971	6,111	133,393
Other Financing Sources (Uses):					
Transfers from Other Funds	12,242	7,737	1,328	6,322	27,629
Transfers to Other Funds	(7,084)	(4,464)	(1,479)	(14,609)	(27,636)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	5,158	3,273	249	(8,287)	393
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	32	84	21	135	272
Closing Fund Balance	1,819	1,678	(428)	563	3,632

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	45,891	8,469	1,421	14,357	70,138
Miscellaneous Receipts	2,829	16,538	4,060	1,043	24,470
Federal Receipts	2	41,893	2,212	79	44,186
Total Receipts	48,722	66,900	7,693	15,479	138,794
Disbursements:					
Local Assistance Grants	41,872	56,407	2,107	0	100,386
Departmental Operations:					
Personal Service	5,370	7,611	0	0	12,981
Non-Personal Service	1,637	4,872	0	47	6,556
General State Charges	4,834	2,449	0	0	7,283
Debt Service	0	0	0	6,401	6,401
Capital Projects	0	5	5,808	0	5,813
Total Disbursements	53,713	71,344	7,915	6,448	139,420
Other Financing Sources (Uses):					
Transfers from Other Funds	12,783	8,732	1,545	6,188	29,248
Transfers to Other Funds	(8,680)	(4,006)	(1,533)	(15,107)	(29,326)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	4,103	4,726	350	(8,919)	260
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(888)	282	128	112	(366)
Designated General Fund Reserves:					
Community Projects Fund	(56)				
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	62				
Net General Fund Deficit	(950)				

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,589	8,819	1,431	14,858	71,697
Miscellaneous Receipts	2,297	16,839	3,879	1,094	24,109
Federal Receipts	0	45,203	1,971	79	47,253
Total Receipts	48,886	70,861	7,281	16,031	143,059
Disbursements:					
Local Assistance Grants	43,227	60,994	1,883	0	106,104
Departmental Operations:					
Personal Service	5,496	7,814	0	0	13,310
Non-Personal Service	1,722	4,929	0	47	6,698
General State Charges	5,179	2,616	0	0	7,795
Debt Service	0	0	0	6,522	6,522
Capital Projects	0	5	5,661	0	5,666
Total Disbursements	55,624	76,358	7,544	6,569	146,095
Other Financing Sources (Uses):					
Transfers from Other Funds	13,033	9,104	1,471	5,691	29,299
Transfers to Other Funds	(9,592)	(3,225)	(1,519)	(15,017)	(29,353)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	3,441	5,879	258	(9,326)	252
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,297)	382	(5)	136	(2,784)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	118				
Net General Fund Deficit	(3,415)				

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,533	9,078	1,448	15,425	74,484
Miscellaneous Receipts	2,389	17,009	3,855	1,092	24,345
Federal Receipts	0	47,291	1,656	79	49,026
Total Receipts	50,922	73,378	6,959	16,596	147,855
Disbursements:					
Local Assistance Grants	45,490	63,553	1,552	0	110,595
Departmental Operations:					
Personal Service	5,753	8,074	0	0	13,827
Non-Personal Service	1,806	4,892	0	47	6,745
General State Charges	5,470	2,812	0	0	8,282
Debt Service	0	0	0	6,655	6,655
Capital Projects	0	5	5,395	0	5,400
Total Disbursements	58,519	79,336	6,947	6,702	151,504
Other Financing Sources (Uses):					
Transfers from Other Funds	13,438	9,501	1,365	5,444	29,748
Transfers to Other Funds	(9,853)	(3,092)	(1,531)	(15,332)	(29,808)
Bond and Note Proceeds	0	0	121	0	121
Net Other Financing Sources (Uses)	3,585	6,409	(45)	(9,888)	61
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,012)	451	(33)	6	(3,588)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	118				
Net General Fund Deficit	(4,130)				

Source: NYS DOB

CASHFLOW
GENERAL FUND
FY 2013
(dollars in millions)

	2012 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2013 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,787	4,332	1,293	2,121	2,206	1,242	4,271	3,440	2,555	2,051	5,961	6,108	1,787
RECEIPTS:													
Personal Income Tax	3,514	1,287	2,680	1,782	1,913	2,873	1,811	1,473	371	5,253	2,173	1,786	26,916
User Taxes and Fees	711	694	904	727	706	913	710	701	926	754	639	886	9,271
Business Taxes	111	46	1,056	64	91	1,154	109	268	1,193	106	137	1,703	6,038
Other Taxes	95	95	96	95	96	96	95	95	95	95	95	96	1,144
Total Taxes	4,431	2,122	4,736	2,668	2,806	5,036	2,725	2,537	2,585	6,208	3,044	4,471	43,369
Licenses, Fees, etc.	46	64	56	50	60	72	48	59	72	50	43	58	678
Abandoned Property	1	1	40	32	18	77	23	300	12	5	24	252	785
ABC License Fee	4	5	4	4	5	4	5	4	4	4	4	4	51
Motor vehicle fees	0	0	0	0	0	0	0	17	17	17	17	31	99
Reimbursements	4	7	55	2	18	36	10	26	33	8	29	34	262
Investment Income	2	1	1	1	1	1	1	1	0	0	1	0	10
Other Transactions	21	129	131	31	21	334	65	31	114	20	46	401	1,344
Total Miscellaneous Receipts	78	207	287	120	123	524	152	438	252	104	164	780	3,229
Federal Grants	0	13	0	0	0	15	0	0	15	0	0	17	60
PIT in Excess of Revenue Bond Debt Service	1,171	287	1,028	512	223	1,136	412	174	1,020	933	404	972	8,272
Sales Tax in Excess of LGAC Debt Service	214	42	449	220	153	279	217	214	286	230	3	149	2,456
Real Estate Taxes in Excess of CW/CA Debt Service	65	46	32	44	44	42	41	22	31	31	32	14	444
All Other	26	1	54	1	2	31	43	2	38	3	68	801	1,070
Total Transfers from Other Funds	1,476	376	1,563	777	422	1,488	713	412	1,375	1,197	507	1,936	12,242
TOTAL RECEIPTS	5,985	2,718	6,586	3,565	3,351	7,063	3,590	3,387	4,227	7,509	3,715	7,204	58,900
DISBURSEMENTS:													
School Aid	157	2,500	1,887	115	510	1,300	510	950	1,500	410	590	6,557	16,986
Higher Education	22	8	566	115	298	51	461	22	216	33	305	489	2,586
All Other Education	14	316	69	144	391	89	60	284	176	73	186	154	1,956
Medicaid - DOH	842	1,168	652	1,043	1,297	576	1,185	1,158	588	907	788	400	10,604
Public Health	22	39	91	95	50	71	65	23	49	51	21	87	664
Mental Hygiene	0	1	377	1	1	394	166	1	382	115	124	385	1,947
Children and Families	75	75	199	75	75	223	75	75	221	112	78	259	1,542
Temporary & Disability Assistance	356	100	118	100	100	118	100	100	118	100	30	144	1,484
Transportation	0	24	0	0	24	0	0	24	15	0	10	1	98
Unrestricted Aid	2	14	299	2	2	97	11	2	207	2	2	137	777
All Other	35	38	170	49	37	86	(30)	44	41	172	167	192	1,001
Total Local Assistance Grants	1,525	4,283	4,428	1,739	2,785	3,005	2,603	2,683	3,513	1,975	2,301	8,805	39,645
Personal Service	603	622	569	453	573	442	403	452	415	518	422	420	5,892
Non-Personal Service	169	168	144	159	131	138	134	131	146	134	177	213	1,844
Total State Operations	772	790	713	612	704	580	537	583	561	652	599	633	7,736
General State Charges	324	360	181	193	415	286	304	353	207	302	230	1,248	4,403
Debt Service	507	0	(17)	445	(4)	(110)	547	0	(2)	379	(18)	(147)	1,580
Capital Projects	(22)	19	87	39	86	(65)	64	84	172	98	38	455	1,055
State Share Medicaid	174	269	247	234	252	281	191	283	246	164	379	258	2,978
SUNY Operations	0	0	0	180	0	0	0	160	0	0	0	0	340
Other Purposes	160	36	119	38	77	57	175	126	34	29	39	241	1,131
Total Transfers to Other Funds	819	324	436	936	411	163	977	653	450	670	438	807	7,084
TOTAL DISBURSEMENTS	3,440	5,757	5,758	3,480	4,315	4,034	4,421	4,272	4,731	3,599	3,568	11,493	58,868
Excess/(Deficiency) of Receipts over Disbursements	2,545	(3,039)	828	85	(964)	3,029	(831)	(885)	(504)	3,910	147	(4,289)	32
CLOSING BALANCE	4,332	1,293	2,121	2,206	1,242	4,271	3,440	2,555	2,051	5,961	6,108	1,819	1,819

Source: NYS DOB

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APPENDIX B-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 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)

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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

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APPENDIX D

EXECUTED COPY OF MASTER DISCLOSURE AGREEMENT

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NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS
MASTER CONTINUING DISCLOSURE AGREEMENT

THIS MASTER CONTINUING DISCLOSURE AGREEMENT dated as of May 1, 2002, as amended and restated as of July 1, 2009 and as further amended and restated as of December 1, 2010 (as so amended and restated, the "Agreement"), is made by and among each Authorized Issuer, the State, and the respective Trustees, each as defined below in Section 1.

In order to permit the Underwriters of each series of Bonds issued from and after the date hereof to comply with the provisions of Rule 15c2-12, each of the parties hereto (as applicable), in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree, for the sole and exclusive benefit of the Holders and, for the purposes of Section 5, the beneficial owners of Bonds, as follows:

SECTION 1. Definitions; Rules of Construction(i) Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Authorizing Document.

"*Annual Information*" shall mean the information specified in Section 3.

"*Authorizing Document*" shall mean the applicable Authorized Issuer's State Personal Income Tax Revenue Bond General Resolution, including Annex A thereto, as supplemented and amended from time to time.

"*Authorized Issuer*" shall mean, individually, the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority, and the New York State Urban Development Corporation, each a public corporation or a public benefit corporation of the State of New York that is designated as an Authorized Issuer under the Enabling Act, and any successors thereto or any other public benefit corporation of the State of New York which may be authorized from time to time by the Enabling Act to issue Bonds.

"*Bonds*" shall mean all of the State Personal Income Tax Revenue Bonds issued from time to time by Authorized Issuers and outstanding pursuant to the applicable Authorizing Document.

"*Comptroller*" shall mean the Comptroller of the State of New York.

"*Director*" shall mean the Director of the Budget of the State of New York.

"*DOB*" shall mean the Division of the Budget of the State of New York.

"*EMMA*" shall mean the Electronic Municipal Market Access system described in Securities Exchange Act Release No. 34-59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

"*Enabling Act*" shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as supplemented and amended from time to time.

"*GAAP*" shall mean generally accepted accounting principles as prescribed from time to time for governmental units in the United States by the Governmental Accounting Standards Board.

"*GAAS*" shall mean generally accepted auditing standards as in effect from time to time in the United States.

"*Holder*" or "*Bondholder*" shall mean a registered owner of any Bond or Bonds.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"*Rule 15c2-12*" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement, including any official interpretations thereof promulgated on or prior to the effective date of this Agreement.

"*State*" shall mean the State of New York, acting by and through the Director or the Comptroller.

"*Trustee*" shall mean the applicable trustee appointed by the applicable Authorized Issuer pursuant to an Authorizing Document, and their respective successors and assigns.

"*Underwriters*" shall mean the underwriter or underwriters that have contracted to purchase one or more series of Bonds from an Authorized Issuer at initial issuance.

(ii) Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Any reference herein to a particular Section or subsection without further reference to a particular document or provision of law or regulation is a reference to a Section or subsection of this Agreement.

(c) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

SECTION 2. Obligations to Provide Continuing Disclosure.

(i) <u>Obligations of the State and the Trustees</u>.

(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. Ochhardt
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 C. Patterson
Title: Executive Deputy Comptroller

By Robert L. Megna, Director of the Budget

By: _____
Name: Ronald L. Greenberg
Title: First Deputy Director

TRUSTEES:

DEUTSCHE BANK TRUST COMPANY AMERICAS
as Trustee for the benefit of certain Dormitory Authority of the State of New York Bondholders

By: _____ By: _____
Authorized Signatory Authorized Signatory

THE BANK OF NEW YORK MELLON
as Trustee for the benefit of New York State Environmental Facilities Corporation Bondholders

By: _____
Authorized Signatory

DEUTSCHE BANK TRUST COMPANY AMERICAS
as Trustee for the benefit of New York State Housing Finance Agency Bondholders

By: _____ By: _____
Authorized Signatory Authorized Signatory

THE BANK OF NEW YORK MELLON
as Trustee for the benefit of New York State Thruway Authority Bondholders

By: _____
Authorized Signatory

THE BANK OF NEW YORK MELLON
as Trustee for the benefit of New York State Urban Development Corporation Bondholders

By: _____
Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION
as Trustee for the benefit of certain Dormitory Authority of the State of New York Bondholders

By: _____
Authorized Signatory

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APPENDIX E

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

Upon delivery of the Series 2013 Bonds, Nixon Peabody LLP and the Law Offices of Joseph C. Reid, PA, Co-Bond Counsel to the Corporation, propose to issue their respective legal opinions in substantially the following form:

[Date of Closing]

New York State Urban Development
Corporation
d/b/a Empire State Development
633 Third Avenue
New York, New York 10017

Ladies and Gentlemen:

We, as Bond Counsel to the New York State Urban Development Corporation (the "Corporation"), a corporate governmental agency of the State of New York (the "State") constituting a public benefit corporation created by the New York State Urban Development Corporation Act, being Chapter 174 of the Laws of New York of 1968, as amended (the "Corporation Act"), have examined a record of proceedings relating to the issuance of $642,420,000 aggregate principal amount of the Corporation's State Personal Income Tax Revenue Bonds (General Purpose), Series 2013A (the "Series 2013A Bonds") and $200,770,000 aggregate principal amount of the Corporation's State Personal Income Tax Revenue Bonds (General Purpose), Series 2013B (Federally Taxable) (the "Series 2013B Bonds"; together with the Series 2013A Bonds, the "Series 2013 Bonds"). The Series 2013 Bonds are dated, bear interest, mature and are subject to redemption as set forth in the Resolutions hereinafter mentioned.

The Series 2013 Bonds are authorized to be issued pursuant to the Corporation Act, Part I of Chapter 383 of the Laws of New York of 2001, as amended (the "Enabling Act") and various statutes, as amended and supplemented, relating to projects financed by the Series 2013 Bonds, and pursuant 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" (the "General Resolution"), as supplemented by a resolution of the Corporation adopted on March 13, 2013, entitled "Supplemental Resolution Authorizing State Personal Income Tax Revenue Bonds (General Purpose), Series 2013A and Series 2013B (Federally Taxable)" and by a resolution of the Corporation adopted on March 13, 2013, entitled "Bond Financing Committee Resolution Concerning the Sale and Issuance of State Personal Income Tax Revenue Bonds (General Purpose), Series 2013A and Series 2013B (Federally Taxable)" (collectively, the "Supplemental Resolutions"; together with the General Resolution, the "Resolutions"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the General Resolution.

The Series 2013 Bonds are secured under the Resolutions by a pledge of the Pledged Property, including certain payments made by the State under a State Personal Income Tax Revenue Bonds (General Purpose) Financing Agreement dated as of December 1, 2009, between the Corporation and the Director of the Budget of the State of New York, as supplemented (the "Financing Agreement"), which payments are subject to annual appropriation by the New York State Legislature.

The Corporation heretofore has issued Bonds, and has reserved the right hereafter to issue additional Bonds, on the terms and conditions and for the purposes stated in the General Resolution. Under and subject to the terms of the General Resolution, the Series 2013 Bonds and all Bonds heretofore and

hereafter issued under the General Resolution rank and will rank equally as to security and payment. In addition, all State Personal Income Tax Revenue Bonds issued pursuant to the Enabling Act by Authorized Issuers for Authorized Purposes are on a parity with each other as to payments from the Revenue Bond Tax Fund established by Section 92-z of the New York State Finance Law (the "Revenue Bond Tax Fund"), subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Corporation nor the owners of the Series 2013 Bonds have or will have a lien on the monies on deposit in the Revenue Bond Tax Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the New York Tax Law.

Based on the foregoing, we are of the opinion that:

1. The Corporation has been duly created and is validly existing under the Corporation Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Corporation, are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms.

2. The Resolutions create the valid pledge which they purport to create of the Pledged Property, subject only to the provisions of the Resolutions permitting the application thereof to the purposes and on the terms and conditions set forth in the Resolutions.

3. The Series 2013 Bonds have been duly and validly authorized and issued by the Corporation and are valid and binding special obligations of the Corporation payable solely from the sources provided therefor in the Resolutions.

4. The Series 2013 Bonds are not a debt of the State and the State is not liable thereon, nor shall the Series 2013 Bonds be payable out of funds of the Corporation other than those pledged for the payment of the Series 2013 Bonds.

5. The Financing Agreement has been duly authorized, executed and delivered by the Corporation and, assuming the due and valid authorization, execution and delivery thereof by the Director of the Budget of the State of New York, constitutes a legal, valid and binding agreement of the Corporation, enforceable against the Corporation in accordance with its terms.

6. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Series 2013A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2013A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2013A Bonds. Pursuant to the Resolutions, and the Tax Certificate, the Corporation has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2013A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation has made certain representations and certifications in the Resolutions and the Tax Certificate.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2013A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

7. Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2013A-1 Bonds maturing March 15, 2034 bearing interest at 3.50% per annum and the Series 2013A-2 Bonds maturing on March 15, 2022 and March 15, 2025 bearing interest at 2.50% per annum (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

8. Interest on the Series 2013B Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

9. Under existing statutes, interest on the Series 2013 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

Except as stated in paragraphs 6, 7, 8 and 9 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Series 2013 Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2013A Bonds, or the interest thereon, if any action is taken with respect to the Series 2013A Bonds or the proceeds thereof upon the advice or approval of other counsel.

We have examined an executed Series 2013A Bond and an executed Series 2013B Bond and, in our opinion, the form of said Bonds and their execution are regular and proper.

The opinions contained in paragraphs 2, 3 and 5 above are qualified to the extent that the enforceability of the Resolutions, the Financing Agreement and the Series 2013 Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

This opinion letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. This opinion letter is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion letter to reflect any future actions, facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any reason whatsoever.

Very truly yours,

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APPENDIX F

REFUNDED BONDS

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REFUNDED BONDS

The State Personal Income Tax Revenue Bonds listed below are being refunded with the proceeds of the Corporation's Series 2013A-2 Bonds and other available monies.

	Maturity Date	Interest Rate	Principal Amount	Anticipated Call Date	CUSIP Number
ESDC - PIT - Economic Development and Housing - Series 2003C-1:					
Serial Bonds	12/15/2017	4.25 %	$2,125,000	12/15/2013	650034J28
	12/15/2018	4.375	2,215,000	12/15/2013	650034J36
	12/15/2019	4.50	2,000,000	12/15/2013	650034J51
	12/15/2019	5.00	310,000	12/15/2013	650034J44
	12/15/2020	4.50	2,415,000	12/15/2013	650034J69
ESDC - PIT - State Facilities and Equipment - Series 2002C-1:					
Serial Bonds	3/15/2018	4.625%	$310,000	4/22/2013	650034XH9
	3/15/2019	4.625	90,000	4/22/2013	650034XJ5
ESDC - PIT - State Facilities and Equipment - Series 2004A-1:					
Serial Bonds	3/15/2016	5.00 %	$ 245,000	3/15/2014	650034U82
	3/15/2017	4.00	540,000	3/15/2014	650034U90
	3/15/2018	4.10	1,230,000	3/15/2014	650034V24
	3/15/2018	5.00	7,540,000	3/15/2014	650034V32
	3/15/2019	4.125	475,000	3/15/2014	650034V40
	3/15/2019	5.00	8,720,000	3/15/2014	650034V57
	3/15/2020	4.25	545,000	3/15/2014	650034V65
	3/15/2020	5.00	8,740,000	3/15/2014	650034V73
	3/15/2021	5.00	9,325,000	3/15/2014	650034V99
	3/15/2022	4.25	360,000	3/15/2014	650034W23
HFA - PIT - Economic Development and Housing - Series 2003A:					
Serial Bonds	9/15/2013	5.25%	$1,865,000	4/22/2013	649870AA0
	3/15/2022	5.00	2,900,000	4/22/2013	649870AT9
	9/15/2022	5.00	2,975,000	4/22/2013	649870AU6
	3/15/2023	5.00	3,045,000	4/22/2013	649870AV4
	9/15/2023	5.00	3,125,000	4/22/2013	649870AW2
	3/15/2024	5.00	3,200,000	4/22/2013	649870AX0
	9/15/2024	5.00	2,515,000	4/22/2013	649870AY8
HFA - PIT - Economic Development and Housing - Series 2004A:					
Term Bond due	9/15/2015	5.25%	$ 835,000	3/15/2014	649870CJ9
Term Bond due	9/15/2022*	5.00	1,200,000	3/15/2014	649870CR1
	9/15/2022	5.00	1,230,000	3/15/2014	649870CR1
Term Bond due	9/15/2023*	5.00	1,260,000	3/15/2014	649870CS9
	9/15/2023	5.00	1,290,000	3/15/2014	649870CS9
Term Bond due	3/15/2029				
	3/15/2024*	4.60	1,320,000	3/15/2014	649870CT7
	9/15/2024*	4.60	1,355,000	3/15/2014	649870CT7
	3/15/2025*	4.60	1,385,000	3/15/2014	649870CT7
	9/15/2025*	4.60	1,415,000	3/15/2014	649870CT7
	3/15/2026*	4.60	1,450,000	3/15/2014	649870CT7

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* Sinking fund payment.

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