NEW ISSUE - BOOK-ENTRY ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is of the opinion that interest on the Series 2011A 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). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds. See "TAX MATTERS."

Empire State Development

$12,350,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
SERVICE CONTRACT REVENUE REFUNDING BONDS, SERIES 2011A

Dated: Date of Delivery **Due: As shown on inside cover**

The New York State Urban Development Corporation's $12,350,000 aggregate principal amount of Service Contract Revenue Refunding Bonds, Series 2011A (the "Series 2011A Bonds") are special obligations of the New York State Urban Development Corporation (the "Corporation"), doing business as Empire State Development.

Interest on the Series 2011A Bonds is computed semi-annually (payable March 15 and September 15 until maturity, commencing on March 15, 2012) on the basis of a 360-day year and 30-day months. The Series 2011A Bonds are issuable only as fully registered bonds without coupons, in denominations of $5,000 or any integral multiple thereof. The Series 2011A Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See "THE SERIES 2011A BONDS-Book-Entry Only System" herein. Principal and premium, if any, and interest on the Series 2011A Bonds will be payable through Manufacturers & Traders Trust Company, Buffalo, New York, as Trustee and Paying Agent.

The Corporation has no taxing power. The Series 2011A Bonds are payable solely from the revenues, funds and assets pledged as security for the payment thereof, including, but not limited to, certain payments made by the State of New York to the Corporation under the Service Contract (as defined herein). Such payments are to be in amounts sufficient to pay when due all installments of principal of, premium, if any, and interest on all Series 2011A Bonds issued by the Corporation. **THE OBLIGATION OF THE STATE OF NEW YORK TO MAKE PAYMENTS PURSUANT TO THE SERVICE CONTRACT IS SUBJECT TO, AND DEPENDENT UPON, THE MAKING OF ANNUAL APPROPRIATIONS BY THE NEW YORK STATE LEGISLATURE FOR SUCH PURPOSE AND THE AVAILABILITY OF MONEYS TO FUND SUCH PAYMENTS.**

The Series 2011A Bonds are not subject to optional redemption prior to maturity. The Bonds are subject to extraordinary mandatory redemption prior to maturity as described herein.

The Series 2011A Bonds are not moral or general obligations or debts of the State of New York, and the State of New York is not liable thereon. Neither the faith and credit nor the taxing power of the State of New York is pledged to the payment of principal of, premium, if any, or interest on the Series 2011A Bonds.

The Series 2011A Bonds are offered when, as and if issued and delivered to the Purchaser, and are subject to approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Corporation, and to certain other conditions. It is expected that the Series 2011A Bonds will be available for delivery in New York, New York, through the facilities of DTC on or about September 8, 2011.

August 30, 2011

$12,350,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
SERVICE CONTRACT REVENUE REFUNDING BONDS, SERIES 2011A

Due September 15,	Amount	Interest Rate	Yield	CUSIP Number[†]
2012	$1,355,000	2.00%	0.28%	650035VU9
2013	1,395,000	3.00	0.40	650035VV7
2014	1,435,000	3.00	0.55	650035VW5
2015	1,490,000	4.00	0.75	650035VX3
2016	1,545,000	4.00	1.10	650035VY1
2017	1,610,000	4.00	1.45	650035VZ8
2018	1,145,000	3.00	1.80	650035WA2
2019	1,170,000	2.00	2.10	650035WB0
2020	1,205,000	4.00	2.35	650035WC8

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Corporation and are included solely for the convenience of the owners of the Series 2011A Bonds. Neither the State nor the Corporation is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2011A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2011A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2011A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Corporation or the State of New York (the "State") to give any information or to make any representations, other than as contained in this Official Statement, and if given or made such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2011A Bonds, by any person in any jurisdiction in which it is unlawful for such 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 information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the State since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

In connection with the offering of the Series 2011A Bonds, the Purchaser may overallot or effect transactions which stabilize or maintain the market price of the Series 2011A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, 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.

TABLE OF CONTENTS

(THIS PAGE INTENTIONALLY LEFT BLANK)

OFFICIAL STATEMENT

Relating to

EMPIRE STATE DEVELOPMENT

$12,350,000

**NEW YORK STATE URBAN DEVELOPMENT CORPORATION
SERVICE CONTRACT REVENUE REFUNDING BONDS, SERIES 2011A**

INTRODUCTION

The purpose of this Official Statement, which includes the inside cover page and appendices, is to set forth certain information concerning the New York State Urban Development Corporation (the "Corporation"), doing business as Empire State Development ("ESD"), and the State of New York (the "State"), all in connection with the offering by the Corporation of its proposed $12,350,000 aggregate principal amount of Service Contract Revenue Refunding Bonds, Series 2011A (the "Series 2011A Bonds").

Interest on the Series 2011A Bonds is computed semi-annually (payable March 15 and September 15, until maturity, commencing on March 15, 2012) on the basis of a 360-day year and 30-day months. The interest rates, maturity dates, prices and yields and CUSIP numbers of the Series 2011A Bonds being offered hereby are set forth on the inside cover page of this Official Statement.

The Corporation is a corporate governmental agency of the State, constituting a political subdivision and a public benefit corporation, originally created to facilitate the development of affordable housing for low, moderate and middle income persons and families. The Corporation has no taxing power. The Corporation and other affiliated economic development entities in the State are now doing business under the name "Empire State Development;" however, the statutory name and powers of the Corporation have not changed because of this development. See "THE CORPORATION." The Corporation is currently engaged in four principal activities: economic and real estate development, privatization initiatives, residential and non-residential project activities, and State-supported financing activities.

The Series 2011A Bonds are authorized to be issued pursuant to: (i) the New York State Urban Development Corporation Act, Chapter 174 of the Laws of 1968 of the State, as amended (the "UDC Act"); and (ii) Section 46 of Part T of Chapter 57 of the Laws of 2007 (the "OGS Lease Certificate Project Act" or the "Project Act").

The Series 2011A Bonds are additionally authorized under: (i) the Corporation's Service Contract Revenue Refunding Bond Resolution, adopted by the Corporation on May 12, 2005 (as amended and supplemented, the "General Resolution"); (ii) the Corporation's Series Resolution Authorizing Service Contract Revenue Refunding Bonds, Series 2011A, adopted by the Corporation on August 18, 2011 (the "Series Resolution"); and (iii) the Corporation's Bond Financing Committee Resolution Concerning the Sale and Issuance of Service Contract Revenue Refunding Bonds, Series 2011A, adopted on August 18, 2011 (the "Bond Financing Committee Resolution" and, collectively with the General Resolution and the Series Resolution, the "Resolution"). All bonds issued pursuant to the Resolution, including the Series 2011A Bonds, are herein referred to as the "Bonds".

The Series 2011A Bonds will be the tenth series of bonds issued under the General Resolution. The Corporation has previously issued $3,256,705,000 of its Service Contract Revenue Refunding Bonds, of which $2,887,055,000 is Outstanding as of August 1, 2011. The General Resolution permits the Corporation to issue additional series of Bonds which will be on a parity with all Bonds heretofore or hereafter issued under the General Resolution ("Additional Bonds").

The Series 2011A Bonds are special obligations of the Corporation, secured by and payable solely from the Pledged Property (as hereinafter defined), which includes amounts payable by the Director of the Budget of the State (the "Director of the Budget") to the Corporation relating to principal of, redemption premium, if any, and interest on the Series 2011A Bonds in accordance with the terms and provisions of the Service Contract for the Series 2011A Bonds (the "Service Contract") between the State of New York, acting by and through the Director of the Budget, and the Corporation dated as of the date of delivery of the Series 2011A Bonds, subject to annual appropriation by the New York State Legislature (the "State Legislature"), and the Funds and Accounts (other than the Rebate Fund) established under the General Resolution, subject to the application thereof for the purposes and on the terms and conditions provided in the General Resolution. Pursuant to the Service Contract, the amounts payable by the Director of the Budget, together with certain other funds and investments, are to be sufficient to pay, when due, all installments of principal of, redemption premium, if any, and interest on, the Series 2011A Bonds. The Service Contract provides that the obligation of the Director of the Budget to make the payments thereunder is subject to appropriation by the State Legislature. The Service Contract, together with all service contracts entered into or to be entered into in connection with the issuance and delivery of any Series of outstanding Bonds or any Series of Additional Bonds, are hereinafter referred to collectively as the "Service Contracts." Payments pursuant to the Service Contracts relating to principal of, redemption premium, if any, and interest on, the Bonds are referred to as the "Contract Payments." All Bonds issued pursuant to the General Resolution shall be equally and ratably secured by and payable from certain amounts received by the Corporation from the State under the Service Contracts. See "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION" and "APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE SERVICE CONTRACT."

The Series 2011A Bonds are being issued to provide a portion of the funds necessary to (A) finance (i) the project costs for the acquisition of the State buildings and facilities known as Hampton Plaza in Albany, New York (the "Hampton Plaza Facility") by providing funds to exercise the option to prepay and purchase the Hampton Plaza Facility contained in the Agreement of Lease Purchase dated as of March 1, 1993 between the City of Albany Industrial Development Agency and the People of the State of New York, thereby resulting in the acquisition of the Hampton Plaza Facility by the State and causing the prepayment of such agreement of lease purchase and the repayment and/or redemption of the City of Albany Industrial Development Agency Industrial Development Revenue Bonds (The Hampton Plaza Project), Series 1993A (the "1993 OGS Debt") and (ii) the project costs for the acquisition of the State buildings and facilities known as the Department of Transportation Region 1 Building at 328 State Street in Schenectady, New York (the "State Street Building") by providing funds to exercise the option to prepay and purchase the State Street Building contained in the Agreement of Lease Purchase dated as of September 27, 2001 by and between Broadway & State, LLC and the People of the State of New York, thereby resulting in the acquisition of the State Street Building by the State and causing the prepayment of such agreement of lease purchase and the repayment and/or redemption of the Certificate of Lease Assignment of the State of New York, Evidencing an Undivided Interest in All Basic Lease Payments to be Paid by the State of New York, Acting Through the Commissioner of General Services of the State of New York (the "2001 OGS Debt" and together with the 1993 OGS Debt, the "OGS Debt"); and (B) pay the cost of issuance of the Series 2011A Bonds.

The Project Act authorizes the Corporation to issue bonds and notes, subject to individual bonding limitations contained therein. The authorized principal amounts exclude bonds, notes or other obligations issued to refund or otherwise repay bonds, notes or other obligations theretofore issued for the purposes described in the Project Act. The bonding limitations under the Project Act will not be exceeded as a result of the issuance of the Series 2011A Bonds.

The obligation of the State to make payments under the Service Contract shall be subject to and dependent upon annual appropriations being made by the State Legislature for such purposes, shall not constitute a moral or general obligation or a debt of the State within the meaning of any constitutional or statutory provision and shall be deemed executory only to the extent of moneys made available to the State therefor, and no liability on account thereof shall be incurred by the State beyond the moneys available for the purpose thereof. The State Legislature shall not be legally or morally obligated to make

appropriations to satisfy the State's obligation to make payments under the Service Contract and there can be no assurance that the State Legislature will make any such appropriations.

The Corporation has no taxing power. The Series 2011A Bonds will not be obligations or debts of the State and the State will not be liable thereon. Neither the faith and credit nor the taxing power of the State will be pledged to the payment of principal or purchase price of, premium, if any, or interest on the Series 2011A Bonds nor will the Series 2011A Bonds be "moral obligation" bonds secured by a debt service reserve fund to which State funds will be apportionable under the UDC Act.

Capitalized terms used but not defined herein have the same meaning as ascribed to them in the Resolution. See "SOURCES OF PAYMENT FOR THE SERIES 2011A BONDS," "APPENDIX B—CERTAIN DEFINITIONS," and "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

SOURCES OF PAYMENT FOR THE SERIES 2011A BONDS

Pledge Effected by the General Resolution

The Series 2011A Bonds are special obligations of the Corporation, without recourse to other assets of the Corporation, and are secured by a pledge of and payable from: (i) Contract Payments; (ii) Recoveries and Awards; (iii) the proceeds of the sale of the Series 2011A Bonds; (iv) the moneys and securities held in the Funds (other than the Rebate Fund) and Accounts established under the General Resolution; and (v) all of the Corporation's right, title and interest in each Security Instrument (collectively, the "Pledged Property"). Under the General Resolution, the Corporation has pledged the Pledged Property to the Trustee for payment of the Bonds. The pledge created by the General Resolution is subject only to the provisions of the General Resolution permitting the application of the Pledged Property for the purposes and conditions set forth therein. The term "Recoveries and Awards" shall mean all amounts arising from or attributable to all amounts realized upon or as a result of the exercise of any right or remedy or enforcement of any security interest under a Security Instrument or the General Resolution, and any proceeds thereof, after deducting from any such amounts, any costs and expenses incurred in the exercise of any such right or remedy or in the enforcement of any such security interest, collecting the proceeds thereof or producing income thereon.

Pursuant to the General Resolution, the Series 2011A Bonds will be equally and ratably secured with any other Bonds heretofore or hereafter issued under the General Resolution.

The Corporation has no power to pledge the credit of the State, nor shall any of the Corporation's obligations under the General Resolution and the Security Instruments, including the Series 2011A Bonds, be deemed to be a debt or moral obligation of the State, and the State shall not be liable thereon, and the Series 2011A Bonds shall be payable solely from certain payments received by the Corporation under the Service Contracts and certain amounts held under the General Resolution, and the obligation of the State to make such payments shall not constitute a debt or moral obligation of the State within the meaning of any constitutional or statutory provision and shall be deemed executory only to the extent of moneys made available to the State therefor, and no liability on account thereof shall be incurred by the State beyond the moneys available for the purpose thereof. The Corporation has no taxing power.

The Series 2011A Bonds are not secured by any mortgage on any facilities or any part thereof. In the event that the State fails to make the payments payable under the Service Contract, there can be no assurance that there will be moneys available to provide for the payment of the Series 2011A Bonds.

Service Contract Payments

The State will make Contract Payments pursuant to certain Security Instruments. The term "Security Instruments" is defined in the General Resolution to mean, collectively, the Service Contracts and all assignments of all or any part thereof to the Corporation or the Trustee as collateral or otherwise, as from time to time amended or supplemented. In connection with each Series of Bonds issued under and pursuant to the General Resolution, the State and the Corporation will enter into a service contract pursuant to which the State shall agree to pay to the Corporation, subject to annual appropriations by the State Legislature, the amounts necessary to pay principal of, purchase price, if any, and interest on such Series of Bonds in any calendar year. All Bonds issued pursuant to the General Resolution shall be equally and ratably secured by and payable from Contract Payments from the State under the Service Contracts.

In connection with the issuance of the Series 2011A Bonds, the Corporation and the State will enter into a Service Contract, pursuant to which the State will be obligated to make Contract Payments in the amounts necessary to pay, among other things, the principal of and interest on the Series 2011A Bonds. Pursuant to an Assignment of Contract Payments, from the Corporation to the Trustee, the Corporation will assign to the Trustee as security for the Bonds, including the Series 2011A Bonds, the Contract Payments payable by the State under such Service Contract. The Service Contracts entered into in connection with other Series of Bonds have been similarly assigned to the Trustee. Certain other payments under the Service Contracts (not relating to the payment of principal or purchase price of, redemption premium, if any, and interest on the Bonds) do not constitute Contract Payments as defined therein, are not pledged under the General Resolution and will not be included in the Pledged Property.

The 2011-12 Enacted Budget authorized the State to set aside monies in reserve for debt service on general obligation, lease-purchase, and service contract bonds. Pursuant to a certificate filed by the Director of the Budget with the State Comptroller, the Comptroller is required to transfer from the General Fund such reserved amounts on a quarterly basis in advance of required debt service payment dates. This authorization will expire on June 30, 2012.

The obligation of the State to make Contract Payments under the Service Contracts is subject to and dependent upon the appropriations being made from time to time by the State Legislature for such purposes and shall be deemed executory only to the extent of the moneys made available to the State therefor, and no liability on account thereof shall be incurred by the State beyond the moneys available for the purpose thereof. See "APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE SERVICE CONTRACT." The State Legislature shall not be legally or morally obligated to make appropriations to satisfy the State's obligation to make payments under the Service Contracts and there can be no assurance that the State Legislature will make any such appropriations.

In the event that the State fails to make the payments payable under the Service Contracts, there can be no assurance that there will be moneys available to provide for the payment of the Bonds. For a discussion of the general economic and financial condition of the State, see "APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK."

Additional Bonds

The provisions of the Project Act and the General Resolution permit the Corporation to issue additional series of Bonds on a parity with the Series 2011A Bonds and any other Bonds then Outstanding under the General Resolution, subject to individual bond limitations authorized within the Project Act. See "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

THE SERIES 2011A BONDS

Description of the Series 2011A Bonds

General

Interest on the Series 2011A Bonds is computed semi-annually (payable March 15 and September 15, until maturity, commencing on March 15, 2012) on the basis of a 360-day year and 30-day months. The Series 2011A Bonds are issued in denominations of $5,000 or any integral multiple thereof.

Redemption

Optional Redemption

The Series 2011A Bonds are not subject to redemption by the Corporation prior to maturity except as provided in the next paragraph.

Extraordinary Mandatory Redemption

The Series 2011A Bonds are subject to mandatory redemption, without premium or penalty, in whole at any time or in part only on any interest payment date and shall be prepaid or redeemed at such time from any Recoveries and Awards being deposited with the Trustee pursuant to the provisions of the Resolution described in "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Mandatory Redemption Upon Deposit of Certain Funds."

Selection of Bonds to be Redeemed; Notice of Redemption

In the case of redemptions of Series 2011A Bonds, the Corporation will select the maturities of the Series 2011A Bonds to be redeemed. If less than all of the Series 2011A Bonds of a maturity are to be redeemed, the Trustee shall assign to each Outstanding Bond to be redeemed a distinctive number for each amount representing the lowest denomination in which the Series 2011A Bonds are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds, as many numbers as, at the amount representing the lowest denomination in which the Series 2011A Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2011A Bonds to be redeemed.

When the Trustee shall have received notice from the Corporation that Series 2011A Bonds are to be redeemed, the Trustee shall give notice, in the name of the Corporation, of the redemption of such Series 2011A Bonds. Notice of any redemption shall be mailed by the Trustee, postage prepaid, no less than 30 days before the redemption date, to the Owners of any Series 2011A Bonds or portions of Series 2011A 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 2011A Bonds, see "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

Book-Entry Only System

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

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2011A Bonds. The Series 2011A 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 2011A Bond certificate will be issued for each stated maturity of the Series 2011A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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.

Purchases of the Series 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A Bonds on DTC's records. The ownership interest of each actual purchaser of the Series 2011A Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2011A Bonds, except in the event that use of the book-entry system for the Series 2011A Bonds is discontinued.

To facilitate subsequent transfers, the Series 2011A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2011A 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 2011A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2011A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC would mail 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 each of the Series 2011A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2011A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent or the Corporation, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent 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.

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

The Corporation may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository) for the Series 2011A Bonds, subject to DTC procedures or those of its successor. In that event, Series 2011A Bond certificates for the Series 2011A Bonds will be printed and delivered.

So long as Cede & Co. is the registered owner of the Series 2011A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2011A Bonds (other than under the captions "Tax Matters" and "Continuing Disclosure" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2011A Bonds.

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

NEITHER THE CORPORATION NOR THE TRUSTEE OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2011A BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2011A BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2011A BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2011A BONDS.

For every transfer and exchange of beneficial ownership of the Series 2011A 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.

THE REFUNDING PLAN

A portion of the proceeds of the Series 2011A Bonds will be used to provide a portion of the funds necessary to finance the project costs for the acquisition of the State Street Building by providing funds to exercise the option to prepay and purchase the State Street Building thereby causing the redemption of the 2001 OGS Debt. The 2001 OGS Debt is expected to be redeemed on September 8, 2011 at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Another portion of the proceeds of the Series 2011A Bonds will be used to provide a portion of the funds necessary to finance the project costs for the acquisition of the Hampton Plaza Facility by providing funds to exercise the option to prepay and purchase the Hampton Plaza Facility thereby causing the redemption of the 1993 OGS Debt. The 1993 OGS Debt is expected to be redeemed on September 15, 2011 at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption. Such proceeds of the Series 2011A Bonds will be transferred to the trustee for the 1993 OGS Debt and will be sufficient, together with other available monies, to pay the redemption price of the 1993 OGS Debt on the date of redemption.

The balance of the proceeds of the Series 2011A Bonds will be applied to pay costs of issuance related to such Series 2011A Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are expected to be as follows:

Sources of Funds	
Principal Amount of the Series 2011A Bonds	$12,350,000
Net Original Issuance Premium	1,089,457
Other Available Funds	1,111,000
Total Sources	$14,550,457
Uses of Funds	
Acquisition of State Street Building (redemption of 2001 OGS Debt)	$10,685,000
Acquisition of Hampton Plaza Facility (redemption of 1993 OGS Debt)	3,346,406
Purchaser's Discount	151,287
Costs of Issuance	367,764
Total Uses	$14,550,457

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 renovation, Queens West and Moynihan Station redevelopment projects in New York City.

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 7,660 projects have been approved, totaling more than $6.364 billion in grants and $245.3 million in loans. More than 500,000 jobs have been created and 250,000 jobs retained by these projects.

Through its Finance Division, the Corporation has issued approximately $12.1 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 as ESD. 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

Julie Shimer, Chair
Kenneth Adams, President and Chief Executive Officer, the Corporation
Derrick D. Cephas, President and Chief Executive Officer, Amalgamated Bank
Paul F.Ciminelli, Chief Executive Officer and President, Ciminelli Development Corporation, Inc.
Dennis Mehiel, Chairman, U.S. Corrugated, Inc.
Robert Dyson, Chairman and Chief Executive Officer, The Dyson-Kissner-Moran Corporation
Joyce L. Miller, Chief Executive Officer, Tier One Public Strategies
Benjamin Lawsky, Acting Superintendent, New York State Banking Department

Senior Officers

Kenneth Adams, President and Chief Executive Officer
Frances A. Walton, Chief Financial and Administrative Officer
Leecia Eve, Senior Vice President – Legal and 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.

AGREEMENT OF THE STATE

In accordance with the authority granted to the Corporation pursuant to the provisions of Section 24 of the UDC Act, the Corporation, on behalf of the State, has pledged and agreed with the Owners of the Bonds that the State will not limit or alter the rights vested by the UDC Act in the Corporation to fulfill the terms of any agreements made with Owners of Bonds, or in any way impair the rights and remedies of such Owners, until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Owners, are fully met and discharged.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is of the opinion that interest on the Series 2011A 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). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds.

To the extent the issue price of any maturity of the Series 2011A Bonds is less than the amount to be paid at maturity of such Series 2011A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2011A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2011A Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2011A Bonds is the first price at which a substantial amount of such maturity of the Series 2011A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2011A Bonds accrues daily over the term to maturity of such Series 2011A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2011A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2011A Bonds. Beneficial Owners of the Series 2011A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2011A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2011A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2011A Bonds is sold to the public.

Series 2011A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011A Bonds. The Corporation has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2011A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2011A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2011A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2011A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2011A Bonds. Prospective purchasers of the Series 2011A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2011A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Corporation has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2011A Bonds ends with the issuance of the Series 2011A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Corporation or the Beneficial Owners regarding the tax-exempt status of the Series 2011A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Corporation and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Corporation legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2011A Bonds, and may cause the Corporation or the Beneficial Owners to incur significant expense.

LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of the Corporation, threatened in any court, agency or other administrative body (either State or federal) restraining or enjoining the issuance, sale or delivery of the Series 2011A Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2011A Bonds are to be issued, (ii) the pledge effected under the Resolution, or (iii) the validity of any provision of the Series 2011A Bonds, the Resolution or the Service Contracts.

At the time of delivery and payment for the Series 2011A Bonds and the refunding of the OGS Debt, OGS will deliver, or cause to be delivered, a certificate of OGS substantially to the effect that there is no litigation or other proceeding of any nature now pending or threatened against or adversely affecting OGS of which OGS has notice or, to OGS's knowledge, any basis therefor, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2011A Bonds or the refunding of the OGS Debt.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Series 2011A Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Corporation, and to certain other conditions. The approving opinion of Bond Counsel will be delivered with the Series 2011A Bonds. The proposed form of such opinion is included in this Official Statement as Appendix E.

RATINGS

The Series 2011A Bonds are rated "AA-" by Standard & Poor's and "AA-" by Fitch. Such credit ratings reflect only the view of such credit rating agencies and an explanation of the significance of such credit ratings 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 they will not be revised or withdrawn entirely by any such credit rating agencies, if, in their respective judgments, circumstances so warrant. Any downward revision or withdrawal of any such credit rating may have an adverse effect on the market price of the Series 2011A Bonds.

COMPETITIVE BIDDING PROCESS

The Series 2011A Bonds have been awarded, pursuant to a competitive bidding process on August 30, 2011 to Citigroup Global Markets Inc. The successful bidder for the Series 2011A Bonds is referred to herein as the "Purchaser". The Series 2011A Bonds will be purchased at a price of $13,288,169.05 which reflects original issue premium of $1,089,456.55 and Purchaser's discount of $151,287.50

LEGALITY FOR INVESTMENT

The UDC Act provides that the Series 2011A 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.

CONTINUING DISCLOSURE

In order to assist the Purchaser of the Series 2011A Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Corporation, the State and the Trustee will enter into a written agreement for the benefit of the holders of the Series 2011A Bonds to provide continuing disclosure (the "Continuing Disclosure Agreement"). The State will undertake for the benefit of the holders of the Series 2011A Bonds to file in electronic form with the Electronic Municipal Market Access system ("EMMA") maintained by the Municipal Securities Rulemaking Board ("MSRB"), as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12, on an annual basis on or before 120 days after the end of each fiscal year of the State, commencing with the fiscal year ending March 31, 2012, financial information and operating data concerning the State of the type included in this Official Statement, referred to herein as the "Annual Information" and described in more detail below. The State Comptroller is required by existing law to issue audited annual financial statements of the State prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") 120 days after the close of the State fiscal year. The State will undertake in the Continuing Disclosure Agreement to file with the MSRB in the electronic format prescribed by the MSRB, no later than 120 days after the close of the State fiscal year, 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, except that if audited financial statements are not then available, the State will electronically file with the MSRB unaudited financial statements at that time and such audited financial statements if and when they become available. In addition, the Corporation will undertake for the benefit of the holders of the Series 2011A Bonds to electronically file the notices described below (the "Notices") with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of any of the events described below.

The Annual Information shall consist of: (a) financial information and operating data of the type included in the Annual Information Statement of the State set forth or referred to in Appendix A hereto, under the headings or subheadings "Prior Fiscal Years", "Debt and Other Financing Activities", "State Government Employment", "State Retirement Systems", and "Authorities and Localities", including, more specifically, information consisting of (1) for prior fiscal years, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is then currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems, together with (b) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data relating to the State and in judging the financial condition of the State.

The Notices include notices of any of the following fourteen events with respect to the Series 2011A Bonds to be provided in a timely manner not in excess of ten (10) business days after the occurrence of the event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security; (7) modifications to the rights of security holders, if material; (8) bond calls, if material and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of any obligated person; (13) the consummation of a merger, consolidation or acquisition involving any obligated person, or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the State will undertake, for the benefit of the Holders of the 2011 Series A Bonds, to electronically file with the MSRB in a timely manner, notice of any failure by the State to electronically file the Annual Information and annual financial statements by the date required in the State's undertaking described above

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

The State has not in the previous five years failed to comply, in all material respects, with any of its previous undertakings pursuant to Rule 15c-12.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it is related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Continuing Disclosure Agreement do not anticipate that it often will be necessary to amend the informational undertakings. The Continuing Disclosure Agreement, however, may be amended or modified without bondholders' consent under certain circumstances set forth therein.

Copies of the Continuing Disclosure Agreement when executed by the parties thereto on the date of delivery of the Series 2011A Bonds will be on file at the office of the Corporation.

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."

Public Resources Advisory Group, New York, New York, is acting as financial advisor to the State in connection with the issuance of the Series 2011A Bonds.

The Director of the Budget is to certify that the information contained in the "Annual Information Statement of the State of New York" in Appendix A, including any updates or supplements, included in this Official Statement, is true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, however, that while the statements and information contained in Appendix A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, further, however, that with regard to the information and statements 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 2011A Bonds.

The references herein to the Project Act, the UDC Act, other laws of the State, the Resolution, the Service Contracts and the Assignment of Contract Payments 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 2011A Bonds are fully set forth in the Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2011A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2011A Bonds. So far as any statements are made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, they are intended merely as such 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
Chief Financial and Administrative Officer

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 24, 2011. It was updated on August 22, 2011. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.budget.ny.gov.

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

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

UPDATE TO ANNUAL INFORMATION STATEMENT (AIS)
STATE OF NEW YORK
August 22, 2011

This is the first quarterly update (the "AIS Update") to the Annual Information Statement of the State of New York (the "AIS"), dated May 24, 2011. The AIS Update contains information only through August 22, 2011 and should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the First Quarterly Update to the Financial Plan for fiscal year 2012 (the "Current Financial Plan"), which the Division of the Budget ("DOB") issued on August 2, 2011. The Current Financial Plan makes no revisions to the annual receipts and disbursements forecasts contained in the AIS. The Current Financial Plan is available on the DOB website, www.budget.ny.gov.

2. A summary of operating results for the first four months of fiscal year 2012. Note that the First Quarterly Update to the Financial Plan, issued on August 2, 2011 included operating results for the first three months of fiscal year 2012, compared to the Enacted Budget forecast contained in the AIS.

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

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

5. Updated information regarding the State Retirement Systems.

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

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

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 the sections entitled "State Retirement Systems" or "Litigation and Arbitration."

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

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

USAGE NOTICE

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

OVERVIEW OF THE CURRENT FINANCIAL PLAN

INTRODUCTION

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

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

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

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

SUMMARY

In the Current Financial Plan, DOB has made no revisions to the Financial Plan projections set forth in the AIS dated May 24, 2011. DOB estimates that the General Fund in FY 2012 is balanced on a cash basis of accounting. General Fund receipts, including transfers from other funds, are expected to total \$57.3 billion. General Fund disbursements, including transfers to other funds, are expected to total \$56.9 billion. DOB expects the General Fund to end the FY 2012 with a cash balance of approximately \$1.7 billion, an increase of \$361 million from FY 2011 results. See "Fiscal Year 2012 Summary Outlook - Projected Closing Balances" in the AIS. The budget gaps for future years are projected to total approximately \$2.4 billion in FY 2013, \$2.8 billion in FY 2014, and \$4.6 billion in FY 2015.[1] See "Financial Plan Projections FYs 2012 Through 2015" in the AIS for a complete discussion of the State's Financial Plan projections. The Governor is required by law to propose an Executive Budget for each fiscal year that is balanced on a cash basis of accounting.

---

1 Budget gaps represent the difference between (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and (b) the expected level of resources to pay for them. The gap estimates are based on a number of assumptions and projections developed by the DOB in consultation with other State agencies.

PRELIMINARY YEAR-TO-DATE OPERATING RESULTS

GENERAL FUND RESULTS VERSUS ENACTED BUDGET

DOB is making no revisions to the annual projections at this time. Positive operating results through July 2011 compared to the Enacted Budget forecast of monthly operating results presented in the AIS are believed to be timing-related and do not provide a basis for revising the annual estimates of receipts or disbursements. In addition, DOB believes the changes in receipts and disbursements through the first four months of FY 2012 compared to the first four months of FY 2011 do not provide a reliable basis for extrapolating annual trends, given the distorting impact of cash management actions that were taken in FY 2011.

General Fund receipts, including transfers from other funds, totaled $19.0 billion through July 2011, $520 million above the Enacted Budget forecast presented with the AIS. DOB attributes the favorable variance to the timing of tax payments, which are expected to be offset by marginally weaker receipts collections over the remainder of the year.

General Fund disbursements, including transfers to other funds, totaled $18.5 billion through July 2011, or $119 million below the Enacted Budget forecast presented with the AIS. The favorable results appear to be due entirely to the timing of disbursements.

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

	Enacted Estimates	Results	Favorable/ (Unfavorable)
Opening Balance	**1,376**	**1,376**	**n/a**
Receipts	**18,489**	**19,009**	**520**
Personal Income Tax[1]	12,188	12,583	395
User Taxes and Fees[1]	3,832	3,856	24
Business Taxes	1,205	1,327	122
Other Taxes[1]	482	501	19
Non-Tax Revenue	782	742	(40)
Disbursements	**18,620**	**18,501**	**119**
Education	5,620	5,350	270
Health Care	4,050	4,322	(272)
Social Services	1,176	1,037	139
All Other Local	1,684	1,645	39
Personal Service	2,122	2,280	(158)
Non-Personal Service	655	556	99
General State Charges	1,249	1,264	(15)
Transfers To Other Funds	2,064	2,047	17
Change in Operations	**(131)**	**508**	**639**
Closing Balance	**1,245**	**1,884**	**639**

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

Significant spending variances from the Enacted Budget projections include:

- Education: Largely reflects lottery aid financing of school aid payments that was inadvertently assumed in the General Fund and lower than projected school district claiming that impacts the timing of payments.

- Health Care: Spending exceeded the forecast largely due to higher Medicaid cycle spending.

- Social Services: Spending fell short of projections largely due to the timing of processing monthly settlement payments to social service districts for public assistance benefits and adult shelter payments.

- Personal Service/Non-Personal Service: Higher spending in personal service is primarily due to SUNY's timing of routine accounting transfers between funds. Lower spending in non-personal service is largely driven by SUNY, augmented by modest variances in numerous agencies.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

GENERAL FUND YEAR-OVER-YEAR RESULTS

Tax receipts through July 2011 were roughly $2.9 billion (18 percent) higher than the prior year, largely due to: sustained positive wage growth, lower personal income tax refunds due to timing differences, continued corporate profits and increased consumer spending.

Through July 2011, disbursements were $679 million higher than the same period last year. However, the year-over-year growth is affected by the deferral of a $2.1 billion school aid payment from FY 2010 to FY 2011. Excluding the impact of the school aid deferral, all other disbursements through the first four months of FY 2012 were approximately $2.4 billion above the comparable period for FY 2011. This increase is mainly due to the effect of strict cash controls that had been instituted by DOB to maintain positive cash balances in FY 2011 and the delay in enacting the FY 2011 budget. Other significant drivers of increased spending include growth in health care and social service costs, as well as growth in General State Charges for employee benefits.

The closing balance in the General Fund for the month of July 2011 was approximately $1.3 billion higher than the closing balance for the month of July 2010. Growth in revenue collections and limited growth in spending have improved the State's operating position through July 2011 as compared to the prior year.

GENERAL FUND OPERATING RESULTS YEAR OVER YEAR
APRIL THROUGH JULY
(millions of dollars)

	FY 2011 Results	FY 2012 Results	Increase/(Decrease) $	%
Opening Balance	**2,302**	**1,376**	**(926)**	
Receipts	**16,110**	**19,009**	**2,899**	**18.0%**
Personal Income Tax[1]	10,119	12,583	2,464	24.4%
User Taxes and Fees[1]	3,615	3,856	241	6.7%
Business Taxes	1,057	1,327	270	25.5%
Other Taxes[1]	571	501	(70)	-12.3%
Non-Tax Revenue	748	742	(6)	-0.8%
Disbursements	**17,822**	**18,501**	**679**	**3.8%**
Education	7,046	5,350	(1,696)	-24.1%
Health Care	3,111	4,322	1,211	38.9%
Social Services	429	1,037	608	141.7%
All Other Local	1,532	1,645	113	7.4%
Personal Service	2,267	2,280	13	0.6%
Non-Personal Service	573	556	(17)	-3.0%
General State Charges	750	1,264	514	68.5%
Transfers To Other Funds	2,114	2,047	(67)	-3.2%
Change in Operations	**(1,712)**	**508**	**2,220**	
Closing Balance	**590**	**1,884**	**1,294**	

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

STATE OPERATING FUNDS RESULTS VERSUS ENACTED BUDGET

State Operating Funds ended July 2011 with a closing balance of $6.4 billion, $810 million above projected levels. Higher tax receipts were largely due to lower levels of PIT refunds and higher than expected corporate franchise tax collections.

Spending variances primarily reflect the General Fund variances in education, health care and social services and General State Charges described previously above.

STATE OPERATING FUNDS RESULTS APRIL - JULY 2011 (millions of dollars)			
	Enacted Estimate	Results	Favorable/ (Unfavorable)
Opening Balance	**3,970**	**3,970**	**n/a**
Receipts	**25,264**	**25,786**	**522**
Taxes	19,882	20,497	615
Miscellaneous/Federal Receipts	5,382	5,289	(93)
Disbursements	**25,129**	**24,947**	**182**
Education	5,954	5,672	282
Health Care	5,737	6,155	(418)
Social Services	1,181	1,041	140
All Other Local	3,887	3,737	150
Personal Service	3,852	3,921	(69)
Non-Personal Service	1,542	1,591	(49)
General State Charges	1,845	1,709	136
Debt Service	1,131	1,119	12
Capital Projects	-	2	(2)
Other Financing Sources	**1,479**	**1,585**	**106**
Change in Operations	**1,614**	**2,424**	**810**
Closing Balance	**5,584**	**6,394**	**810**

STATE OPERATING FUNDS YEAR-OVER-YEAR RESULTS

Consistent with the General Fund, State Operating Funds tax receipts and spending exceeded the prior year. In addition to the General Fund increase described earlier, higher spending in other State Funds through July 2011 is mainly due to the effect of strict cash controls that had been instituted by DOB to maintain positive cash balances in the prior year. Health insurance payments delayed in the prior year contribute to General State Charges increases.

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

	FY 2011 Results	FY 2012 Results	Increase/(Decrease) $	%
Opening Balance	**4,810**	**3,970**	**(840)**	
Receipts	**22,698**	**25,786**	**3,088**	**13.6%**
Taxes	17,577	20,497	2,920	16.6%
Miscellaneous/Federal Receipts	5,121	5,289	168	3.3%
Disbursements	**23,675**	**24,947**	**1,272**	**5.4%**
Education	7,374	5,672	(1,702)	-23.1%
Health Care	4,674	6,155	1,481	31.7%
Social Services	436	1,041	605	138.8%
All Other Local	3,563	3,737	174	4.9%
Personal Service	3,959	3,921	(38)	-1.0%
Non-Personal Service	1,428	1,591	163	11.4%
General State Charges	1,156	1,709	553	47.8%
Debt Service	1,074	1,119	45	4.2%
Capital Projects	11	2	(9)	-81.8%
Other Financing Sources	1,489	**1,585**	**96**	
Change in Operations	**512**	**2,424**	**1,912**	
Closing Balance	**5,322**	**6,394**	**1,072**	

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

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

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

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

BUDGET RISKS AND UNCERTAINTIES

There can be no assurance that the budget gaps will not increase materially from current projections. If this were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In nearly all cases, the ability of the State to implement these actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

State law changes approved in FY 2012 grant 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 achieve the level of gap-closing savings anticipated in FY 2012 or limit the rate of annual growth in the Department of Health ("DOH") State Funds Medicaid spending. In addition, savings are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, and the participation of health care industry stakeholders.

The forecast contains specific transaction risks and other uncertainties including, but not limited to, the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Financial Plan, including payments pursuant to the Tribal State Compact; 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.

STATE AGENCY SAVINGS AND STATUS OF CURRENT LABOR NEGOTIATIONS

The Current Financial Plan includes $1.5 billion in savings from State agency operations, consistent with the Enacted Budget Financial Plan. This includes approximately $450 million in gap-closing savings from, among other things, wage and benefit changes negotiated with State employee unions, operational efficiencies, and attrition. On August 15, 2011, members of the State's largest union, the Civil Service Employee Association ("CSEA"), ratified a five-year labor contract with the State. The terms of the agreement will take effect immediately as the State Legislature already approved the agreement contingent on the CSEA ratification.

Under the five year agreement, there will be no general salary increases in fiscal years 2012, 2013 or 2014. Employees will receive a 2 percent increase in fiscal years 2015 and 2016. In addition, employees will take a five-day unpaid deficit reduction leave during fiscal year 2012 and four days unpaid leave during fiscal year 2013. The value of the deficit reduction leave days will be deducted from employee pay over the remaining pay periods equally during the fiscal year in which they are taken. Employees will be repaid the value of the four days from fiscal year 2013 in equal consecutive installments starting at the end of the contract term. The agreement also includes substantial changes to employee health care contributions. CSEA employees will receive broad layoff protection for fiscal years 2012 and 2013. Workforce reductions due to management decisions to close or restructure facilities authorized by legislation, Spending and Government Efficiency (SAGE) Commission recommendations or material or unanticipated changes in the State's fiscal circumstances are not covered by this protection.

The membership of the State's second largest union, the Public Employees Federation ("PEF"), is scheduled to vote on a contract with comparable terms on September 27, 2011. Negotiations with the State's other unions are ongoing.

PRIOR-YEAR LABOR SETTLEMENTS

The Current Financial Plan includes a reserve of $346 million to cover the costs of a pattern settlement with all unions that have not agreed to contracts through FY 2011. The pattern is based on the general salary increases agreed to by the State's largest unions for this period. There can be no assurance that actual settlements, some of which are subject to binding arbitration, will not exceed the amounts reserved. An additional risk is the potential cost of salary increases for judges, which could occur in FY 2013 and beyond as a result of the actions of a statutorily authorized judicial compensation commission. The Current Financial Plan does not include any funds for potential salary increases for judges.

Current Cash-Flow Projections

The General Fund is authorized to borrow resources temporarily from other available funds in the State's Short-Term Investment Pool ("STIP") for up to four months, or to the end of the fiscal year, whichever period is shorter. The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller. Available balances include money in the State's governmental funds (labeled "All Funds" in the following table) as well as relatively small amounts of other money belonging to the State. In FY 2012, the General Fund used this authorization to meet certain payment obligations in April 2011, and repaid such amounts by the end of April 2011. The General Fund is likely to rely on this borrowing authority at other times during FY 2012.

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

The month-end balances for FY 2012 are shown in the table below. DOB will continue to monitor and manage the State's cash position closely during the fiscal year in an effort to maintain adequate operating balances.

FY 2012 PROJECTED MONTH-END CASH BALANCES
(millions of dollars)

	General Fund	Other Funds	All Funds
April Results	4,510	4,238	8,748
May Results	1,809	4,225	6,034
June Results	2,492	2,936	5,428
July Results	1,884	4,103	5,987
August Projected	1,581	4,438	6,019
September Projected	4,984	2,358	7,342
October Projected	4,023	3,593	7,616
November Projected	2,737	3,541	6,278
December Projected	2,484	2,686	5,170
January Projected	6,664	4,280	10,944
February Projected	5,921	4,110	10,031
March Projected	1,737	2,523	4,260

PENSION AMORTIZATION

Under legislation enacted in FY 2011, the State and local governments may defer paying (or "amortize") a portion of their pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by participating employers in a given fiscal year, but results in higher costs overall. Specifically, pension contribution costs in excess of the amortization thresholds that would otherwise be paid in a given fiscal year, which were 9.5 percent of payroll for the Employees Retirement System ("ERS") and 17.5 percent for the Police and Fire Retirement System ("PFRS") in FY 2011, may be amortized. The threshold for amortization in the legislation increases by one percentage point annually. As a result, when the State elects to amortize, the State's minimum ERS pension contribution rate as a percentage of payroll, which was 9.5 percent in FY 2011, will grow from 10.5 percent in FY 2012 to 13.5 percent in FY 2015. The PFRS rate, which was 17.5 percent in FY 2011, will grow from 18.5 percent in FY 2012 and grow to 21.5 percent in FY 2015. In addition, the State will begin repayment of the amounts amortized, beginning in the following fiscal year. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease by no more than one percentage point for each year. Repayment of the amortized amounts will be made over a period of not more than ten-years at an interest rate to be determined by the State Comptroller. For amounts amortized in FY 2011, the Comptroller set an interest rate of five percent.

In March 2011, the State made a pension payment of $1.078 billion for FY 2011, and amortized $216 million. The State prepaid $46 million earlier in fiscal year 2011. In addition, the State's Office of Court Administrations (OCA) made its pension payment of $179 million, and amortized $33 million. The $249.6 million in total deferred payments will be repaid with interest over the next ten years, beginning in FY 2012. The Current Financial Plan assumes that the State and OCA will amortize pension costs, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be five 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, that additional contributions will be set aside as "reserves for rate increases", to be invested by the State Comptroller and used to offset future year rate increases. Projections in the following table are based on certain assumptions about actuarial factors on investment earnings and benefits to be paid, and actual results may vary from the projections provided below.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM* PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS (millions of dollars)							
Fiscal Year	**Normal Costs****	**New Amortized Amounts**	**Amortization Payment**	**Additional Contributions**	**Total**	**Reserves for Rate Increases**	**Plus Interest at 5%**
2011 Actual	1,552.4	(249.6)	0.0	0.0	1,302.8	0.0	0.0
2012 Projected	2,105.9	(634.6)	32.4	0.0	1,503.7	0.0	0.0
2013 Projected	2,454.0	(877.8)	114.7	0.0	1,690.9	0.0	0.0
2014 Projected	2,832.9	(1,118.7)	228.7	0.0	1,942.9	0.0	0.0
2015 Projected	3,088.3	(1,221.2)	373.6	0.0	2,240.7	0.0	0.0
2016 Projected	2,734.1	(759.0)	532.2	0.0	2,507.3	0.0	0.0
2017 Projected	2,480.4	(414.0)	630.5	0.0	2,696.9	0.0	0.0
2018 Projected	2,393.0	(143.8)	684.1	0.0	2,933.3	0.0	0.0
2019 Projected	2,360.4	0.0	684.1	80.5	3,125.0	0.0	0.0
2020 Projected	2,082.1	0.0	656.0	321.6	3,059.8	0.0	0.0
2021 Projected	1,662.1	0.0	545.2	699.9	2,907.2	0.0	0.0
2022 Projected	1,104.1	0.0	347.2	1,182.4	2,633.7	0.0	0.0
2023 Projected	1,036.3	0.0	23.5	1,168.0	2,227.8	1,136.3	1,193.1
2024 Projected	1,005.9	0.0	0.0	1,109.4	2,115.3	2,245.7	2,417.7
2025 Projected	993.1	0.0	0.0	1,025.7	2,018.8	3,271.4	3,615.5
2026 Projected	957.0	0.0	0.0	957.8	1,914.8	4,229.2	4,802.0

Source: NYS DOB
*Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this AIS include these costs. Pension contribution values include the State's Office of Court Administration (OCA)
**Includes amortization payments from amortizations prior to FY 2011.

DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 limits outstanding State-supported debt to no greater than four percent of New York State personal income, and debt service on State-supported debt to no greater than five percent of All Governmental Funds receipts. The limits apply to all State-supported debt issued on or after April 1, 2000. The State projects that $37.1 billion of State-supported debt outstanding will be subject to the limit as of March 31, 2012, which is equal to approximately 3.74 percent of personal income. Debt service subject to the limit will be approximately $3.5 billion, equal to 2.68 percent of All Governmental Funds receipts.

Debt outstanding and debt service costs through FY 2016 are expected to remain below the limits imposed by the Debt Reform Act. However, the available room under the debt outstanding cap is expected to decline from $5.0 billion in FY 2011 to approximately $1.1 billion in FY 2013 and FY 2014, as illustrated in the table below. The estimates do not include the potential impact of new capital spending that may be authorized in future budgets, or efforts to curtail existing bonded programs. The debt reform projections are sensitive to changes in State personal income levels. Adjustments to capital spending and debt financing practices will likely continue to be needed for the State to stay in compliance with the statutory debt limit.

STATE DEBT REFORM ACT - DEBT OUTSTANDING DEBT OUTSTANDING ISSUED AFTER APRIL 1, 2000 -- LIMITED TO 4 PERCENT OF PERSONAL INCOME (millions of dollars)					
Year	Personal Income	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
2010-11	946,054	4.00%	3.47%	5,018	0.53%
2011-12	990,586	4.00%	3.74%	2,543	0.26%
2012-13	1,026,944	4.00%	3.89%	1,169	0.11%
2013-14	1,079,719	4.00%	3.90%	1,070	0.10%
2014-15	1,137,630	4.00%	3.85%	1,695	0.15%
2015-16	1,197,873	4.00%	3.78%	2,656	0.22%

SECURED HOSPITAL PROGRAM

Pursuant to legislation enacted in 1985, the State entered into service contracts establishing a contingent-contractual obligation with respect to financings related to the Secured Hospital Program, for the purpose of enabling certain financially distressed not-for-profit hospitals to gain access to the capital markets. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State Medical Care Facilities Finance Agency ("MCFFA") and by the Dormitory Authority of the State of New York ("DASNY") (all now included as debt of DASNY). In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of March 31, 2011, there is a total of $585 million of outstanding bonds for the program, with total annual debt service requirements of about $79 million.

The financial condition of most hospitals in the State's Secured Hospital Program continues to deteriorate. Of the nine hospitals in the program, several are experiencing significant operating losses that are likely to impair their ability to remain current on their loan agreements with DASNY. If recent trends continue and other available funds become depleted, State resources will be needed to meet debt service obligations on outstanding bonds pursuant to the service contracts.

BOND MARKET

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

LITIGATION

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

FEDERAL ACTIONS

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

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

HEALTH INSURANCE COMPANY CONVERSIONS

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

OTHER POST-EMPLOYMENT BENEFITS

Substantially all of the State's employees become eligible for post-retirement benefits if they reach retirement while working for the State. In accordance with the Governmental Accounting Standards Board Statement 45 ("GASBS 45"), the State must perform an actuarial valuation every two years for purposes of calculating Other Post-Employment Benefits ("OPEB") liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2011[2], the Annual Required Contribution ("ARC") represents the annual level of funding that, if set-aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously required.

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

[2] See the State Comptroller's Annual Financial Report, FY 2011 at http://www.osc.state.ny.us/finance/finreports/bfs2011.pdf

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

The net OPEB liability for FY 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 costs made by the State in FY 2010. This difference between the State's pay-as-you-go (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 at April 1, 2010 based on the April 1, 2008 valuation. The updated calculation shows the present value of the actuarially accrued total liability for benefits at $63.9 billion ($53.8 billion for the State and $10.1 billion for SUNY). The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for FY 2012. DOB expects the estimate of OPEB costs to increase substantially due to (i) higher than assumed increases in the cost of health care, (ii) implementation of the Federal Patient Protection and Affordable Care Act, and (iii) decreased interest rates.

The Governmental Accounting Standards Board ("GASB") does not require the additional costs to be funded on the State's budgetary basis, and no funding is assumed for this purpose in the Updated Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis. The following table summarizes the actual and budgeted payments for health insurance included in the Updated Financial Plan.

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)

Fiscal Year	Active Employees	Retirees	Total State
2008 (Actual)	1,390	1,182	2,572
2009 (Actual)	1,639	1,068	2,707
2010 (Actual)	1,609	1,072	2,681
2011 (Actual)	1,834	1,221	3,055
2012 (Projected)	2,144	1,285	3,429
2013 (Projected)	2,375	1,418	3,793
2014 (Projected)	2,583	1,543	4,126
2015 (Projected)	2,600	1,553	4,153

All numbers reflect the cost of health insurance for GSCs (Executive and Legislative branches) and the Office of Court Administration.

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

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2012 THROUGH 2015

The DOB estimates that the General Fund Current Financial Plan is balanced in FY 2012 and projects budget gaps of approximately $2.4 billion in FY 2013, $2.8 billion in FY 2014, and $4.6 billion in FY 2015. The net operating deficits in State Operating Funds are projected at $1.8 billion in FY 2013, $2.1 billion in FY 2014, and $3.8 billion in FY 2015. The Multi-Year Financial Plan projections are unchanged from the Enacted Budget Financial Plan reflected in the AIS. For a complete discussion of the Financial Plan forecasts for receipts and disbursements, please see the AIS. The following tables present the multi-year projections for the General Fund and State Operating Funds.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

GENERAL FUND PROJECTIONS

MULTI-YEAR GENERAL FUND PROJECTIONS
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts					
Taxes (After Debt Service)	49,529	53,137	53,893	56,705	58,201
Miscellaneous Receipts/Federal Grants	3,149	3,158	2,977	2,556	2,126
Other Transfers	1,769	998	772	615	610
Total Receipts	**54,447**	**57,293**	**57,642**	**59,876**	**60,937**
Disbursements					
Local Assistance Grants	37,206	38,888	40,115	41,996	43,734
School Aid	16,645	16,802	17,197	18,030	18,876
Other Education Aid	1,459	1,732	1,904	1,993	2,060
Higher Education	2,448	2,578	2,715	2,804	2,891
Medicaid (incl. administration)	7,478	10,236	10,456	11,009	11,458
Public Health/Aging	765	852	891	881	886
Mental Hygiene	2,239	1,881	1,978	2,161	2,280
Social Services	2,859	3,117	3,441	3,721	3,885
Local Government Assistance	776	767	797	787	787
All Other [1]	2,537	923	736	610	611
State Operations	7,973	7,356	7,951	7,915	8,210
Personal Service	6,151	5,560	5,773	5,879	6,047
Non-Personal Service	1,822	1,796	2,178	2,036	2,163
General State Charges	4,187	4,668	5,126	5,499	5,660
Pensions	1,470	1,670	1,857	2,113	2,411
Health Insurance (Active Employees)	1,834	2,144	2,367	2,575	2,592
Health Insurance (Retired Employees)	1,221	1,285	1,418	1,543	1,553
All Other	(338)	(431)	(516)	(732)	(896)
Transfers to Other Funds	6,007	6,020	6,738	7,160	7,796
State Share Medicaid	2,497	3,032	3,119	3,082	3,082
Debt Service	1,737	1,449	1,712	1,658	1,566
Capital Projects	932	800	1,168	1,361	1,456
SUNY- Hospital Medicaid	207	200	200	200	200
Judiciary Funds	131	119	119	121	123
Banking Services	74	55	55	55	55
Financial Management System	5	42	55	55	55
Indigent Legal Services	45	40	40	40	40
Mental Hygiene	0	0	0	317	869
All Other	379	283	270	271	350
Total Disbursements	**55,373**	**56,932**	**59,930**	**62,570**	**65,400**
Change in Reserves	**(926)**	**361**	**91**	**142**	**142**
Prior-Year Labor Agreements (2007-11)	0	346	142	142	142
Community Projects Fund	40	(85)	(51)		
Rainy Day Fund	0	100			
Reserved for Deferred Payments	(906)				
Reserved for Debt Management	(60)				
Budget Surplus/(Gap) Before Actions	**0**	**0**	**(2,379)**	**(2,836)**	**(4,605)**

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

Source: NYS DOB

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts:					
Taxes	59,532	63,615	64,901	68,139	70,093
Personal Income Tax	36,209	39,059	39,210	41,440	43,189
User Taxes and Fees	13,608	14,059	14,510	14,976	15,464
Business Taxes	6,657	7,544	8,024	8,338	7,828
Other Taxes	3,058	2,953	3,157	3,385	3,612
Miscellaneous Receipts/Federal Grants	19,260	19,399	20,126	20,135	19,982
Total Receipts	**78,792**	**83,014**	**85,027**	**88,274**	**90,075**
Disbursements:					
Local Assistance Grants	55,295	57,761	59,893	62,387	64,750
School Aid	19,788	19,686	20,250	21,151	22,018
STAR	3,234	3,293	3,322	3,510	3,693
Other Education Aid	1,474	1,744	1,912	2,000	2,067
Higher Education	2,470	2,594	2,715	2,804	2,891
Medicaid (DOH incl. administration)	11,915	15,280	15,894	16,531	17,192
Public Health/Aging	2,015	2,121	2,139	2,174	2,216
Mental Hygiene	3,578	3,601	3,853	4,169	4,370
Social Services	2,869	3,129	3,452	3,722	3,886
Transportation	4,254	4,236	4,325	4,405	4,495
Local Government Assistance	776	767	797	787	787
All Other [1]	2,922	1,310	1,234	1,134	1,135
State Operations	17,387	16,728	17,545	17,708	18,194
Personal Service	12,422	11,677	11,971	12,174	12,468
Non-Personal Service	4,965	5,051	5,574	5,534	5,726
General State Charges	6,102	6,530	7,125	7,644	7,990
Pensions	1,470	1,670	1,857	2,113	2,411
Health Insurance (Active Employees)	1,834	2,144	2,367	2,575	2,592
Health Insurance (Retired Employees)	1,221	1,285	1,418	1,543	1,553
All Other	1,577	1,431	1,483	1,413	1,434
Debt Service	5,615	5,855	6,332	6,498	6,551
Capital Projects	18	5	5	5	5
Total Disbursements	**84,417**	**86,879**	**90,900**	**94,242**	**97,490**
Net Other Financing Sources/(Uses)	**4,784**	**4,431**	**4,091**	**3,892**	**3,581**
Net Operating Surplus/(Deficit)	**(841)**	**566**	**(1,782)**	**(2,076)**	**(3,834)**
Reconciliation to General Fund Gap:					
Designated Fund Balances	**841**	**(566)**	**(597)**	**(760)**	**(771)**
General Fund	926	(361)	(91)	(142)	(142)
Special Revenue Funds	(42)	(85)	(404)	(512)	(483)
Debt Service Funds	(43)	(120)	(102)	(106)	(146)
General Fund Budget Gap	**0**	**0**	**(2,379)**	**(2,836)**	**(4,605)**

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

Source: NYS DOB

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

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

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

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

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

Summary of Net Assets
(millions of dollars)

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

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

STATE RETIREMENT SYSTEMS

GENERAL

This section summarizes key disclosures regarding the New York State and Local Retirement System (NYSLRS or the "Systems") and the Common Retirement Fund (CRF) which holds its assets. Greater detail, including the independent auditor's report, is included in NYSLRS' Comprehensive Annual Financial Report (NYSLRS' CAFR) for the fiscal year ended March 31, 2010. A copy of NYSLRS' CAFR and Asset Listing, as well as the NYSLRS' CAFR for each of the seven prior fiscal years is available on the Comptroller's web site. The Actuary's Annual Reports to the Comptroller issued from 2007 through 2010 are also available on the internet. Copies of these reports and benefit plan booklets may be accessed at www.osc.state.ny.us/retire/publications. The audited Financial Statements for the fiscal year ending March 31, 2011 were completed in July 2011 and may be accessed at www.osc.state.ny.us/retire/publications. The NYSLRS' CAFR for the fiscal year ending on March 31, 2011, which will include the independent auditor's report for the fiscal year ending March 31, 2011, will be available on the OSC website on September 30, 2011. The Systems provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local ERS and the New York State and Local PFRS. The Comptroller is the administrative head of the Systems. State employees made up about 32 percent of the membership during FY 2011. There were 3,039 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and many local authorities of the State.

As of March 31, 2011, 672,723 persons were members of the Systems and 385,031 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

The investment losses experienced in FY 2009 negatively impacted the value of assets held for the Systems. The current actuarial smoothing method spreads the impact over a 5-year period. Thus, contribution rates increased for FY 2011 and FY 2012 and further increases are expected for FY 2013, 2014 and FY 2015. The amount of such future increases will depend, in part, on the value of the pension fund as of each April 1, as well as on the present value of the anticipated benefits to be paid by the pension fund as of each April 1. In addition, the assumed investment rate of return used by the Systems' Actuary, which is one of the factors used to calculate contribution requirements, was reduced from 8 percent to 7.5 percent beginning with FY 2012. Final contribution rates for FY 2012 were released in early September 2010. The average ERS rate increased from 11.9 percent of salary in FY 2011 to 16.3 percent of salary in FY 2012, while the average PFRS rate increased from 18.2 percent of salary in FY 2011 to 21.6 percent of salary in FY 2012. Final contribution rates for FY 2013 are expected to be released in late August 2011. Average rates are anticipated to increase, although by smaller percentages than the increases experienced in FY 2012. Information regarding average rates for FY 2013, once available, may be found in the 2011 Annual Report to the Comptroller on Actuarial Assumptions which will be accessible at www.osc.state.ny.us/retire/publications.

The Systems' members are categorized into one of five tiers depending on date of membership. Benefits provided to members vary depending on tier membership. On December 10, 2009, then Governor Paterson signed a bill that amended Articles 14, 15 and 19 and enacted Article 22 of the Retirement and Social Security Law. This bill created Tier 5, which resulted in significant changes to benefits for the Systems' members. ERS members joining on or after January 1, 2010 and PFRS members joining on or after January 9, 2010 are in Tier 5. The following chart compares the benefits provided to members in Tiers 3 and 4 (approximately 91 percent of the Systems' members as of March 31, 2011) to those benefits to be provided to members in Tier 5.

TIERS 3 THROUGH 5 BENEFIT COMPARISON

Comparison of Benefits	Tiers 3 & 4 Benefits	Tier 5 Benefits
Vesting – Both Systems	Five Years	Ten Years
Overtime Cap:		
ERS	No Cap	$15,000/year with 3% escalation
PFRS	No Cap	15%/year of regular salary
Contributions:		
ERS	3% for 10 years	3% for entire career*
PFRS	None, if employer offers non-contributory plan	3% for entire career**
Full Retirement:		
Both ERS and PFRS in "regular" plans	Age 62 and five years service credit --- Full benefits at age 55 and 30 years of service credit	Age 62 and ten years service credit --- Eliminated
Early Retirement:		
ERS	Reduction for early retirement between 55 and 62 with less than 30 years of service credit	Increased reduction for early retirement between 55 and 62 regardless of years of service***
PFRS	Reduction for early retirement between 55 and 62	Reduction for early retirement between 55 and 62

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

**This does not apply to all PFRS members. Not required to contribute when maximum service credit accrued. Some PFRS members non-contributory if special plan elected under union-negotiated contracts in effect as of 1/9/10 AND date of membership.

***Except for Uniformed Court and Peace Officers employed by the Unified Court System.

Legislation enacted in June 2010 provided the State and local employers with the option to offer a temporary Retirement Incentive Program (ERI) for certain ERS members. This program did not apply to PFRS members. The Program had two distinct parts:

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

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

Members whose employer offered both parts of the program, and who met the eligibility requirements of both parts, had to choose between the two. Employers established a 30-to-90-day window for Part A and/or a 90-day window for Part B. The incentive window for State Executive Branch employees was July 1 through September 28, 2010. Other public employers were able to establish incentive windows which could extend through December 31, 2010. The cost of the incentive is borne by the State and each employer electing the incentive over a five-year period commencing with a payment in FY 2012. The number of members who retired under the State ERI is 6,412. Three hundred ninety-nine (399) participating employers elected to participate in Part A of the ERI. Two hundred eleven (211) participating employers elected to participate in Part B of the ERI. Five thousand four hundred fifty three (5,453) members from participating employers retired under the ERI. Because of the large number of individuals who retired with the ERI in a relatively brief time period, many are still awaiting a final calculation of their monthly benefit payment. In the interim, these individuals are receiving monthly benefit payments based on the estimates they received at retirement and will receive a lump sum payment to correct any underpayment once the final calculation is completed.

Part TT of Chapter 57 of the Laws of 2010, authorized the State and local employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. Amortized amounts will be paid in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers would pay interest on the amortized amount at a rate determined by the Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate will be set annually. Rates will vary according to market performance. The interest rate on the amount an employer chooses to amortize in a particular rate year will be the rate for that year and will be fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year, which may be different from the previous rate year. For amounts amortized in 2011, the Comptroller has set an interest rate of 5 percent. The first payment will be due in the fiscal year following the decision to amortize. Part TT of Chapter 57 further provides that when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions (see the section on "Other Matters Affecting the Financial Plan" in this AIS Update for DOB projections of amounts amortized in FY 2011 and amounts expected to be amortized in FY 2012 through FY 2018.) The State elected to amortize $249.6 million for FY 2011, and 57 participating employers amortized a total of $43.75 million. Please see section on “Pension Amortization”, on pages 13-14 of this AIS Update.

CONTRIBUTIONS

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 are required to contribute 3 percent of their salaries for the first ten years of membership. All ERS members joining after 2009, and most PFRS members joining after January 9, 2010, are required to contribute 3 percent of their salaries for their career. Some Tier 5 PFRS members however, may be non-contributory because of the provisions of unexpired collective bargaining agreements.

Legislation enacted in May 2003 realigned the Retirement Systems billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment. The employer contribution for a given fiscal year is based on the value of the pension fund and its liabilities on the prior April 1. In addition, employers are required to make a minimum contribution of at least 4.5 percent of payroll every year.

Chapter 260 of the Laws of 2004 authorized the State and local employers to amortize over ten years, at five percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2011, the amortized amount receivable for fiscal year 2004-05 from the State is $229.4 million and from participating employers is $48.5 million; the amortized amount receivable for FY 2006 from the State is $87.7 million and from participating employers is $17.2 million; and the amortized amount receivable for FY 2007 from participating employers is $15.8 million. The State did not amortize any portion of its 2007 contributions. The State paid $1,303.2 million in contributions for FY 2011, including amortization payments of some $87.0 million for 2005 and 2006 bills. As noted above, the State elected to amortize $249.6 million for FY 2011 under Part TT of Chapter 57 of the laws of 2010. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF.

PENSION ASSETS AND LIABILITIES

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the CRF, a pooled investment vehicle that holds the Systems' assets. The Retirement System reports that the net assets available for benefits as of March 31, 2011 were $149.5 billion (including $3.4 billion in receivables, which consist of employer contributions, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of $15.3 billion or 11.4 percent from the FY 2010 level of $134.2 billion. This increase reflects, in large part, equity market performance. The Retirement System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $176.6 billion on April 1, 2009 to $186.8 billion (including $75.6 billion for current retirees and beneficiaries) on April 1, 2010. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2011 in that amortized cost was used instead of market value for bonds and mortgages, and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for the 2011 fiscal year, 40 percent of the unexpected gain for the 2010 fiscal year, 60 percent of the unexpected loss for the 2009 fiscal year and 80 percent of the unexpected gain for the 2008 fiscal year. Actuarial assets increased from $147.7 billion on April 1, 2010 to $148.6 billion on April 1, 2011. The funded ratio, as of April 1, 2011, calculated by the System Actuary in August 2011 using the entry age normal funding method and actuarial assets, was 90 percent. Detail on the funded ratios of ERS and PFRS as of April 1 for each of the 5 years previous to the fiscal year ended March 31, 2010 can be found on page 116 of the NYSLRS' CAFR for the fiscal year ending March 31, 2010.

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" above.

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

Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid(3)
	All Participating Employers(1)(2)	Local Employers(1)(2)	State(1)(2)	Employees	
2000	165	11	154	423	3,787
2001	215	112	103	319	4,267
2002	264	199	65	210	4,576
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012 (4)	4,940	3,112	1,828	306	8,904

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

(2) The annual required contributions (ARC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts.

(3) Includes payments from Group Life Insurance Plan which funds the first $50,000 of any death benefit paid.
(4) Amounts reflected for FY 2012 are estimates provided by the Division of the Budget.

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

Fiscal Year Ended March 31	Total Assets	Percent Increase/ (Decrease) From Prior Year
2000	128,889	14.3
2001	114,044	(11.5)
2002	112,725	(1.2)
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)
2010	134,252	21.0
2011	149,549	11.4

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2011 includes approximately $3.4 billion of receivables.

AUTHORITIES AND LOCALITIES

LOCALITIES

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing has become more common in recent years. Between 2004 and July 2010, the State Legislature authorized 21 bond issuances to finance local government operating deficits, including four deficit financing authorizations during the 2009 and 2010 legislative sessions. Furthermore, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality.

The Buffalo Fiscal Stability Authority has exercised Control Period powers with respect to the City of Buffalo since the City's FY 2004, but may transition to Advisory Period powers during the City's FY 2012. In January 2011, the Nassau County Interim Finance Authority ("NIFA") declared that it was entering a Control Period, citing the "substantial likelihood and imminence" that Nassau will incur a major operating funds deficit of 1 percent or more during the County's FY 2011.

Nassau County commenced a lawsuit challenging NIFA's determination and authority to impose a Control Period, and seeking to enjoin the imposition of the Control Period. State Supreme Court denied the injunction and the County has indicated it is no longer pursuing the lawsuit. NIFA is now operating with Control Period powers.

Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Yonkers no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The City of Newburgh operates under fiscal monitoring by the State Comptroller. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's FY 2012 or thereafter.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. Such changes may adversely affect the financial condition of certain local governments. For example, the State or Federal government may reduce (or in some cases eliminate) funding of some local programs or disallow certain claims which, in turn, may require local governments to fund these expenditures from their own resources. The expected loss of temporary Federal stimulus funding in 2011 will particularly impact counties and school districts in New York State. The State's cashflow problems have resulted in delays to the payment of State aid, and in some cases, have necessitated borrowing by the localities. Additionally, recent enactment of legislation that caps most local government and school district property tax levies may affect the amount of property tax revenue available for local government and school district purposes. The legislation does not apply to New York City. Changes to sales tax distributions resulting from the 2010 Federal population census may also have a material impact on certain local governments. Ultimately, localities as well as local public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate requests for State assistance.

LITIGATION AND ARBITRATION

METROPOLITAN TRANSPORTATION AUTHORITY

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

The defendants have sought to change the venue of all of these cases to Albany County or New York County and venue has been changed in most of the cases. The plaintiffs in the *Huntington* and *Hampton* cases have appealed from the orders changing venue; the plaintiff in *Hampton* also moved for reargument and the motion was denied. In *Vanderhoef, Huntington*, *Floyd, Brookhaven, Southampton/Southold and Hampton,* the defendants have moved for judgment in their favor. In *Mangano*, the Supreme Court, Nassau County denied defendants' motion for change of venue. An appeal of that order is expected.

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 statue in question, Education Law §3609-a, permitted payment on June 1, 2010, and that March 31, 2010 was merely an authorized pre-payment date. Plaintiffs moved for summary judgment on July 21, 2010 and defendants responded and cross-moved for summary judgment on September 16, 2010.

On January 14, 2011, the Court issued a joint order and decision dismissing both actions as moot because of the payments made after the commencement of the actions. On February 25, 2011, plaintiffs appealed to the Appellate Division, Third Department.

In *Hussein v. State of New York*, plaintiffs seek a judgment declaring that the State's system of financing public education violates section 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education ("SBE"). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On May 25, 2011, the Court of Appeals issued a notice that it may examine the merits of the appeal without briefing or oral argument pursuant to Rule 500.11, and invited the parties to submit letter responses.

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. The appeal is pending.

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.

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.,* in Supreme Court, Erie County, challenging the promulgation of regulations to implement the statutory voucher system intended to enable the State to collect taxes on certain sales of cigarettes on Indian reservations. Plaintiffs seek declaratory judgment that the regulations are void and temporary and permanent injunctions against enforcing both the regulations and the statutory provisions authorizing the voucher system. On May 10, 2011, the Supreme Court, Erie County issued a temporary restraining order that temporarily enjoined the implementation, administration, and enforcement of the statutory system, pending a hearing and determination of plaintiff's motion for a preliminary injunction. On June 8, 2011, the Court issued an order granting defendants' motion for summary judgment and vacating the temporary restraining order. Plaintiff appealed and that appeal is pending in the Appellate Division, Fourth Department. On June 21, 2011, the Appellate Division, Fourth Department, denied plaintiff's motion for a preliminary injunction pending appeal, and plaintiff moved for leave to appeal to the Court of Appeals from the denial of that motion. Plaintiff's motion for leave to appeal is pending. On June 23, 2011, a Judge of the Court of Appeals declined to stay the implementation, administration and enforcement of the statutory system pending the appeal to the Court of Appeals.

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

PERSONAL INJURY CLAIMS

In *Watson v. State* (Court of Claims) claimants seek damages arising out of a motor vehicle accident in which four members of a family were injured. On February 2, 2010, the Court of Claims granted summary judgment on the issue of liability to claimants. Pursuant to negotiations among the parties, all claims were settled on February 8, 2011 for a total of $19 million. All infant compromise and Surrogate's Court proceedings have been completed and the settlement process is being completed.

INSURANCE DEPARTMENT ASSESSMENTS

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

CASHFLOW
GENERAL FUND
FY 2012
(dollars in millions)

	2011 April Actuals	May Actuals	June Actuals	July Actuals	August Projected	September Projected	October Projected	November Projected	December Projected	2012 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,376	4,510	1,809	2,492	1,884	1,581	4,984	4,023	2,737	2,484	6,664	5,921	1,376
RECEIPTS:													
Personal Income Tax	4,153	1,072	2,610	1,661	1,829	2,660	1,693	1,336	353	5,145	1,815	1,674	26,001
User Taxes and Fees	689	667	892	716	711	917	687	691	865	730	618	922	9,105
Business Taxes	161	28	1,173	(36)	58	1,321	61	62	1,255	52	75	1,891	6,101
Other Taxes	65	132	74	88	86	86	85	85	85	85	82	77	1,030
Total Taxes	5,068	1,899	4,749	2,429	2,684	4,984	2,526	2,174	2,558	6,012	2,590	4,564	42,237
Licenses, Fees, etc.	46	64	56	29	44	44	43	45	48	42	46	(52)	455
Abandoned Property	1	0	39	32	10	62	23	147	62	73	56	250	755
ABC License Fee	5	5	6	5	4	4	3	3	3	4	5	2	49
Motor vehicle fees	0	0	13	0	0	7	21	21	21	21	21	7	132
Reimbursements	4	7	56	2	12	20	12	12	23	9	10	35	202
Investment Income	1	0	1	1	0	0	1	0	0	1	1	4	10
Other Transactions	21	16	146	46	43	366	39	41	85	39	68	585	1,495
Total Miscellaneous Receipts	78	92	317	115	113	503	142	269	242	189	207	831	3,098
Federal Grants	2	13	0	0	0	15	0	0	15	0	0	15	60
PIT in Excess of Revenue Bond Debt Service	1,385	211	1,000	491	241	1,051	324	168	1,014	1,023	326	862	8,096
Sales Tax in Excess of LGAC Debt Service	201	98	378	215	151	283	209	210	265	221	3	175	2,409
Real Estate Taxes in Excess of CW/CA Debt Service	38	41	19	41	56	34	37	25	31	30	26	17	395
All Other	96	2	17	13	15	55	42	22	27	6	(48)	751	998
Total Transfers from Other Funds	1,720	352	1,414	760	463	1,423	612	425	1,337	1,280	307	1,805	11,898
TOTAL RECEIPTS	6,868	2,356	6,480	3,304	3,260	6,925	3,280	2,868	4,152	7,481	3,104	7,215	57,293
DISBURSEMENTS:													
School Aid	233	2,579	1,894	120	532	1,190	560	975	1,580	230	480	6,429	16,802
Higher Education	32	19	525	130	300	73	470	57	175	40	323	434	2,578
All Other Education	23	21	223	256	70	53	237	160	21	236	97	335	1,732
Medicaid - DOH	962	904	983	1,327	811	332	1,073	1,214	654	789	927	260	10,236
Public Health	15	18	41	72	137	79	29	75	86	22	23	145	742
Mental Hygiene	19	2	387	3	4	544	6	1	380	137	118	280	1,881
Children and Families	8	114	230	67	86	239	76	104	186	83	74	448	1,715
Temporary & Disability Assistance	326	63	65	166	143	122	75	75	95	75	18	179	1,402
Transportation	0	24	0	0	24	0	0	24	15	0	10	3	100
Unrestricted Aid	1	12	294	0	3	101	2	2	205	2	2	143	767
All Other	(30)	16	190	20	59	72	(39)	43	35	38	482	47	933
Total Local Assistance Grants	1,589	3,772	4,832	2,161	2,169	2,805	2,489	2,730	3,432	1,652	2,554	8,703	38,888
Personal Service	602	525	598	554	623	347	335	422	495	332	508	219	5,560
Non-Personal Service	199	125	90	143	166	118	123	161	123	131	180	237	1,796
Total State Operations	801	650	688	697	789	465	458	583	618	463	688	456	7,356
General State Charges	404	322	119	419	302	174	243	427	188	326	290	1,454	4,668
Debt Service	522	22	(129)	377	(4)	(107)	552	0	(84)	423	(18)	(105)	1,449
Capital Projects	(23)	52	52	15	59	(42)	87	81	(48)	130	67	370	800
State Share Medicaid	273	202	206	217	200	202	273	274	274	278	248	385	3,032
Other Purposes	168	37	29	26	48	25	139	59	25	29	18	136	739
Total Transfers to Other Funds	940	313	158	635	303	78	1,051	414	167	860	315	786	6,020
TOTAL DISBURSEMENTS	3,734	5,057	5,797	3,912	3,563	3,522	4,241	4,154	4,405	3,301	3,847	11,399	56,932
Excess/(Deficiency) of Receipts over Disbursements	3,134	(2,701)	683	(608)	(303)	3,403	(961)	(1,286)	(253)	4,180	(743)	(4,184)	361
CLOSING BALANCE	4,510	1,809	2,492	1,884	1,581	4,984	4,023	2,737	2,484	6,664	5,921	1,737	1,737

Source: NYS DOB

Annual Information Statement

State of New York

May 24, 2011

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

INTRODUCTION

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

In this AIS, readers will find:

1. Information on the State's current financial projections, including summaries and extracts from the State's Enacted Budget Financial Plan (the "Enacted Budget Financial Plan" or "Enacted Budget") for fiscal year 2012 ("FY 2012" or "2011-12") issued by the Division of the Budget ("DOB") on May 6, 2011. The Enacted Budget Financial Plan sets forth the State's official Financial Plan projections for FYs 2012 through 2015. It includes, among other things, the major components of the gap-closing plan approved for FY 2012, projected annual spending growth, the magnitude of future potential budget gaps, and detailed information on projected total receipts and disbursements in the State's governmental funds.

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

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

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

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

INTRODUCTION

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

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

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

USAGE NOTICE

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

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

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

BUDGETARY AND ACCOUNTING BACKGROUND

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

THE STATE BUDGET PROCESS

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

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

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

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

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

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

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

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

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

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

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

FINANCIAL PLAN INFORMATION

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

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

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

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

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

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

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

The estimated base gaps reflected, in part, the short-term impact of the recession on State tax receipts and economically-sensitive expenditure programs, the long-term growth in spending commitments, the expiration of the temporary PIT surcharge at the end of calendar year 2011, and the phase-out[3] of the Federal stimulus funding for Medicaid, education, and other purposes.

---

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

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

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

EXECUTIVE BUDGET PROPOSAL

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

ENACTED BUDGET FOR FISCAL YEAR 2012

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

increase in the Federal Medical Assistance Percentage (FMAP) ends on June 30, 2011. The ARRA also provided a temporary increase in Federal funding for other governmental services, including aid to public education.

ENACTED BUDGET FINANCIAL PLAN AT-A-GLANCE: SELECTED INDICATORS AND MEASURES (millions of dollars)	2010-11 Year-End Results [1]	2011-12 Before Actions [1,2]	2011-12 Enacted Budget [1]
State Operating Funds Budget			
Size of Budget	$84,417	$95,047	$86,879
Annual Growth	4.7%	12.6%	2.9%
Other Budget Measures			
General Fund (with transfers)	$55,373	$65,346	$56,932
	6.1%	18.0%	2.8%
State Funds (Including Capital)	$90,118	$101,311	$92,804
	4.7%	12.4%	3.0%
Capital Budget (Federal and State)	$7,844	$8,273	$7,888
	10.3%	5.5%	0.6%
Federal Operating	$42,564	$40,273	$36,931
	8.8%	-5.4%	-13.2%
All Funds	$134,825	$143,593	$131,698
	6.3%	6.5%	-2.3%
All Funds (Including "Off-Budget" Capital)	$136,261	$145,251	$133,395
	6.0%	6.6%	-2.1%
All Funds Receipts			
Taxes	$60,870	$64,538	$64,976
	5.6%	6.0%	6.7%
Miscellaneous Receipts	$23,148	$22,809	$23,407
	-1.7%	-1.5%	1.1%
Federal Grants	$49,303	$46,753	$43,305
	8.3%	-5.2%	-12.2%
Total Receipts	$133,321	$134,100	$131,688
	5.2%	0.6%	-1.2%
Base Tax Growth/(Decline) [3]	2.1%	7.5%	7.5%
Inflation (CPI)	1.4%	1.9%	2.1%
Budget Gaps			
2011-12	N/A	($10,001)	0
2012-13	N/A	($14,945)	($2,379)
2013-14	N/A	($17,429)	($2,836)
2014-15	N/A	($20,903)	($4,605)
Total General Fund Reserves	$1,376	N/A	$1,737
Rainy Day Reserve Funds	$1,206	N/A	$1,306
Reserved for Potential Retroactive Payments [4]	$0	N/A	$346
All Other Reserves	$170	N/A	$85
State Workforce (Subject to Direct Executive Control) [5]	125,787	127,032	126,395
Debt			
Debt Service as % All Funds Receipts	4.6%	4.9%	4.9%
State-Related Debt Outstanding	$55,674	$57,855	$57,939

[1] Spending in State Operating Funds, State Funds, and Federal Operating Funds has been restated to follow the classification of State and Federal special revenue accounts used by the State Comptroller.

[2] Before spending reductions and other actions to eliminate the projected budget gap.

[3] The base tax growth rate for the current year equals current year actual collections, less the incremental values of tax law changes and involuntary collections, divided by actual collections from the prior year.

[4] The State has set aside funds that are expected to cover the costs of potential retroactive labor settlements with unions that have not agreed to contracts through FY 2011.

[5] FY 2012 estimate does not reflect layoffs that may be necessary in the absence of negotiated workforce savings.

The gap-closing plan authorized in the Enacted Budget Financial Plan did not differ significantly from the Executive Budget proposal. DOB estimates that the gap-closing plan eliminates the General Fund budget gap of $10 billion in FY 2012 and reduces the budget gaps to $2.4 billion in FY 2013, $2.8 billion in FY 2014, and $4.6 billion in FY 2015. The following table summarizes the multi-year impact of the gap-closing plan.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS
SUMMARY OF CHANGES FROM REVISED CURRENT-SERVICES THROUGH ENACTED BUDGET
(millions of dollars)

	2011-12	2012-13	2013-14	2014-15
REVISED CURRENT-SERVICES ESTIMATE (BEFORE ACTIONS)	**(10,001)**	**(14,945)**	**(17,429)**	**(20,903)**
Enacted Budget Actions	**10,001**	**12,566**	**14,593**	**16,298**
Spending Reductions/Offsets	8,537	11,967	14,302	15,908
Aid to Localities Reductions [1]	*7,040*	*10,389*	*12,707*	*14,319*
State Agency Redesign	*1,497*	*1,578*	*1,595*	*1,589*
Revenue Enhancements	324	293	91	21
Non-Recurring Resources	860	2	0	0
New Resources/Costs	380	304	200	369
Planned Deposit to Rainy Day Fund	(100)	0	0	0
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AFTER ACTIONS	**0**	**(2,379)**	**(2,836)**	**(4,605)**

[1] Outyear savings assume Medicaid and School Aid grow at their target rates.

The gap-closing plan authorizes actions to lower General Fund spending by approximately $8.5 billion in FY 2012 compared to the current-services forecast. The Enacted Budget includes estimated savings of $2.8 billion for School Aid and $2.7 billion for Medicaid (including a caseload reestimate); $1.5 billion for State agency operations; and $1.5 billion for a range of other programs and activities.

The gap-closing plan anticipates $324 million in additional revenues associated with specific statutory changes. These changes include modernizing the State’s tax system, improving voluntary compliance with tax law, and increasing the level of resources available from the Abandoned Property Fund. The Legislature authorized certain tax modernization initiatives for two years (scheduled to sunset on December 31, 2012).

Non-recurring actions are estimated by DOB to total approximately $860 million in FY 2012. The actions are expected to be derived from contributions by the State’s public authorities, use of fund balances, and maintaining a consistent level of pay-as-you-go (PAYGO) financing for eligible capital expenses (rather than increasing the level in FY 2012, as assumed in the base budget projections).

The Enacted Budget Financial Plan limits the annual growth rates for major programs, including Medicaid and School Aid. The established growth rate for the Department of Health (DOH) Medicaid State Funds spending is limited by law to the ten-year average change in the medical component of the Consumer Price Index (CPI). This is estimated at approximately 4 percent over the plan period. The growth rate for School Aid is limited to the rate of growth in New York State personal income.

The Enacted Budget includes two-year appropriations and changes to law for Medicaid and School Aid to help limit the growth in these programs to the target rates. In Medicaid, the budget grants State officials authority to make certain modifications to the Medicaid program to help maintain spending within the allowable limit. DOB anticipates that most potential modifications that are likely to be considered to constrain Medicaid spending will require the approval of the Federal government. Adherence to the limit is dependent on other factors, including the adoption of voluntary cost-saving measures by the health care industry. The new administrative authority granted to State officials to modify the Medicaid program expires after two years; however, the statutory Medicaid spending cap is not scheduled to expire. The Financial Plan projections for all fiscal years assume that Medicaid and School Aid will grow at the capped rates.

PROJECTED CLOSING BALANCES

DOB estimates the State will end FY 2012 with a General Fund balance of $1.7 billion. The closing balance in the Rainy Day Reserve reflects a planned deposit of $100 million in FY 2012.

GENERAL FUND ESTIMATED CLOSING BALANCE
(millions of dollars)

	2010-11	Planned Deposit	Planned Uses	2011-12
Projected Year-End Fund Balance	**1,376**	**446**	**(85)**	**1,737**
Tax Stabilization Reserve Fund	1,031	0	0	1,031
Rainy Day Reserve Fund	175	100	0	275
Contingency Reserve Fund	21	0	0	21
Community Projects Fund	136	0	(85)	51
Prior Year Labor Agreements (2007-2011)	0	346	0	346
Undesignated	13	0	0	13

The closing balance also includes $346 million identified to cover the costs of potential retroactive labor settlements with unions that have not agreed to contracts through FY 2011. The amount is calculated based on the pattern settlement for FYs 2007 through 2011 agreed to by the State's largest unions for that period. In prior years, this amount has been carried in the annual spending totals. If settlements are reached in FY 2012, the projected fund balance in the General Fund would decline by an amount equal to the cost of the settlements.

The Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor, is expected to disburse $85 million in FY 2012, reflecting slower than anticipated spending and the repeal, as part of the FY 2012 gap-closing plan, of $85 million in scheduled General Fund deposits for FY 2012.

ANNUAL SPENDING GROWTH

DOB estimates that State Operating Funds spending will total $86.9 billion in FY 2012, an increase of $2.5 billion (2.9 percent) from FY 2011 results. All Governmental Funds spending, which includes capital projects and Federal operating spending, is expected to total $131.7 billion, a decrease of $3.1 billion from the prior year. Consistent with recent experience, disbursements in FY 2011 were well below budgeted levels in State Operating Funds and in All Governmental Funds. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in special revenue funds and capital projects funds have been adjusted downward in FY 2012 and thereafter based on typical spending patterns and the observed variance between estimated and actual results over time.

TOTAL DISBURSEMENTS (millions of dollars)							
			Before Actions			After Actions	
	2010-11 Results	2011-12 Base	Annual $ Change	Annual % Change	2011-12 Enacted	Annual $ Change	Annual % Change
State Operating Funds	**84,417**	**95,047**	**10,630**	**12.6%**	**86,879**	**2,462**	**2.9%**
General Fund (excluding transfers)	49,366	58,591	9,225	18.7%	50,912	1,546	3.1%
Other State Funds	29,373	30,364	991	3.4%	30,050	677	2.3%
Debt Service Funds	5,678	6,092	414	7.3%	5,917	239	4.2%
All Governmental Funds	**134,825**	**143,593**	**8,768**	**6.5%**	**131,698**	**(3,127)**	**-2.3%**
State Operating Funds	84,417	95,047	10,630	12.6%	86,879	2,462	2.9%
Capital Projects Funds	7,844	8,273	429	5.5%	7,888	44	0.6%
Federal Operating Funds	42,564	40,273	(2,291)	-5.4%	36,931	(5,633)	-13.2%
General Fund, including Transfers	**55,373**	**65,346**	**9,973**	**18.0%**	**56,932**	**1,559**	**2.8%**
State Funds	**90,118**	**101,311**	**11,193**	**12.4%**	**92,804**	**2,686**	**3.0%**

The annual spending growth in State Operating Funds is affected by the annual increases in debt service and fringe benefits, which are difficult to control in the short-term due to existing constitutional, statutory and contractual obligations. Together, these costs are projected to increase by nearly $700 million in FY 2012. Debt service on State-supported debt is projected to increase by $239 million (4.2 percent) in FY 2012. This includes the payment in FY 2011 of $154 million in debt service expenses that were not due until the first quarter of FY 2012. Spending on fringe benefits and certain other fixed costs is projected to increase by $428 million (7.0 percent). Growth in fringe benefits is due to increases in the State's annual contribution to the New York State and Local Retirement System and the cost of providing health insurance for active and retired State employees. Pension costs, including State contributions to SUNY's optional retirement program, are expected to increase by $200 million (13.6 percent) in FY 2012, even with the amortization (i.e., deferral with interest expense) of contributions in excess of 10.5 percent of payroll in FY 2012. Without amortization, the State contribution to the State pension system in FY 2012 would total approximately $2.1 billion, or $635 million above the amount in the Enacted Budget Financial Plan.[4] See "Other Matters Affecting the Financial Plan - Pension Expenditures (Including Amortization)" herein for more information. The following table summarizes the major sources of annual change in State spending by major program, purpose, and Fund perspective.

[4] The Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The State amortized $249 million of its FY 2011 pension bill of $1.5 billion and paid the balance on March 1, 2011. The amounts assumed to be amortized over the Financial Plan period are $635 million in FY 2012, $878 million in FY 2013, $1.1 billion in FY 2014, and $1.2 billion in FY 2015.

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

STATE OPERATING FUNDS	2010-11 Results	2011-12 Base	Annual Change Before Actions $	Annual Change Before Actions %	2011-12 Enacted	Annual Change After Actions $	Annual Change After Actions %
Local Assistance	**55,295**	**64,509**	**9,214**	**16.7%**	**57,761**	**2,466**	**4.5%**
School Aid [1]	19,788	22,453	2,665	13.5%	19,686	(102)	-0.5%
Medicaid [2]	14,158	19,992	5,834	41.2%	17,567	3,409	24.1%
Department of Health[3]	15,887	17,943	2,056	12.9%	15,679	(208)	-1.3%
Enhanced FMAP (DOH Only)	(3,948)	(353)	3,595	-91.1%	(353)	3,595	-91.1%
Mental Hygiene	2,150	2,290	140	6.5%	2,130	(20)	-0.9%
Children and Family Services	69	112	43	62.3%	111	42	60.9%
Transportation	4,254	4,298	44	1.0%	4,236	(18)	-0.4%
STAR	3,234	3,418	184	5.7%	3,293	59	1.8%
Social Services (Non-Medicaid)	2,800	3,302	502	17.9%	3,018	218	7.8%
Higher Education	2,469	2,711	242	9.8%	2,594	125	5.1%
Public Health/Aging	2,015	2,412	397	19.7%	2,121	106	5.3%
Other Education Aid	1,474	1,830	356	24.2%	1,743	269	18.2%
Mental Hygiene (Non-Medicaid)	1,428	1,661	233	16.3%	1,470	42	2.9%
Local Government Assistance	775	1,070	295	38.1%	767	(8)	-1.0%
All Other [4]	2,900	1,362	(1,538)	-53.0%	1,266	(1,634)	-56.3%
State Operations	**17,387**	**17,908**	**521**	**3.0%**	**16,728**	**(659)**	**-3.8%**
Personal Service:	12,422	12,485	63	0.5%	11,677	(745)	-6.0%
Executive Agencies	7,163	7,054	(109)	-1.5%	6,511	(652)	-9.1%
University System	3,338	3,457	119	3.6%	3,316	(22)	-0.7%
Judiciary	1,525	1,568	43	2.8%	1,469	(56)	-3.7%
Legislature	174	165	(9)	-5.2%	165	(9)	-5.2%
Department of Law	112	117	5	4.5%	109	(3)	-2.7%
Audit & Control	110	124	14	12.7%	107	(3)	-2.7%
Non-Personal Service	4,965	5,423	458	9.2%	5,051	86	1.7%
Fringe Benefits/Fixed Costs	**6,102**	**6,598**	**496**	**8.1%**	**6,530**	**428**	**7.0%**
Pensions	1,470	1,672	202	13.7%	1,670	200	13.6%
Health Insurance	3,055	3,409	354	11.6%	3,429	374	12.2%
All Other Fringe Benefits	1,227	1,189	(38)	-3.1%	1,103	(124)	-10.1%
Fixed Costs	350	328	(22)	-6.3%	328	(22)	-6.3%
Debt Service	**5,615**	**6,030**	**415**	**7.4%**	**5,855**	**240**	**4.3%**
Capital Projects	**18**	**2**	**(16)**	**-88.9%**	**5**	**(13)**	**-72.2%**
TOTAL STATE OPERATING FUNDS	**84,417**	**95,047**	**10,630**	**12.6%**	**86,879**	**2,462**	**2.9%**
Capital Projects (State Funded)	**5,701**	**6,264**	**563**	**9.9%**	**5,925**	**224**	**3.9%**
TOTAL STATE FUNDS	**90,118**	**101,311**	**11,193**	**12.4%**	**92,804**	**2,686**	**3.0%**
Federal Spending (Including Capital Grants)	**44,707**	**42,282**	**(2,425)**	**-5.4%**	**38,894**	**(5,813)**	**-13.0%**
TOTAL ALL GOVERNMENTAL FUNDS	**134,825**	**143,593**	**8,768**	**6.5%**	**131,698**	**(3,127)**	**-2.3%**

[1] Excludes payment deferral. Includes Medicaid spending for School Supportive Health Services in FY 2011.

[2] An additional $3.6 billion in Medicaid spending for mental hygiene agencies is included in state operations and fringe benefits spending totals.

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

[4] All other includes school aid deferral, local aid spending in a number of other programs, including parks and the environment, economic development, and public safety, and reclassification of money between Financial Plan categories.

Beginning with the Third Quarterly Update to the FY 2011 AIS, DOB changed its classification of State and Federal special revenue funds to conform to the accounting classifications used by OSC. This means that certain special revenue accounts formerly reported in the State's Financial Plan as Federal Operating Funds have been reclassified to State Operating Funds. This change has the effect of increasing the reported disbursements from State Operating Funds, and reducing reported disbursements from Federal Operating Funds by an equal amount. Accordingly, there is no impact on the State's reported All Governmental Funds spending totals. The impact of the reclassification on prior-year results is summarized in the following table for comparability.

STATE OPERATING FUNDS AS RESTATED
(millions of dollars)

	Before Restatement	Reporting Adjustment[1]	Restated
2005-06	66,240	3,065	69,305
2006-07	73,476	3,031	76,507
2007-08	76,989	3,029	80,018
2008-09	78,166	3,459	81,625
2009-10	76,873	3,786	80,659
2010-11	80,491	3,926	84,417

[1] DOB has reclassified certain special revenue accounts from Federal Operating Funds to State Operating Funds to be consistent with the methodology used by the Office of the State Comptroller.

FISCAL YEAR 2012 ENACTED BUDGET GAP-CLOSING PLAN

As noted above, DOB estimates that the Enacted Budget gap-closing plan eliminates the General Fund budget gap of $10 billion in FY 2012 and reduces the budget gaps to $2.4 billion in FY 2013, $2.8 billion in FY 2014, and $4.6 billion in FY 2015. The following table provides information on the actions and other changes that DOB believes will be sufficient to close the $10.0 billion budget gap in FY 2012, and the impact these gap-closing actions are projected to have on upcoming fiscal years.

GENERAL FUND GAP-CLOSING PLAN FOR 2011-12
(millions of dollars)

	2011-12	2012-13	2013-14	2014-15
CURRENT-SERVICES GAP ESTIMATES (BEFORE ACTIONS)	**(10,001)**	**(14,945)**	**(17,429)**	**(20,903)**
Total Enacted Budget Gap-Closing Plan	**10,001**	**12,566**	**14,593**	**16,298**
Spending Reductions/Offsets	**8,537**	**11,967**	**14,302**	**15,908**
Local Assistance	**7,040**	**10,389**	**12,707**	**14,319**
Medicaid	2,744	4,047	4,875	5,605
Public Health/Aging	52	140	147	154
School Aid	2,767	4,752	6,238	7,133
Lottery Aid	147	158	158	158
School Tax Relief	125	262	262	262
Special Education	98	0	0	0
Higher Education	47	50	51	51
Human Services/Labor/Housing	284	302	310	323
Local Government Aid	325	295	295	295
Mental Hygiene	328	327	317	280
Member Item Fund Deposit Repeal	85	0	0	0
All Other	38	56	54	58
State Agency Redesign	**1,497**	**1,578**	**1,595**	**1,589**
Revenue Enhancements	**324**	**293**	**91**	**21**
Tax Modernization/Voluntary Compliance	200	150	0	0
Abandoned Property	110	125	70	55
Prison Closure Tax Credit	0	0	(5)	(60)
All Other	14	18	26	26
Non-Recurring Resources	**860**	**2**	**0**	**0**
MTA Transaction	200	0	0	0
Debt Management/Capital Financing	200	0	0	0
HCRA Resource Reestimate	155	0	0	0
NYPA/Other Authorities	150	0	0	0
Recoveries	75	0	0	0
Fund Sweeps/Other	80	2	0	0
New Resources/Costs	**380**	**304**	**200**	**369**
Updated Receipts Forecast	387	455	460	448
Debt Service	154	0	0	0
Health Insurance Conversion	(150)	(25)	0	0
HEAL Capital Plan Reestimate	160	(94)	(160)	0
Native American Cigarette Tax Enforcement	(103)	0	0	0
All Other	(68)	(32)	(100)	(79)
Deposit to Rainy Day Reserve	**(100)**			
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	**0**	**(2,379)**	**(2,836)**	**(4,605)**

The gap-closing plan authorizes actions to lower spending by approximately $8.5 billion in FY 2012 compared to the current-services forecast. The Enacted Budget includes savings of $2.8 billion for School Aid and $2.7 billion for Medicaid; $1.5 billion for State agency operations; and $1.5 billion for a range of other programs and activities. Significant actions reflected in the Enacted Budget Financial Plan are described below.

- **Medicaid ($2.7 billion in savings and reestimates):** The gap-closing plan includes a series of programmatic changes and cost-containment measures that are expected to generate savings in FY 2012, and restrain growth in future years. These include programmatic reforms to Medicaid payments and program structures; the elimination of annual statutory inflation factors for hospitals, nursing homes and home and personal care providers ($185 million); a 2 percent across-the-board rate reduction or other industry-specific measures ($345 million); the acceleration of certain payments to take advantage of additional enhanced FMAP payments ($66 million); and an industry-led effort to generate additional savings ($640 million). DOB believes that the imposition of an overall cap on spending and administrative flexibility to implement alternative savings will help ensure the cap is not exceeded in FY 2012. In addition, the plan recognizes the impact of slower caseload growth and changes in provider spending patterns ($475 million). See "Other Matters Affecting the Financial Plan - Budget Risks and Uncertainties" for a discussion of potential implementation risks. The following table summarizes the most significant Medicaid savings actions included in the Enacted Budget Financial Plan.

SUMMARY OF MEDICAID REDESIGN TEAM SAVINGS ACTIONS
SAVINGS/(COSTS)
(millions of dollars)

	2011-12	2012-13	2013-14	2014-15
Total Medicaid Savings Actions	**2,744**	**4,047**	**4,875**	**5,605**
Non-MRT Medicaid Actions	**535**	**667**	**867**	**867**
Program Growth Revision	475	650	850	850
Anti-Tobacco Spending Reduction	17	17	17	17
HEAL NY & Stem Cell Spending Reduction	43	0	0	0
Medicaid Redesign Team Savings Actions	**2,209**	**3,380**	**4,008**	**4,738**
Hospitals/Clinics	**267**	**317**	**320**	**290**
Reduce Costs by 2 Percent	66	68	68	68
Eliminate Inflationary Rate Increases (2011 and 2012)	28	61	61	61
Implement Health Homes for High-Cost/High-Need Population	33	112	119	95
All Other	140	76	72	66
Managed Care	**296**	**329**	**339**	**341**
Reduce Profit Margin from 3% to 1%	94	100	100	100
Reduce Costs by 2 Percent (Managed Care/Family Health Plus)	86	89	89	89
Reduce Premium Rate	84	86	86	86
Eliminate Marketing Funding	23	23	23	23
All Other	9	31	41	43
Home Care/Personal Care	**256**	**212**	**200**	**196**
Reduce Utilization	157	127	88	69
Reduce Costs by 2 Percent	58	60	60	60
Permanently Eliminate Inflationary Rate Increases	27	58	58	58
Establish Supportive Housing Initiative	0	(75)	(75)	(75)
All Other	14	42	69	84
Nursing Home	**187**	**249**	**253**	**253**
Provider Assessment (2 Percent Reduction Alternative)	70	73	73	73
Permanently Eliminate Inflationary Rate Increases	47	100	100	100
Restructure Reimbursement for Proprietary Homes	44	44	44	44
All Other	26	32	36	36
Pharmaceutical Savings	**154**	**244**	**245**	**252**
Reduce Costs by 2 Percent	42	43	43	43
Comprehensive Fee for Service Reform	59	92	92	92
All Other	53	109	110	117
All Other	**1,049**	**2,029**	**2,651**	**3,406**
Contingency Industry Utilization Reduction	640	1,525	2,135	2,693
Enhance Program Integrity	80	160	160	160
Payment Acceleration	66	0	0	0
Non-institutional Services - Reduce Costs by 2 Percent	19	20	20	20
Transportation - Reduce Costs by 2 Percent	4	4	4	4
All Other	240	320	332	529

- **Public Health/Aging ($52 million):** Limits the Elderly Pharmaceutical Insurance Coverage (EPIC) only to enrollees affected by the Medicare Part D coverage gap; modifies the payment rates, eligibility standards, and operation of the EI program; eliminates reimbursement for optional services provided through the General Public Health Works Program (GPHW); and reduces certain public health and aging programs.

- **School Aid ($2.8 billion on a State fiscal year basis):** Reduces general School Aid, with low-wealth districts receiving proportionally smaller reductions, and extends the phase-in of Foundation Aid and universal pre-kindergarten (UPK) at the FY 2011 school year levels. Additional savings are expected to be realized in future years by limiting annual School Aid increases to the rate of growth in New York personal income.

- **Lottery Aid ($147 million):** Enhances the operation of the State's lottery games and video lottery terminal (VLT) facilities (including increased promotion of VLTs and enhancements to Quick Draw and other lottery games) to increase lottery revenues for financing School Aid.

- **STAR ($125 million):** Caps growth in STAR exemption benefits per qualifying property at 2 percent annually.

- **Education ($98 million):** Alters the reimbursement schedule for certain special education programs.

- **Human Services/Labor/Housing ($284 million):**

  In the area of the Office of Temporary and Disability Assistance (OTDA), delays by one year a 10 percent increase in the public assistance grant that was scheduled for July 1, 2011; eliminates State participation for New York City's shelter supplement program; and reduces reimbursement to New York City for adult homeless shelter costs. In addition, the Enacted Budget maximizes Federal Temporary Assistance for Needy Families (TANF) funds to pay the full costs for TANF-eligible households on public assistance.

  In the area of the Office of Children and Family Services (OCFS), reduces Child Welfare disbursements based on improved program performance data; decreases the State share of the Adoption Subsidy Program from 73.5 to 62 percent; increases the share of Committee on Special Education program costs paid by school districts to better align costs with program responsibility; restructures funding for local detention costs; and eliminates the 1.2 percent Human Services cost of living adjustment (COLA) scheduled for FY 2012.

- **Local Government Aid ($325 million):** Continues the State's current Aid and Incentives for Municipalities (AIM) policy that excludes payments for New York City, reduces AIM for other municipalities by 2 percent, and reduces other targeted aid provided to municipalities.

- **Mental Hygiene ($328 million):** Eliminates the planned 1.2 percent Human Services COLA; reforms and restructures Office for Mental Health (OMH), Office for People with Developmental Disabilities (OPWDD), and the Office for Alcoholism and Substance Abuse Services (OASAS) programs; enhances billing and auditing recovery; freezes community bed development and planned program expansion; maintains existing funding levels related to the implementation of the Rockefeller-era drug law reforms and other programs; and delays funding related to pending adult home litigation.

- **Higher Education ($47 million):** Reduces State support for the State University of New York (SUNY) and the City University of New York (CUNY) community colleges and reduces the Tuition Assistance Program (TAP) spending by continuing changes to eligibility standards and reducing certain grant awards. Savings will be offset in part by renewal of funding for certain scholarship programs, and new funding to extend TAP awards for students attending certain institutions of higher education not supervised by the State Education Department (SED).

- **Member Item Deposit ($85 million):** Repeals a planned deposit of $85 million to the fund that was authorized in the FY 2010 Enacted Budget.

STATE AGENCY REDESIGN

Agency redesign savings are expected to be achieved through several means including, but not limited to, facility closures reflecting excess capacity conditions, operational efficiencies, and wage and benefit changes expected to be negotiated with the State's employee unions. In total, the reductions are expected to provide an estimated $1.5 billion in savings compared to the current-services forecast (including $170 million from the Office of Court Administration (OCA)). If the State is unsuccessful in negotiating wage and benefit changes, DOB expects that significant layoffs will be necessary to achieve the State agency savings contained in the Enacted Budget Financial Plan.

To achieve the overall savings target, the gap-closing plan includes year-to-year reductions to State agencies financed from the General Fund, and comparable reductions to the following: health care and mental hygiene institutions, City University Senior Colleges (for parity with SUNY), and the operations of the Department of Transportation (DOT) and the Department of Motor Vehicles (DMV). State agency operations are financed from a number of different appropriations and funds. In some instances, only a portion of an agency's operations were exempt from reduction (e.g., SUNY). Results for FY 2011, subsequent revisions to estimated disbursements in FY 2012, and the ongoing implementation of efficiencies will affect the size of the reductions among agencies. The Legislature, and activities financed with specific dedicated revenues such as tuition, are not included in the reductions.

Implementation of the savings in State agencies may be affected by, among other things, statutory or regulatory constraints, negotiations with State employee unions, and other factors. Accordingly, there can be no assurance that the actual savings will not differ materially and adversely from the Enacted Budget Financial Plan projections.

REVENUE ENHANCEMENTS

The gap-closing plan anticipates $324 million in additional revenues associated with specific statutory changes. These changes include modernizing the State's tax system, improving voluntary compliance with tax law, and increasing the level of resources available from the Abandoned Property Fund. The Legislature authorized certain tax modernization initiatives that are scheduled to sunset on December 31, 2012.

Tax modernization initiatives are expected to increase the level of PIT returns filed electronically. Electronic filing improves data matching with existing IRS and other data sources, resulting in increased State revenue through denied refunds and more accurate final returns. In addition, the Tax Commissioner is provided discretion to require dedicated bank accounts for sales tax deposits and more frequent filing from sales tax filers who have a poor filing record.

The Enacted Budget Financial Plan also includes law changes that reduce the dormancy periods on thirteen items that currently fall dormant at either five or six years, to three years. These dormancy periods reflect the length of time a vendor (e.g. a bank) can hold funds before they are deemed abandoned and turned over to the State. Dormancy periods are reduced for demand deposit accounts, lost property, savings accounts, time deposit accounts, and trust funds, among others. Persons are able to retrieve abandoned funds through OSC. In addition, the Enacted Budget Financial Plan assumes additional revenues based on a review of abandoned property resources.

NON-RECURRING RESOURCES

Non-recurring actions are estimated by DOB to total approximately $860 million in FY 2012. The actions are expected to be derived from, among other things, contributions by the State's public authorities, use of fund balances, and maintaining a consistent level of PAYGO financing for eligible capital expenses (rather than increasing the level in FY 2012 as assumed in the base budget projections).

OTHER RESOURCES

Additional resources were identified during negotiations on the FY 2012 budget that were offset in part by new costs and forecast revisions. Net new resources, which are based on a review of FY 2011 results and other information, are estimated to total $380 million in FY 2012. The resources include $387 million in higher projected tax receipts; $154 million in estimated lower debt service costs from the payment of certain expenses in March 2011; and $160 million related to grants for capital construction and repair of eligible health care facilities that are expected to be disbursed more slowly than originally anticipated, resulting in lower projected disbursements in FY 2012, but increased spending in future years. New costs reflect changes in the timing of expected proceeds from the conversion of a non-profit health insurer to for-profit status and a reduction to the estimate of tax receipts in FY 2012 related to tax enforcement efforts on Native American lands due to delays related to ongoing litigation.

OTHER MATTERS AFFECTING THE ENACTED BUDGET FINANCIAL PLAN

GENERAL

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

The Enacted Budget Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: international events in Japan, the Middle East, and elsewhere on consumer confidence, oil supplies and oil prices; Federal statutory and regulatory changes concerning financial sector activities; changes concerning the structure of financial sector bonuses, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments on bonus income and capital gains realizations; and, household deleveraging on consumer spending and State tax collections. See the section on “Economics and Demographics” in this AIS for more detailed information on specific economic risks.

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

BUDGET RISKS AND UNCERTAINTIES

There can be no assurance that the projected outyear budget gaps will not increase materially from the levels currently projected. If this were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In nearly all cases, the ability of the State to implement these actions requires the approval of the Legislature or other entities outside of the control of the Governor.

The Enacted Budget Financial Plan anticipates the use of certain statutory tools to implement the Medicaid cost controls assumed in the gap-closing plan. However, there can be no assurance that these controls will be sufficient to achieve the level of gap-closing savings anticipated in FY 2012 or limit the rate of annual growth in DOH State Funds Medicaid spending to the projected level, which is estimated at approximately 4 percent annually over the plan period. Every 1 percent variance in the annual growth rate would change spending by approximately $150 million. In addition, savings in FY 2012 and in future years are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, and a collaborative working relationship with health care industry stakeholders.

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

CURRENT CASH-FLOW PROJECTIONS

The General Fund is authorized to borrow resources temporarily from other available funds in the State's Short-Term Investment Pool (STIP) for up to four months, or to the end of the fiscal year, whichever period is shorter. The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller. Available balances include money in the State's governmental funds (labeled "All Funds" in the following table), as well as relatively small amounts of other money belonging to the State.

The General Fund used this authorization to meet certain payment obligations in May, June, September, November, and December 2010, and April 2011. The General Fund is likely to rely on this borrowing authority at times during FY 2012.

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

The projected month-end cash balances for FY 2012 are shown in the following table. The projections assume successful implementation of the gap-closing plan. General Fund cash balances are expected to be relatively low, especially during the first half of the fiscal year.

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

PROJECTED ALL FUNDS MONTH-END CASH BALANCES FISCAL YEAR 2011-12 (millions of dollars)			
	General Fund	Other Funds	All Funds
April	4,475	4,195	8,670
May	1,098	4,372	5,470
June	489	3,613	4,102
July	1,245	4,454	5,699
August	946	4,830	5,776
September	4,192	2,339	6,531
October	3,023	3,347	6,370
November	1,568	3,661	5,229
December	1,906	2,620	4,526
January	5,645	4,437	10,082
February	5,025	4,776	9,801
March	1,737	2,523	4,260

Source: NYS DOB

PENSION EXPENDITURES (INCLUDING AMORTIZATION)

Part TT of Chapter 57 of the Laws of 2010 (see description on page 113 of this AIS) authorized the State and local governments to elect to defer paying (or "amortize") a portion of their pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by participating employers in a given fiscal year, but results in higher costs overall. Specifically, the amount of the difference between the actuarial contribution rate and statutory amortization thresholds in a given fiscal year (which were 9.5 percent of payroll for Employees' Retirement System (ERS) and 17.5 percent for the Police and Fire Retirement System (PFRS) in FY 2011), may be amortized by governmental entities which elect to do so. The statutory threshold for amortization increases by 1 percentage point annually (e.g., from 9.5 percent in FY 2011 to 10.5 percent in FY 2012). Under the amortization program, if the State elects to amortize each year, the State's minimum ERS pension contribution rate as a percentage of payroll will grow from 10.5 percent in FY 2012 to 13.5 percent in FY 2015. The PFRS minimum contribution rate under the amortization program will be 18.5 percent in FY 2012 and grow to 21.5 percent in FY 2015. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease in the same direction as the actuarial rate by no more than one percentage point for each year. Repayment of the amortized amounts will be made over a ten-year period at an interest rate comparable to taxable fixed income instruments of comparable duration as determined annually by the State Comptroller. For amounts amortized in FY 2011, the State Comptroller set an interest rate of 5 percent.

In March 2011, the State made a pension payment of $1.078 billion for FY 2011, and amortized $216 million. In addition, the State's Office of Court Administration (OCA) made its pension payment of $179 million, and amortized $33 million. The $249 million in total deferred payments will be repaid with interest over the next ten years, beginning in FY 2012. The Enacted Budget Financial Plan assumes that the State and OCA will amortize pension costs, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 5 percent over a 10-year period, beginning in the fiscal year following each deferred payment.

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

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM*
PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS
(millions of dollars)

Fiscal Year	Normal Costs**	New Amortized Amounts	Amortization Payment	Additional Contributions	Total	Reserves for Rate Increases	Plus Interest at 5%
2010-11 Actual	1,552.4	(249.0)	0.0	0.0	1,303.4	0.0	0.0
2011-12 Projected	2,105.9	(634.6)	32.4	0.0	1,503.7	0.0	0.0
2012-13 Projected	2,454.0	(877.8)	114.7	0.0	1,690.9	0.0	0.0
2013-14 Projected	2,832.9	(1,118.7)	228.7	0.0	1,942.9	0.0	0.0
2014-15 Projected	3,088.3	(1,221.2)	373.6	0.0	2,240.7	0.0	0.0
2015-16 Projected	2,734.1	(759.0)	532.2	0.0	2,507.3	0.0	0.0
2016-17 Projected	2,480.4	(414.0)	630.5	0.0	2,696.9	0.0	0.0
2017-18 Projected	2,393.0	(143.8)	684.1	0.0	2,933.3	0.0	0.0
2018-19 Projected	2,360.4	0.0	684.1	80.5	3,125.0	0.0	0.0
2019-20 Projected	2,082.1	0.0	656.0	321.6	3,059.8	0.0	0.0
2020-21 Projected	1,662.1	0.0	545.2	699.9	2,907.2	0.0	0.0
2021-22 Projected	1,104.1	0.0	347.2	1,182.4	2,633.7	0.0	0.0
2022-23 Projected	1,036.3	0.0	23.5	1,168.0	2,227.8	1,136.3	1,193.1
2023-24 Projected	1,005.9	0.0	0.0	1,109.4	2,115.3	2,245.7	2,417.7
2024-25 Projected	993.1	0.0	0.0	1,025.7	2,018.8	3,271.4	3,615.5
2025-26 Projected	957.0	0.0	0.0	957.8	1,914.8	4,229.2	4,802.0

Source: NYS DOB
*Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this AIS include these costs. Pension contribution values include the State's Office of Court Administration (OCA)
**Includes amortization payments from amortizations prior to FY 2011.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

Substantially all of the State's employees become eligible for post-retirement benefits if they reach retirement while working for the State. In accordance with the Governmental Accounting Standards Board Statement 45 (GASBS 45), the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2010, the Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation (after adjusting for amounts previously required).

As reported in the State's Basic Financial Statements for FY 2010, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008, with results projected to April 1, 2009 for the fiscal year ended March 31, 2010. The valuation calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2010 at $55.9 billion ($46.3 billion for the State and $9.6 billion for SUNY). This was determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The net OPEB liability for FY 2010 totaled $3.3 billion ($2.7 billion for the State and $0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was $2.1 billion ($1.7 billion for the State and $0.4 billion for SUNY) above the payments for retiree costs made by the State in FY 2010. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's then positive net asset condition at the end of FY 2010 by $2.1 billion.

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs. The updated calculation shows the present value of the actuarially accrued total liability for benefits at $60.2 billion ($50.1 billion for the State and $10.1 billion for SUNY). The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for FY 2011. In future updates to this calculation, DOB expects the estimate of OPEB costs to increase substantially. The causes of this anticipated increase include: higher assumed increases in the cost of health care, implementation of the Federal Patient Protection and Affordable Care Act, and decreased interest rates.

GASBS 45 does not require the additional costs to be funded on the State's budgetary basis, and no increased funding is assumed for this purpose in the Enacted Budget Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis. The following table summarizes the actual budgeted and projected payments for health insurance in the Enacted Budget Financial Plan.

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)

Year	Active Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Actual)	1,639	1,068	2,707
2009-10 (Actual)	1,609	1,072	2,681
2010-11 (Actual)	1,834	1,221	3,055
2011-12 (Projected)	2,144	1,285	3,429
2012-13 (Projected)	2,367	1,418	3,785
2013-14 (Projected)	2,575	1,543	4,118

All numbers reflect the cost of health insurance for GSCs (Executive and Legislative branches) and the Office of Court Administration.

As noted, there is no provision in the Enacted Budget Financial Plan to pre-fund the OPEB liability. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations (GOER), Civil Service, and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees, and other outside parties. However, it is not expected that the State will alter its planned funding practices, in light of existing fiscal circumstances.

DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 limits outstanding State-supported debt to no greater than 4 percent of New York State personal income, and debt service on State-supported debt to no greater than 5 percent of All Governmental Funds receipts. The limits apply to all State-supported debt issued on or after April 1, 2000. The State estimates that $32.8 billion of State-supported debt outstanding was subject to the limit as of March 31, 2011, which is equal to approximately 3.5 percent of personal income. Debt service subject to the limit will be approximately $3.1 billion, equal to 2.4 percent of All Governmental Funds receipts.

Based on the updated forecast, debt outstanding and debt service costs over the Financial Plan period are expected to remain below the limits imposed by the Debt Reform Act. However, the available room under the debt outstanding cap is expected to decline from $5.0 billion in FY 2011 to approximately $1.1 billion in FY 2013 and FY 2014. The estimates do not include the potential impact of new capital spending that may be authorized in future budgets, or efforts to curtail existing bonded programs. The debt reform projections are sensitive to changes in State personal income levels. Measures to adjust capital spending and debt financing practices are expected to continue to be needed for the State to stay in compliance with the statutory limit on debt outstanding. The table below reflects the State's estimated and projected t available debt capacity (after factoring in the SUNY transaction described below, which would add $152 million to the State’s outstanding debt), and other adjustments, such as changes to projected bond-financed capital spending and to estimated growth in State personal income over the plan period.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
2010-11	946,054	4.00%	37,842	32,824	5,018	3.47%	0.53%	18,808	51,632
2011-12	990,586	4.00%	39,623	37,080	2,543	3.74%	0.26%	17,196	54,276
2012-13	1,026,944	4.00%	41,078	39,909	1,169	3.89%	0.11%	15,605	55,513
2013-14	1,079,719	4.00%	43,189	42,119	1,070	3.90%	0.10%	14,011	56,130
2014-15	1,137,630	4.00%	45,505	43,810	1,695	3.85%	0.15%	12,417	56,227
2015-16	1,197,873	4.00%	47,915	45,259	2,656	3.78%	0.22%	10,880	56,139

SUNY ACQUISITION OF LONG ISLAND COLLEGE HOSPITAL (LICH) AND ASSUMPTION OF DEBT

SUNY is expected to take possession of LICH, a 500-licensed-bed facility located in Brooklyn, New York by May 29, 2011. The operations of LICH are expected to be merged into those of SUNY's Downstate Medical Center. As part of the transaction, which has been approved by the State Comptroller, DOB, and the Attorney General, SUNY will assume outstanding LICH debt of $152 million. Annual debt service on this debt is expected to total approximately $17 million. Based on the structure of the transaction, once the debt is assumed by the State it will be classified as State-supported debt and subject to the State's statutory debt limits.

BOND MARKET

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

LITIGATION

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such litigation may not meet the materiality threshold (or a determination of materiality is not possible to make at this time) to warrant individual description in this AIS but, in the aggregate, could still adversely affect the State's Enacted Budget Financial Plan. See “Litigation and Arbitration” herein.

FEDERAL FUNDING

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. The Enacted Budget Financial Plan assumes relatively stable levels of Federal aid over the forecast period. Changes in Federal funding levels could have a materially adverse impact on the Enacted Budget Financial Plan.

The Enacted Budget Financial Plan may be adversely affected by actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. The Federal Centers for Medicare and Medicaid Services (CMS) has engaged the State regarding claims for services provided to individuals in developmental centers operated by OPWDD. Although no official audit has commenced and the rates paid for these services are established in full accordance with the methodology set forth in the approved State Plan, adverse action by CMS relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program. The State has begun the process of seeking CMS approval to proceed with the development of a new demonstration waiver to create a contemporary and sustainable system of service funding and delivery for individuals with developmental disabilities. In addition, the Enacted Budget Financial Plan assumes a Medicaid rate increase in FY 2012 to cover the cost of continuing to provide services to individuals residing in State Development Centers. This increase is primarily attributable to a volume adjustment related to the State's on-going efforts to move individuals with developmental disabilities into more individualized community-based residential settings. An adverse decision regarding this rate increase would jeopardize approximately $150 million in Federal Financial Participation currently assumed in the Enacted Budget Financial Plan.

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State must use the proceeds from a health care company conversion for health-care-related expenses included in the HCRA account. For planning purposes, the Enacted Budget Financial Plan assumes no proceeds from a health care conversion in FY 2012, but counts on proceeds of approximately $250 million annually in future years of the plan, which would be deposited into HCRA. If a conversion does not occur on the timetable or at the levels assumed in the Enacted Budget Financial Plan, the State would be required to take other actions to increase available resources or to reduce planned spending to fund projected HCRA disbursements.

LABOR SETTLEMENTS

The Enacted Budget Financial Plan for FY 2012 includes a reserve of $346 million to cover the costs of a pattern settlement with all unions that have not agreed to contracts for FY 2008 through FY 2011. The pattern is based on the terms agreed to by the State's largest unions for this period. There can be no assurance that actual settlements, some of which are subject to binding arbitration, will not exceed the amounts included in the Enacted Budget Financial Plan. An additional risk is the potential cost of salary increases for judges which could occur in FY 2013 and beyond as a result of the actions of a statutorily authorized judicial compensation commission. The Enacted Budget Financial Plan does not include any costs for potential general wage increases after the current labor agreements expire or for salary increases for judges.

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2012 THROUGH 2015

INTRODUCTION

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2012 Enacted Budget actions. The projections cover the period for FYs 2012 through 2015, with an emphasis on the FY 2012 projections.

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

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

- **Disbursements:** Over 40 percent of projected State-financed spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, School Aid, higher education, transportation and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis. The projections for School Aid and Medicaid reflect the FY 2012 Enacted Budget spending limitations, as described earlier.

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

SUMMARY

DOB estimates that the Enacted Budget provides for a balanced General Fund Financial Plan in FY 2012 and leaves projected gaps that total approximately $2.4 billion in FY 2013, $2.8 billion in FY 2014, and $4.6 billion in FY 2015. The projected net operating shortfalls in State Operating Funds are projected at $1.8 billion in FY 2013, $2.1 billion in FY 2014, and $3.8 billion in FY 2015.

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

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

GENERAL FUND PROJECTIONS

MULTI-YEAR GENERAL FUND PROJECTIONS
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts					
Taxes (After Debt Service)	49,529	53,137	53,893	56,705	58,201
Miscellaneous Receipts/Federal Grants	3,149	3,158	2,977	2,556	2,126
Other Transfers	1,769	998	772	615	610
Total Receipts	**54,447**	**57,293**	**57,642**	**59,876**	**60,937**
Disbursements					
Local Assistance Grants	37,206	38,888	40,115	41,996	43,734
School Aid	16,645	16,802	17,197	18,030	18,876
Other Education Aid	1,459	1,732	1,904	1,993	2,060
Higher Education	2,448	2,578	2,715	2,804	2,891
Medicaid (incl. administration)	7,478	10,236	10,456	11,009	11,458
Public Health/Aging	765	852	891	881	886
Mental Hygiene	2,239	1,881	1,978	2,161	2,280
Social Services	2,859	3,117	3,441	3,721	3,885
Local Government Assistance	776	767	797	787	787
All Other [1]	2,537	923	736	610	611
State Operations	7,973	7,356	7,951	7,915	8,210
Personal Service	6,151	5,560	5,773	5,879	6,047
Non-Personal Service	1,822	1,796	2,178	2,036	2,163
General State Charges	4,187	4,668	5,126	5,499	5,660
Pensions	1,470	1,670	1,857	2,113	2,411
Health Insurance (Active Employees)	1,834	2,144	2,367	2,575	2,592
Health Insurance (Retired Employees)	1,221	1,285	1,418	1,543	1,553
All Other	(338)	(431)	(516)	(732)	(896)
Transfers to Other Funds	6,007	6,020	6,738	7,160	7,796
State Share Medicaid	2,497	3,032	3,119	3,082	3,082
Debt Service	1,737	1,449	1,712	1,658	1,566
Capital Projects	932	800	1,168	1,361	1,456
SUNY- Hospital Medicaid	207	200	200	200	200
Judiciary Funds	131	119	119	121	123
Banking Services	74	55	55	55	55
Financial Management System	5	42	55	55	55
Indigent Legal Services	45	40	40	40	40
Mental Hygiene	0	0	0	317	869
All Other	379	283	270	271	350
Total Disbursements	**55,373**	**56,932**	**59,930**	**62,570**	**65,400**
Change in Reserves	**(926)**	**361**	**91**	**142**	**142**
Prior-Year Labor Agreements (2007-11)	0	346	142	142	142
Community Projects Fund	40	(85)	(51)		
Rainy Day Fund	0	100			
Reserved for Deferred Payments	(906)				
Reserved for Debt Management	(60)				
Budget Surplus/(Gap) Before Actions	**0**	**0**	**(2,379)**	**(2,836)**	**(4,605)**

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

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts:					
Taxes	59,532	63,615	64,901	68,139	70,093
Personal Income Tax	36,209	39,059	39,210	41,440	43,189
User Taxes and Fees	13,608	14,059	14,510	14,976	15,464
Business Taxes	6,657	7,544	8,024	8,338	7,828
Other Taxes	3,058	2,953	3,157	3,385	3,612
Miscellaneous Receipts/Federal Grants	19,260	19,399	20,126	20,135	19,982
Total Receipts	**78,792**	**83,014**	**85,027**	**88,274**	**90,075**
Disbursements:					
Local Assistance Grants	55,295	57,761	59,893	62,387	64,750
School Aid	19,788	19,686	20,250	21,151	22,018
STAR	3,234	3,293	3,322	3,510	3,693
Other Education Aid	1,474	1,744	1,912	2,000	2,067
Higher Education	2,470	2,594	2,715	2,804	2,891
Medicaid (DOH incl. administration)	11,915	15,280	15,894	16,531	17,192
Public Health/Aging	2,015	2,121	2,139	2,174	2,216
Mental Hygiene	3,578	3,601	3,853	4,169	4,370
Social Services	2,869	3,129	3,452	3,722	3,886
Transportation	4,254	4,236	4,325	4,405	4,495
Local Government Assistance	776	767	797	787	787
All Other [1]	2,922	1,310	1,234	1,134	1,135
State Operations	17,387	16,728	17,545	17,708	18,194
Personal Service	12,422	11,677	11,971	12,174	12,468
Non-Personal Service	4,965	5,051	5,574	5,534	5,726
General State Charges	6,102	6,530	7,125	7,644	7,990
Pensions	1,470	1,670	1,857	2,113	2,411
Health Insurance (Active Employees)	1,834	2,144	2,367	2,575	2,592
Health Insurance (Retired Employees)	1,221	1,285	1,418	1,543	1,553
All Other	1,577	1,431	1,483	1,413	1,434
Debt Service	5,615	5,855	6,332	6,498	6,551
Capital Projects	18	5	5	5	5
Total Disbursements	**84,417**	**86,879**	**90,900**	**94,242**	**97,490**
Net Other Financing Sources/(Uses)	**4,784**	**4,431**	**4,091**	**3,892**	**3,581**
Net Operating Surplus/(Deficit)	**(841)**	**566**	**(1,782)**	**(2,076)**	**(3,834)**
Reconciliation to General Fund Gap:					
Designated Fund Balances	**841**	**(566)**	**(597)**	**(760)**	**(771)**
General Fund	926	(361)	(91)	(142)	(142)
Special Revenue Funds	(42)	(85)	(404)	(512)	(483)
Debt Service Funds	(43)	(120)	(102)	(106)	(146)
General Fund Budget Gap	**0**	**0**	**(2,379)**	**(2,836)**	**(4,605)**

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

FISCAL YEAR 2012 OVERVIEW

RECEIPTS

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

Tax receipts are expected to grow at an average annual rate of approximately 4.2 percent over the multi-year Financial Plan. The tax forecast reflects the sunset of the PIT surcharge after tax year 2011, and an expected continuation of modest economic growth in the New York State economy.

OVERVIEW OF THE RECEIPTS FORECAST

- During the first calendar quarter of 2011 New York's recovery continued to gather momentum, with employment and wages registering their fourth and fifth consecutive quarters of growth, respectively. As a result of this growth and accompanying changes in consumer spending and corporate profits, receipts are expected to grow for the second consecutive year in FY 2012.

- After declining 12.3 percent in FY 2010, base receipts adjusted for tax law changes, grew by 2.1 percent in FY 2011 and are expected to increase by 7.5 percent in FY 2012.

- Corporate profits are expected to record a second consecutive year of growth in calendar year 2011, albeit at a reduced rate compared to 2010. This is expected to translate into continued growth in business tax receipts in FY 2012.

- Both the PIT settlement for tax year 2010 and first quarter 2011 financial sector bonus payments surpassed expectations (compared to the State's last public Financial Plan) and provide the basis for 2011 PIT liability growth of 7.2 percent. A portion of the PIT settlement appears related to the impact of capital gains realized during late 2010 in anticipation of the end of preferential Federal tax rates. This is likely a one-time benefit to revenue results. These lower rates were ultimately extended, but not until December 7, 2010.

- After a decline of 1.6 percent in FY 2010, consumer spending on taxable goods and services rose 7.5 percent in FY 2011 and is estimated to rise 5.4 percent in FY 2012.

- The volatility in oil prices due to the situation in some oil-exporting countries presents a downside risk to the receipts forecast. The uncertainty surrounding fuel prices over the near-term horizon could result in slower receipts growth than anticipated.

- While receipts growth has improved, results to date reflect growth compared to the weak receipts base of the past three fiscal years.

The table below summarizes the receipts projections for FY 2012 and FY 2013.

TOTAL RECEIPTS (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**54,448**	**57,293**	**2,845**	**5.2%**	**57,642**	**349**	**0.6%**
Taxes	39,205	42,237	3,032	7.7%	43,009	772	1.8%
Miscellaneous Receipts	3,095	3,098	3	0.1%	2,917	(181)	-5.8%
Federal Grants	55	60	5	9.1%	60	0	0.0%
Transfers	12,093	11,898	(195)	-1.6%	11,656	(242)	-2.0%
State Funds	**83,981**	**88,396**	**4,415**	**5.3%**	**90,109**	**1,713**	**1.9%**
Taxes	60,870	64,976	4,106	6.7%	66,293	1,317	2.0%
Miscellaneous Receipts	22,993	23,275	282	1.2%	23,671	396	1.7%
Federal Grants	118	145	27	22.9%	145	0	0.0%
All Funds	**133,322**	**131,688**	**(1,634)**	**-1.2%**	**129,768**	**(1,920)**	**-1.5%**
Taxes	60,870	64,976	4,106	6.7%	66,293	1,317	2.0%
Miscellaneous Receipts	23,147	23,407	260	1.1%	23,802	395	1.7%
Federal Grants	49,305	43,305	(6,000)	-12.2%	39,673	(3,632)	-8.4%

Base growth in tax receipts of 7.5 percent is estimated for FY 2012, after adjusting for law changes, and is projected to be 7.2 percent in FY 2013. These projected increases in overall base growth in tax receipts are dependent on many factors, including: continued growth in a broad range of economic activities; improving profitability and compensation gains, particularly among financial services companies; recovery in the overall real estate market, particularly the residential market; and increases in consumer spending as a result of wage and employment gains.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1]	**23,894**	**26,001**	**2,107**	**8.8%**	**26,085**	**84**	**0.3%**
Gross Collections	44,002	46,901	2,899	6.6%	47,417	516	1.1%
Refunds/Offsets	(7,793)	(7,842)	(49)	0.6%	(8,207)	(365)	4.7%
STAR	(3,263)	(3,292)	(29)	0.9%	(3,322)	(30)	0.9%
RBTF	(9,052)	(9,766)	(714)	7.9%	(9,803)	(37)	0.4%
State Funds	**36,209**	**39,059**	**2,850**	**7.9%**	**39,210**	**151**	**0.4%**
Gross Collections	44,002	46,901	2,899	6.6%	47,417	516	1.1%
Refunds/Offsets	(7,793)	(7,842)	(49)	0.6%	(8,207)	(365)	4.7%

[1] Excludes Transfers.

PIT receipts for FY 2012 are projected to be $39.1 billion, an increase of $2.9 billion, or 7.9 percent above FY 2011. This increase reflects stronger growth in extension payments for tax year 2010 ($1.2 billion), stronger growth in estimated payments for tax year 2011 ($944 million) and higher FY 2011 refunds caused by the deferral of $500 million of planned FY 2010 refunds into FY 2011. Withholding, the largest component of PIT is also projected to be 1.8 percent ($562 million) higher than FY 2011, reflecting a combination of moderate underlying wage growth of 4.0 percent and the expiration of the temporary rate increase at the end of December 2011.

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1,2]	**8,795**	**9,105**	**310**	**3.5%**	**9,382**	**277**	**3.0%**
Sales Tax	8,085	8,380	295	3.6%	8,626	246	2.9%
Cigarette and Tobacco Taxes	480	492	12	2.5%	518	26	5.3%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
State Funds	**14,205**	**14,672**	**467**	**3.3%**	**15,129**	**457**	**3.1%**
Sales Tax	11,538	11,915	377	3.3%	12,272	357	3.0%
Cigarette and Tobacco Taxes	1,616	1,686	70	4.3%	1,772	86	5.1%
Motor Fuel	516	511	(5)	-1.0%	515	4	0.8%
Highway Use Tax	129	144	15	11.6%	144	0	0.0%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
Taxicab Surcharge	81	81	0	0.0%	81	0	0.0%
Auto Rental Tax	95	102	7	7.4%	107	5	4.9%

[1] Excludes Transfers.

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

User taxes and fees receipts for FY 2012 are estimated to be $14.7 billion, an increase of $467 million or 3.3 percent from FY 2011. Sales tax receipts are expected to increase by $377 million due to base growth of 5.4 percent ($543 million) and incremental law changes ($43 million). This increase is offset in part by the sunset of a provision that temporarily eliminated the exemption on the per-item price of clothing ($120 million) and other adjustments ($89 million). The exemption on clothing will be $55 in FY 2012, increasing to $110 in FY 2013. Non-sales tax user taxes and fees are estimated to increase by $90 million from FY 2011, mainly due to the full implementation of the cigarette and tobacco tax rate increases as well as assumed part-year enforcement of provisions enacted in FY 2011. Highway use tax receipts are estimated to increase by $15 million due to additional enforcement efforts, including carrier decal requirements. User taxes and fees receipts for FY 2013 are projected to be $15.1 billion, an increase of $457 million, or 3.1 percent from FY 2012. This increase largely reflects an increase in sales tax receipts ($357 million) and cigarette tax collections ($86 million).

General Fund user taxes and fees receipts are expected to total $9.1 billion in FY 2012, an increase of $310 million or 3.5 percent from FY 2011. The increase largely reflects an increase in sales tax receipts ($295 million) and cigarette and tobacco tax collections ($12 million).

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**5,278**	**6,101**	**823**	**15.6%**	**6,456**	**355**	**5.8%**
Corporate Franchise Tax	2,472	3,047	575	23.3%	3,178	131	4.3%
Corporation & Utilities Tax	616	681	65	10.6%	750	69	10.1%
Insurance Tax	1,217	1,266	49	4.0%	1,318	52	4.1%
Bank Tax	973	1,107	134	13.8%	1,210	103	9.3%
State Funds	**7,278**	**8,173**	**895**	**12.3%**	**8,677**	**504**	**6.2%**
Corporate Franchise Tax	2,846	3,463	617	21.7%	3,698	235	6.8%
Corporation & Utilities Tax	813	892	79	9.7%	964	72	8.1%
Insurance Tax	1,351	1,395	44	3.3%	1,451	56	4.0%
Bank Tax	1,178	1,317	139	11.8%	1,414	97	7.4%
Petroleum Business Tax	1,090	1,106	16	1.5%	1,150	44	4.0%

Business tax receipts for FY 2012 are estimated at $8.2 billion, an increase of $895 million, or 12.3 percent from the prior year. The estimates reflect base growth across all taxes from an improving economy as well as an incremental increase of $323 million from the deferral of certain tax credits that was part of the FY 2011 Enacted Budget. Adjusted for this deferral, growth is 7.8 percent.

The annual increase in the corporate franchise tax of $617 million is attributable to the incremental increase of $323 million from the tax credit deferral as well as continued growth in corporate profits. Corporate profits are expected to grow 7.0 percent in calendar year 2011. Higher audit receipts and lower refunds also contribute to growth in FY 2012. Corporate franchise tax growth adjusted for the credit deferral is 10.3 percent for FY 2012. Both the corporation and utilities tax and the insurance tax are expected to return to trend growth in FY 2012 after declines of 14.7 percent and 9.4 percent, respectively, in FY 2011. The economic downturn and several unusual items in the corporation and utilities tax in FY 2011 (e.g. a Tax Tribunal decision that resulted in a FY 2011 refund of $37 million) contributed to the year-over-year decline in these two taxes. The bank tax is estimated to grow 11.8 percent in FY 2012, consistent with the expected improvement in economic conditions and the credit markets.

Business tax receipts for FY 2013 of $8.7 billion are projected to increase $504 million, or 6.2 percent over the prior year reflecting growth across all business taxes.

General Fund business tax receipts for FY 2012 of $6.1 billion are estimated to increase by $823 million, or 15.6 percent above FY 2011 results. Business tax receipts deposited to the General Fund reflect the All Funds trends, and policy changes discussed above. General Fund business tax receipts for FY 2013 of $6.5 billion are projected to increase $355 million, or 5.8 percent from the prior year.

OTHER TAXES

OTHER TAXES (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1]	**1,237**	**1,030**	**(207)**	**-16.7%**	**1,085**	**55**	**5.3%**
Estate Tax	1,218	1,015	(203)	-16.7%	1,070	55	5.4%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Pari-Mutuel Taxes	17	14	(3)	-17.6%	14	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State Funds	**1,817**	**1,650**	**(167)**	**-9.2%**	**1,775**	**125**	**7.6%**
Estate Tax	1,218	1,015	(203)	-16.7%	1,070	55	5.4%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Real Estate Transfer Tax	580	620	40	6.9%	690	70	11.3%
Pari-Mutuel Taxes	17	14	(3)	-17.6%	14	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

[1] Excludes Transfers.

Other tax receipts for FY 2012 are estimated to be $1.7 billion, a decrease of $167 million or 9.2 percent from FY 2011. This reflects a decline of $203 million (16.7 percent) in estate tax receipts and $3 million (17.6 percent) in the pari-mutuel tax as a result of atypically large estate payments in FY 2011 and the closure of NYC Off Track Betting in December 2010, respectively. This decline is partially offset by growth of $40 million (6.9 percent) in the real estate transfer tax as a result of strong commercial activity and improving vacancy rates in New York City. Other tax receipts for FY 2013 are projected to be nearly $1.8 billion, an increase of $125 million or 7.6 percent from FY 2012. This reflects modest growth in the real estate transfer tax and estate tax receipts.

Other tax receipts in the General Fund are expected to be $1.0 billion in FY 2012, a decrease of $207 million or 16.7 percent from FY 2011. This reflects the declines in the estate tax and pari-mutuel taxes noted above. In FY 2013, other tax receipts in the General Fund are expected to total approximately $1.1 billion. This reflects an increase of $55 million in estate tax receipts due to a forecast increase in household net worth.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**3,150**	**3,158**	**8**	**0.3%**	**2,977**	**(181)**	**-5.7%**
Miscellaneous Receipts[1]	3,095	3,098	3	0.1%	2,917	(181)	-5.8%
Federal Grants	55	60	5	9.1%	60	0	0.0%
State Funds	**23,111**	**23,420**	**309**	**1.3%**	**23,816**	**396**	**1.7%**
Miscellaneous Receipts[1]	22,993	23,275	282	1.2%	23,671	396	1.7%
Federal Grants	118	145	27	22.9%	145	0	0.0%
All Funds	**72,452**	**66,712**	**(5,740)**	**-7.9%**	**63,475**	**(3,237)**	**-4.9%**
Miscellaneous Receipts[1]	23,147	23,407	260	1.1%	23,802	395	1.7%
Federal Grants	49,305	43,305	(6,000)	-12.2%	39,673	(3,632)	-8.4%

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

Miscellaneous receipts include monies received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total $23.4 billion in FY 2012, an increase of $260 million from FY 2011, largely driven by growth in SUNY Income Fund revenues ($375 million), which includes the anticipated acquisition of LICH and the incorporation of its financial activities within SUNY, partially offset by the decline or non-recurrence in other sources of miscellaneous receipts.

All Funds miscellaneous receipts are projected to increase by $395 million in FY 2013 driven by increases in HCRA resources ($544 million), SUNY Income Fund revenues ($238 million) and lottery receipts ($169 million), partially offset by a projected decline in programs financed with authority bond proceeds, including economic development and health projects ($331 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, School Aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans for Federal reimbursement to be received in the State fiscal year in which spending occurs. All Funds Federal grants are projected to total $43.3 billion in FY 2012, a decline of $6.0 billion from FY 2011, reflecting the phase-out of extraordinary Federal stimulus aid, including enhanced FMAP. The expiration of Federal ARRA aid is the primary contributor to the All Funds Federal grant decline of $3.6 billion in FY 2013.

General Fund miscellaneous receipts and Federal grants collections are estimated to be nearly $3.2 billion in FY 2012, on par with FY 2011 results.

General Fund miscellaneous receipts for FY 2013 are projected to decline by $181 million from the current year, and primarily reflect the loss of certain one-time sweeps and payments expected in FY 2012.

DISBURSEMENTS

General Fund disbursements in FY 2012 are estimated to total $56.9 billion, an increase of $1.6 billion (2.8 percent) over preliminary FY 2011 results. With State Operating Funds disbursements for FY 2012 are estimated to total $86.9 billion, an increase of $2.5 billion (2.9 percent) over preliminary FY 2011 results.

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

Over the multi-year Financial Plan, spending is expected to increase by an average annual rate of 4.3 percent in the General Fund and 3.7 percent in State Operating Funds. The projections reflect spending at the target growth rates for Medicaid and School Aid, and include a preliminary estimate of the effect of national health care reform on State health care costs. The growth in spending projections reflect an expected return to a lower Federal matching rate for Medicaid expenditures after June 30, 2011, which will increase the share of Medicaid costs that must be financed by State resources, and the expected loss of temporary Federal aid for education.

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

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES	Results	Forecast[2]			
	2010-11	2011-12	2012-13	2013-14	2014-15
Medicaid					
Medicaid Coverage	4,437,840	4,667,275	4,939,712	5,238,126	5,558,859
Family Health Plus Coverage	400,534	412,958	428,096	443,235	458,374
Child Health Plus Coverage	402,892	420,892	438,892	456,892	474,892
State Takeover of County/NYC Costs ($ millions)[1]	$1,839	$2,386	$2,930	$3,513	$4,186
- Family Health Plus	$403	$441	$481	$525	$573
- Medicaid	$1,436	$1,945	$2,449	$2,988	$3,613
Education					
School Aid (School Year) ($000)	$20,924	$19,641	$20,446	$21,386	$22,220
Personal Income Growth Index	N/A	N/A	4.1%	4.6%	3.9%
Higher Education					
Public Higher Education Enrollment (FTEs)	574,350	585,837	585,837	591,695	597,612
Tuition Assistance Program Recipients	325,870	329,177	332,011	331,659	331,659
Welfare					
Family Assistance Caseload	374,338	368,666	364,255	360,860	357,728
Single Adult/No Children Caseload	164,832	163,057	160,692	158,866	157,438
Mental Hygiene					
Total: Mental Hygiene Community Beds	86,017	91,361	95,064	96,959	97,837
- OMH Community Beds	34,832	39,399	42,235	43,251	43,371
- OPWDD Community Beds	38,408	39,101	39,857	40,640	41,313
- OASAS Community Beds	12,777	12,861	12,972	13,068	13,153
Prison Population (Corrections)	56,144	56,300	56,300	56,300	56,300

1 Does not reflect 2010-11 results.
2 Projected by DOB.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS	Results	Forecast[2]			
	2010-11	2011-12	2012-13	2013-14	2014-15
ERS Pension Contribution Rate:[3]					
Before Amortization	12.1%	16.7%	18.0%	20.0%	20.9%
After Amortization	9.5%	10.5%	11.5%	12.5%	13.5%
PFRS Pension Contribution Rate:					
Before Amortization	18.3%	22.1%	24.2%	26.4%	27.1%
After Amortization	17.5%	18.5%	19.5%	20.5%	21.5%
Employee/Retiree Health Insurance Growth Rates	13.3%	11.4%	8.5%	8.5%	8.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.9%	14.8%	15.8%	15.7%	15.4%

1 As percent of salary.
2 Projected by DOB.

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at $57.8 billion in FY 2012 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

EDUCATION

SCHOOL AID

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

School Year (July 1 — June 30)

The FY 2012 Enacted Budget provides $19.6 billion in School Aid for the FY 2012 school year, which results in an annual State aid reduction of nearly $1.3 billion, or 6.1 percent. Total school spending is primarily financed through a combination of State and local funding and thus, the reduction in State aid represents 2.4 percent of total general fund operating expenditures projected to be made by school districts statewide in the current (FY 2011) school year. Without consideration of Federal Education Jobs Fund allocations made available to school districts in FY 2011, the year-to-year reduction in School Aid is $675 million or 3.3 percent. This amount represents 1.3 percent of total expenditures by school districts.

The Enacted Budget also includes a two-year appropriation and makes statutory changes to limit future School Aid increases to the rate of growth in New York state personal income. This allowable growth includes spending for new competitive grant programs to reward school districts that demonstrate significant student performance improvements or that undertake long-term structural changes to reduce costs and improve efficiency. Allowable growth also includes increases in expense-based aid programs (e.g., Building Aid, Transportation Aid) under existing statutory provisions. Any remaining amount of allowable growth can be allocated pursuant to a chapter of law for purposes including, but not limited to, additional spending for competitive grants, increases in Foundation Aid or restoration of the Gap Elimination Adjustment.

Under this growth cap, School Aid is projected to increase by an additional $805 million in FY 2013, and $940 million in FY 2014. School Aid is projected to reach an annual total of $22.2 billion in FY 2015.

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

	2010-11	2011-12	Annual $ Change	2012-13	Annual $ Change	2013-14	Annual $ Change	2014-15	Annual $ Change
Total School Aid	20,924	19,641	(1,283)	20,446	805	21,386	940	22,220	834
Percent Change			-6.1%		4.1%		4.6%		3.9%

State Fiscal Year

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

The table below summarizes the multi-year projected funding levels for School Aid on a State fiscal year basis. The total for FY 2011 is restated to exclude a $2.0 billion aid payment that was deferred from FY 2010.

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Total State Funds	**19,788**	**19,686**	**-1%**	**20,250**	**3%**	**21,151**	**4%**	**22,018**	**4%**
General Fund Local Assistance [1]	16,645	16,802	1%	17,197	2%	18,029	5%	18,876	5%
Core Lottery Aid	2,108	2,200	4%	2,217	1%	2,224	0%	2,234	0%
VLT Lottery Aid	912	684	-25%	836	22%	898	7%	908	1%
General Fund Lottery Aid Guarantee	123	0	-100%	0	0%	0	0%	0	0%

[1] General Fund spending in FY 2011 is adjusted to exclude a $2.06B school aid payment deferred from FY 2010.

State spending for School Aid is projected to total $19.7 billion in FY 2012. In future years, receipts available to finance School Aid from lottery sales are expected to increase nominally. Increasing receipts from VLTs in FY 2013 and FY 2014 reflect the anticipated opening of a VLT facility at Aqueduct Racetrack by October 2011. In addition to State aid, school districts receive billions of dollars in Federal categorical aid.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2012 are: the basic school property tax exemption for homeowners with income under $500,000 (59 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (24 percent), and a flat refundable credit and rate reduction for New York City resident personal income taxpayers (17 percent).

STAR
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
STAR	**3,234**	**3,293**	**2%**	**3,322**	**1%**	**3,510**	**6%**	**3,693**	**5%**
Basic Exemption	1,875	1,933	3%	1,937	0%	2,046	6%	2,162	6%
Enhanced (Seniors)	760	790	4%	792	0%	836	6%	883	6%
New York City PIT	599	570	-5%	593	4%	628	6%	648	3%

The STAR program exempts the first $30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens receive a $60,100 exemption. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

The Enacted Budget Financial Plan limits the overall annual increase in a qualifying homeowner's STAR exemption benefit to 2 percent. The multi-year Financial Plan also reflects annual savings from the implementation of an income limitation on STAR benefits, which excludes all homeowners who earn more than $500,000 a year from receiving the STAR property tax exemption, and reduces the benefit for New York City resident personal income taxpayers with annual income over $500,000.

OTHER EDUCATION AID

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

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

EDUCATION
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Special Education	**924**	**1,197**	**30%**	**1,373**	**15%**	**1,456**	**6%**	**1,529**	**5%**
Pre-School Special Education	939	870	-7%	922	6%	978	6%	1,036	6%
ARRA Fiscal Stabilization	(327)	0	-100%	0	0%	0	0%	0	0%
Summer School Programs	208	292	40%	322	10%	343	7%	352	3%
Blind and Deaf	104	35	-66%	129	269%	135	5%	141	4%
All Other Education	**550**	**547**	**-1%**	**539**	**-1%**	**544**	**1%**	**538**	**-1%**
Higher Education Programs	100	86	-14%	86	0%	86	0%	86	0%
Non-Public School Aid	112	107	-4%	104	-3%	104	0%	104	0%
Cultural Education Programs	92	93	1%	93	0%	93	0%	93	0%
Vocational Rehabilitation	91	82	-10%	82	0%	82	0%	82	0%
School Nutrition	35	36	3%	37	3%	37	0%	38	3%
Other Education Programs	120	143	19%	137	-4%	142	4%	135	-5%

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

HIGHER EDUCATION

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

The State also provides a sizeable benefit to SUNY and CUNY through the debt service it pays on bond-financed capital projects at the universities. This is not reflected in the annual spending totals for the universities. State debt service payments for higher education are expected to total over $1 billion in FY 2012.

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

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
City University:	**1,183**	**1,205**	**2%**	**1,299**	**8%**	**1,389**	**7%**	**1,477**	**6%**
Community College Aid	187	178	-5%	179	1%	179	0%	179	0%
ARRA Fiscal Stabilization	(32)	0	-100%	0	0%	0	0%	0	0%
Operating Aid to NYC (Senior Colleges)[1]	1,028	1,025	0%	1,118	9%	1,208	8%	1,296	7%
Community Projects	0	2	0%	2	0%	2	0%	2	0%
Higher Education Services:	**814**	**906**	**11%**	**967**	**7%**	**966**	**0%**	**965**	**0%**
Tuition Assistance Program	801	831	4%	911	10%	910	0%	909	0%
ARRA Fiscal Stabilization	(50)	0	-100%	0	0%	0	0%	0	0%
Aid for Part Time Study	11	12	9%	12	0%	12	0%	12	0%
Scholarships/Awards	29	47	62%	44	-6%	44	0%	44	0%
Other	23	16	-30%	0	-100%	0	**0%**	0	0%
State University:	**473**	**483**	**2%**	**449**	**-7%**	**449**	**0%**	**449**	**0%**
Community College Aid	451	441	-2%	439	0%	439	0%	439	0%
ARRA Fiscal Stabilization	(83)	0	-100%	0	0%	0	0%	0	0%
Hospital Subsidy[2]	96	32	-67%	0	-100%	0	0%	0	0%
Other	9	10	11%	10	0%	10	0%	10	0%

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

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

HEALTH CARE

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

In addition, health care-related spending appears in State Operations and GSCs for purposes such as health insurance premiums for State employees and retirees, services delivered to inmates, and services provided in State-operated facilities.

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately $52.6 billion in FY 2012, including the local contribution.[5]

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

	2010-11	2011-12	2012-13	2013-14	2014-15
Department of Health	11,915	15,280	15,894	16,531	17,192
State Share Without FMAP	15,863	15,633	15,640	16,531	17,192
Enhanced FMAP	(3,948)	(353)	254	0	0
Mental Hygiene	5,677	5,752	5,979	6,297	6,568
Education	29	0	0	0	0
Foster Care	69	111	121	132	138
State Operations - Contractual Expenses[2]	23	46	46	46	46
State Share Total	**17,713**	**21,189**	**22,040**	**23,006**	**23,944**
Annual $ Change - Total State Share		3,476	851	966	938
Annual % Change - Total State Share		19.6%	4.0%	4.4%	4.1%
Annual $ Change - DOH Only		3,365	614	637	661
Annual % Change - DOH Only		28.2%	4.0%	4.0%	4.0%

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

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

The Financial Plan projections assume that spending growth is limited to 4 percent annually for DOH State Medicaid spending beginning annually in State FY 2013. This reflects the target growth rate for Medicaid proposed in the Enacted Budget, which is the ten-year average change in the medical component of the CPI. Statutory changes adopted with the budget grant the Executive certain statutory powers to hold Medicaid spending to this rate. This statutory authority expires after two years; however, the cap remains in place and the Financial Plan assumes that statutory authority will be extended in subsequent years.

DOH Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services (particularly in managed care), and higher levels of utilization, as well as the expiration of enhanced levels of Federal aid.[6] The number of Medicaid recipients, including FHP, is expected to exceed 6.0 million at the end of FY 2015, an increase of 24.4 percent from the FY 2011 caseload of 4.8 million. The expiration of the enhanced FMAP is expected to result in an increase of State-share spending of over $600 million from FY 2012 to FY 2013, primarily due to the reconciliation of costs between the State and counties related to the Medicaid cap.

[5] The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for counties. In accordance with these statutory indexing provisions, local fiscal year 2011 Medicaid payments by local governments will be held to approximately 3.0 percent over local fiscal year 2010 levels. County and New York City savings from these two local fiscal relief initiatives are expected to total approximately $2.4 billion during State FY 2012, an annual increase in local savings of $547 million over State FY 2011 levels.

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

The table below summarizes the benefit of enhanced FMAP since it began in 2008-09.

DOH MEDICAID SPENDING - STATE OPERATING FUNDS WITH AND WITHOUT FMAP IMPACT [1] TOTAL DISBURSEMENTS (millions of dollars)	2008-09	2009-10	2010-11	2011-12	2012-13
DOH Medicaid - Without FMAP	12,668	14,523	15,887	15,680	15,686
Enhanced FMAP	(1,092)	(3,041)	(3,948)	(353)	254
DOH Medicaid - With FMAP	**11,576**	**11,482**	**11,939**	**15,327**	**15,940**

[1] Additional Federal aid from enhanced FMAP in mental hygiene agencies brings the total cumulative State benefit to $9.6 billion.

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

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (DOH ONLY) -- LOCAL ASSISTANCE (millions of dollars)	2011-12	2012-13	Annual $ Change	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
State Operating Funds (Before FMAP) [1]	**15,633**	**15,640**	**7**	**0.0%**	**16,531**	**5.7%**	**17,192**	**4.0%**
Enhanced FMAP -- State Share [2]	**(353)**	**254**	**607**	**-172.0%**	**0**	**-100.0%**	**0**	**0.0%**
State Operating Funds (After FMAP)	**15,280**	**15,894**	**614**	**4.0%**	**16,531**	**4.0%**	**17,192**	**4.0%**
Other State Funds Support	**(5,044)**	**(5,438)**	**(394)**	**7.8%**	**(5,522)**	**1.5%**	**(5,734)**	**3.8%**
HCRA Financing	(3,383)	(3,815)	(432)	12.8%	(3,907)	2.4%	(4,119)	5.4%
Provider Assessment Revenue	(869)	(831)	38	-4.4%	(823)	-1.0%	(823)	0.0%
Indigent Care Revenue	(792)	(792)	0	0.0%	(792)	0.0%	(792)	0.0%
Total General Fund	**10,236**	**10,456**	**220**	**2.1%**	**11,009**	**5.3%**	**11,458**	**4.1%**

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

[2] Excludes benefits in other State agencies. Costs in 2012-13 reflect the reconciliation of the local share benefit for 2011-12 that will occur in 2012-13.

PUBLIC HEALTH/AGING PROGRAMS

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

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

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

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Public Health	**1,898**	**2,011**	**6%**	**2,027**	**1%**	**2,062**	**2%**	**2,104**	**2%**
General Public Health Works	201	319	59%	322	1%	308	-4%	308	0%
Early Intervention	230	167	-27%	165	-1%	169	2%	173	2%
Child Health Plus	341	325	-5%	346	6%	371	7%	397	7%
EPIC	322	232	-28%	166	-28%	174	5%	182	5%
HCRA Program Account	304	498	64%	473	-5%	486	3%	488	0%
All Other	500	470	-6%	555	18%	554	0%	556	0%
Aging	**117**	**110**	**-6%**	**112**	**2%**	**112**	**0%**	**112**	**0%**

Year-to-year growth in the GPHW program reflects lower spending in FY 2011 due to delays in planned payments instituted by the DOH that are not expected to continue. A projected increase in enrollment in the CHP program and inflationary costs are expected to drive growth in the outyears of the plan. Growth in the GPHW and CHP programs is partly offset by a decline in spending for the EI program, which primarily reflects the impact of savings actions implemented in prior year enacted budgets.

EPIC spending is projected to decline through FY 2013, resulting from budgetary actions to provide EPIC coverage to Medicare Part D enrollees only when they are in the coverage gap. After FY 2013, spending is projected to increase slightly as a reflection of the rising costs of prescription medication.

HCRA

HCRA was established in 1996 to help finance a portion of State health care activities in various areas of the budget: Medicaid, Public Health, SOFA, and the Insurance Department. Extensions and modifications to HCRA have financed new health care programs, including FHP, and provided additional funding for the expansion of existing programs such as CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the Health Care Equity and Affordability Law for New Yorkers (HEAL NY) capital program. The FY 2012 Enacted Budget extends the HCRA authorization three years to March 31, 2014.

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

HCRA spending partially finances Medicaid, EPIC, CHP, FHP, and Indigent Care payments, which provide funds to hospitals that serve a disproportionate share of individuals without health insurance; as well as funds Workforce Recruitment and Retention grants and rate adjustments to health facilities; physician excess medical malpractice; and, HEAL NY funds for capital improvement to health care facilities.

HCRA FINANCIAL PLAN 2010-11 THROUGH 2014-15 (millions of dollars)	2010-11 Results	2011-12 Enacted	2012-13 Projected	2013-14 Projected	2014-15 Projected
Opening Balance	**26**	**159**	**0**	**0**	**0**
Total Receipts	5,286	5,482	6,086	6,220	6,317
Surcharges	2,743	2,810	3,089	3,173	3,266
Covered Lives Assessment	1,021	1,050	1,045	1,045	1,045
Cigarette Tax Revenue	1,136	1,194	1,254	1,232	1,210
Conversion Proceeds	0	0	250	300	300
Hospital Assessment (1 percent)	317	373	394	417	444
NYC Cigarette Tax Transfer/Other	69	55	54	53	52
Total Disbursements	5,153	5,641	6,086	6,220	6,317
Medicaid Assistance Account	2,843	3,390	3,822	3,914	4,127
Medicaid Costs	*1,600*	*2,091*	*2,500*	*2,593*	*2,805*
Family Health Plus	*597*	*635*	*657*	*657*	*657*
Workforce Recruitment & Retention	*196*	*197*	*197*	*197*	*197*
All Other	*450*	*467*	*468*	*467*	*468*
HCRA Program Account	326	522	496	509	511
Hospital Indigent Care	871	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	195	165	166	174	182
Child Health Plus	348	332	354	379	405
Public Health Programs	111	120	120	120	120
All Other	459	320	336	332	180
Annual Operating Surplus/(Deficit)	**133**	**(159)**	**0**	**0**	**0**
Closing Balance	**159**	**0**	**0**	**0**	**0**

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

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of four independent agencies, OMH, OPWDD, OASAS, and the Developmental Disabilities Planning Council (DDPC) as well as one oversight agency, the Commission on Quality Care and Advocacy for Persons with Disabilities (CQCAPD). Services are administered to adults with serious and persistent mental illness; children with serious emotional disturbances; individuals with developmental disabilities, and their families; and persons with chemical dependence. These agencies provide services directly to their patients through State-operated facilities and indirectly through community service providers. The cost of providing services and agency operations are funded by reimbursement from Medicaid, Medicare, third-party insurance, and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, with the remaining revenue deposited to the Patient Income Account, which supports State costs of providing services.

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Office for People with Devel. Disabilities:	**2,175**	**2,158**	**-1%**	**2,271**	**5%**	**2,466**	**9%**	**2,577**	**5%**
Residential Services	1,537	1,496	-3%	1,578	5%	1,717	9%	1,797	5%
Day Programs	555	581	5%	607	5%	655	8%	681	4%
Clinic	22	22	0%	23	6%	25	9%	27	8%
Other	61	59	-3%	63	6%	69	9%	72	5%
CQCAPD	**1**	**1**	**0%**	**1**	**0%**	**1**	**0%**	**1**	**0%**
Mental Health:	**1,106**	**1,126**	**2%**	**1,247**	**11%**	**1,350**	**8%**	**1,441**	**7%**
Adult Local Services	885	901	2%	998	11%	1,080	8%	1,153	7%
OMH Children Local Services	221	225	2%	249	11%	270	8%	288	7%
Alcohol and Substance Abuse:	**295**	**316**	**7%**	**334**	**6%**	**351**	**5%**	**351**	**0%**
Prevention	37	40	8%	42	5%	44	5%	44	0%
Program Support	9	10	11%	10	0%	11	10%	11	0%
Residential	96	103	7%	109	6%	114	5%	114	0%
Outpatient/Methadone	142	152	7%	161	6%	169	5%	169	0%
Crisis	11	11	0%	12	9%	13	8%	13	0%

Local assistance spending in mental hygiene accounts for approximately half of total mental hygiene State spending and is projected to grow by an average rate of 5.2 percent over the plan. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including: increases primarily associated with the OPWDD New York State - Creating Alternatives in Residential Environments and Services (NYS-CARES) program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline, as well as funds for additional supported housing beds and associated support services for individuals leaving certain New York city adult homes, pursuant to a Federal district court order; and several chemical dependence treatment and prevention initiatives in OASAS.

SOCIAL SERVICES

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

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Temporary and Disability Assistance	**1,202**	**1,412**	**17%**	**1,549**	**10%**	**1,599**	**3%**	**1,612**	**1%**
Public Assistance Benefits	309	485	57%	622	28%	658	6%	658	0%
SSI	722	740	2%	753	2%	766	2%	779	2%
Welfare Initiatives	13	23	77%	7	-70%	7	0%	7	0%
All Other	158	164	4%	167	2%	168	1%	168	0%

The State share of OTDA spending is expected to grow primarily due to the loss of Federal TANF Contingency Funds, resulting in costs reverting back to State funding. The average public assistance caseload is projected to total 531,723 recipients in FY 2012, a decrease of 1.4 percent from FY 2011 levels. Approximately 252,353 families are expected to receive benefits through the Family Assistance program, a decrease of 1.3 percent from the current year. In the Safety Net program, an average of 116,313 families are expected to be helped in FY 2012, a decrease of 2.1 percent. The caseload for single adults/childless couples supported through the Safety Net program is projected at 163,057, a decrease of 1.1 percent. Despite the decreases in projected caseload, the State share of public assistance benefits increases in FY 2012 due to the loss of Federal funding described above.

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

CHILDREN AND FAMILY SERVICES STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Children and Family Services	**1,667**	**1,717**	**3%**	**1,903**	**11%**	**2,123**	**12%**	**2,274**	**7%**
Child Welfare Service	490	499	2%	634	27%	827	30%	947	15%
Foster Care Block Grant	433	436	1%	464	6%	493	6%	493	0%
Adoption	196	185	-6%	198	7%	212	7%	219	3%
Day Care	134	145	8%	143	-1%	139	-3%	139	0%
C.S.E.	65	38	-42%	43	13%	50	16%	57	14%
Adult Protective/Domestic Violence	42	44	5%	53	20%	63	19%	74	17%
Youth Programs	113	137	21%	127	-7%	111	-13%	111	0%
Medicaid	69	111	61%	121	9%	132	9%	138	5%
All Other	125	122	-2%	120	-2%	96	-20%	96	0%

OCFS spending is projected to increase, driven primarily by expected growth in claims-based programs. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding. Growth in Foster Care Block Grant is attributable to the Human Services cost-of-living adjustment. Projected growth in Medicaid from FY 2011 to FY 2012 is primarily attributable to the annualization of costs related to the Bridges to Health Medicaid Waiver program.

TRANSPORTATION

In FY 2012, the State will provide $4.2 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. Due to the size and scope of its transit system, the Metropolitan Transportation Authority (MTA) receives the majority of the statewide mass transit operating aid. Additionally, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Spending from this fund is projected to grow modestly in FY 2013 and later years, commensurate with the forecasted growth in receipts.

TRANSPORTATION STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Transportation	**4,254**	**4,236**	**0%**	**4,325**	**2%**	**4,405**	**2%**	**4,495**	**2%**
Mass Transit Operating Aid:	1,894	1,772		1,772		1,772		1,772	
Metro Mass Transit Aid	1,750	1,633	-7%	1,633	0%	1,633	0%	1,633	0%
Public Transit Aid	92	87	-5%	87	0%	87	0%	87	0%
18-B General Fund Aid	27	27	0%	27	0%	27	0%	27	0%
School Fare	25	25	0%	25	0%	25	0%	25	0%
Mobility Tax and MTA Aid Trust	1,662	1,756	6%	1,841	5%	1,927	5%	2,017	5%
Dedicated Mass Transit	653	661	1%	665	1%	659	-1%	659	0%
AMTAP	43	45	5%	45	0%	45	0%	45	0%
All Other	2	2	0%	2	0%	2	0%	2	0%

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments primarily includes the AIM program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams. Along with AIM, the State provides incentive grants to local governments to promote local efforts to increase efficiency and performance through consolidation or shared services. Other direct aid to local governments includes VLT impact aid, Small Government Assistance and Miscellaneous Financial Assistance.

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Local Government Assistance	**776**	**767**	**-1%**	**797**	**4%**	**787**	**-1%**	**787**	**0%**
AIM:									
Big Four Cities	438	429	-2%	429	0%	429	0%	429	0%
Other Cities	222	218	-2%	218	0%	218	0%	218	0%
Towns and Villages	69	68	-1%	68	0%	68	0%	68	0%
Efficiency Incentives	10	15	50%	45	200%	44	-2%	44	0%
All Other Local Aid	37	37	0%	37	0%	28	-24%	28	0%

AGENCY OPERATIONS

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

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

Growth in State Operations spending over the multi-year Financial Plan is concentrated in agencies that operate large facilities, such as the State University, the Mental Hygiene agencies, Corrections and Community Supervision, and Children and Family Services. The main causes of growth include inflationary increases in operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities.

Agency redesign savings over the Plan period are expected to be achieved through several means including, but not limited to, facility closures reflecting excess capacity conditions, operational efficiencies, and wage and benefit changes negotiated with the State's employee unions. If the State is unsuccessful in negotiating changes, DOB expects that significant layoffs would be necessary to achieve the State agency savings expected in the Financial Plan.

The Spending and Government Efficiency (SAGE) Commission is charged with making recommendations to reduce the number of State agencies, authorities, and commissions by 20 percent over the next four years. The Financial Plan does not currently include specific savings from the SAGE Commission, but the Commission is expected to aid in achieving the aggressive savings targets for State agencies.

GENERAL STATE CHARGES

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

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

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

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Fringe Benefits:									
Health Insurance	3,055	3,429	12.2%	3,785	10.4%	4,118	8.8%	4,145	0.7%
Employee Health Insurance	1,834	2,144	16.9%	2,367	10.4%	2,575	8.8%	2,592	0.7%
Retiree Health Insurance	1,221	1,285	5.2%	1,418	10.4%	1,543	8.8%	1,553	0.6%
Pensions	1,470	1,670	13.6%	1,857	11.2%	2,113	13.8%	2,411	14.1%
Social Security	970	972	0.2%	964	-0.8%	974	1.0%	973	-0.1%
All Other Fringe	257	131	-49.0%	187	42.7%	102	-45.5%	119	16.7%
Fixed Costs	350	328	-6.3%	332	1.2%	337	1.5%	342	1.5%
Total State Operating Funds	**6,102**	**6,530**	**7.0%**	**7,125**	**9.1%**	**7,644**	**7.3%**	**7,990**	**4.5%**

GSCs are projected to grow at an average annual rate of 7 percent over the plan period. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees. The projections assume the amortization of pension costs. See "Other Matters Affecting the Enacted Budget Financial Plan — Pension Expenditures (Including Amortization)" herein.

DEBT SERVICE

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

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)

	2010-11 Results	2011-12 Enacted	Annual Change	Percent Change
General Fund	**1,737**	**1,449**	**(288)**	**-16.6%**
Other State Support	3,878	4,406	528	13.6%
State Operating Funds	**5,615**	**5,855**	**240**	**4.3%**
Total All Funds	**5,615**	**5,855**	**240**	**4.3%**

Total debt service is projected at $5.9 billion in FY 2012, of which $1.4 billion is paid from the General Fund through transfers and $4.4 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including, but not limited to, PIT bonds, DHBTF bonds, and mental health facilities bonds.

Enacted budget projections for debt service spending have been revised to reflect the pre-payment of $154 million of SUNY debt service in March 2011. Otherwise, FY 2012 debt service estimates are relatively unchanged, with minor revisions for Dedicated Highway, general obligation, and PIT bonding programs.

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

	2010-2011 Year-End	2011-2012 Enacted	Annual $ Change	Annual % Change
Opening Fund Balance	2,302	1,376	(926)	-40.2%
Receipts:				
Taxes:				
Personal Income Tax	23,894	26,001	2,107	8.8%
User Taxes and Fees	8,795	9,105	310	3.5%
Business Taxes	5,279	6,101	822	15.6%
Other Taxes	1,237	1,030	(207)	-16.7%
Miscellaneous Receipts	3,095	3,098	3	0.1%
Federal Receipts	54	60	6	11.1%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	7,625	8,096	471	6.2%
Sales Tax in Excess of LGAC Debt Service	2,351	2,409	58	2.5%
Real Estate Taxes in Excess of CW/CA Debt Service	348	395	47	13.5%
All Other Transfers	1,769	998	(771)	-43.6%
Total Receipts	54,447	57,293	2,846	5.2%
Disbursements:				
Local Assistance Grants	37,206	38,888	1,682	4.5%
Departmental Operations:				
Personal Service	6,151	5,560	(591)	-9.6%
Non-Personal Service	1,822	1,796	(26)	-1.4%
General State Charges	4,187	4,668	481	11.5%
Transfers to Other Funds:				
Debt Service	1,737	1,449	(288)	-16.6%
Capital Projects	932	800	(132)	-14.2%
State Share Medicaid	2,497	3,032	535	21.4%
Other Purposes	841	739	(102)	-12.1%
Total Disbursements	55,373	56,932	1,559	2.8%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(926)	361	1,287	-139.0%
Closing Fund Balance	1,376	1,737	361	26.2%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	275	100	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	136	51	(85)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	0	346	346	
Debt Management	13	13	0	

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2011-2012 through 2014-2015
(millions of dollars)

	2011-2012 Enacted	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected
Receipts:				
Taxes:				
Personal Income Tax	26,001	26,085	27,569	28,698
User Taxes and Fees	9,105	9,383	9,723	10,082
Business Taxes	6,101	6,456	6,721	6,141
Other Taxes	1,030	1,085	1,145	1,210
Miscellaneous Receipts	3,098	2,917	2,496	2,066
Federal Receipts	60	60	60	60
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,096	7,923	8,374	8,707
Sales Tax in Excess of LGAC Debt Service	2,409	2,492	2,617	2,729
Real Estate Taxes in Excess of CW/CA Debt Service	395	469	556	634
All Other Transfers	998	772	615	610
Total Receipts	57,293	57,642	59,876	60,937
Disbursements:				
Local Assistance Grants	38,888	40,115	41,996	43,734
Departmental Operations:				
Personal Service	5,560	5,773	5,879	6,047
Non-personal Service	1,796	2,178	2,036	2,163
General State Charges	4,668	5,126	5,499	5,660
Transfers to Other Funds:				
Debt Service	1,449	1,712	1,658	1,566
Capital Projects	800	1,168	1,361	1,456
State Share Medicaid	3,032	3,119	3,082	3,082
Other Purposes	739	739	1,059	1,692
Total Disbursements	56,932	59,930	62,570	65,400
Reserves:				
Community Projects Fund	(85)	(51)	0	0
Rainy Day Reserve Fund	100	0	0	0
Prior-Year Labor Agreements (2007-2011)	346	142	142	142
Increase (Decrease) in Reserves	361	91	142	142
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(2,379)	(2,836)	(4,605)

Source: NYS DOB

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
2011-2012 THROUGH 2014-2015
(millions of dollars)

	2011-2012 Enacted	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected
Taxes:				
Withholdings	31,802	32,356	34,535	36,383
Estimated Payments	11,900	11,728	11,910	12,575
Final Payments	2,110	2,199	2,154	2,151
Other Payments	1,089	1,134	1,210	1,312
Gross Collections	46,901	47,417	49,809	52,421
State/City Offset	(148)	(148)	(98)	(98)
Refunds	(7,694)	(8,059)	(8,272)	(9,136)
Reported Tax Collections	39,059	39,210	41,439	43,187
STAR (Dedicated Deposits)	(3,292)	(3,322)	(3,510)	(3,692)
RBTF (Dedicated Transfers)	(9,766)	(9,803)	(10,360)	(10,797)
Personal Income Tax	26,001	26,085	27,569	28,698
Sales and Use Tax	11,173	11,503	11,960	12,440
Cigarette and Tobacco Taxes	492	518	511	505
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	233	238	242	247
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	11,898	12,259	12,713	13,192
LGAC Sales Tax (Dedicated Transfers)	(2,793)	(2,876)	(2,990)	(3,110)
User Taxes and Fees	9,105	9,383	9,723	10,082
Corporation Franchise Tax	3,047	3,178	3,284	2,527
Corporation and Utilities Tax	681	750	780	813
Insurance Taxes	1,266	1,318	1,376	1,438
Bank Tax	1,107	1,210	1,281	1,363
Petroleum Business Tax	0	0	0	0
Business Taxes	6,101	6,456	6,721	6,141
Estate Tax	1,015	1,070	1,130	1,195
Real Estate Transfer Tax	620	690	770	840
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	14	14	14	14
Other Taxes	1	1	1	1
Gross Other Taxes	1,650	1,775	1,915	2,050
Real Estate Transfer Tax (Dedicated)	(620)	(690)	(770)	(840)
Other Taxes	1,030	1,085	1,145	1,210
Payroll Tax	0	0	0	0
Total Taxes	42,237	43,009	45,158	46,131
Licenses, Fees, Etc.	455	525	486	506
Abandoned Property	755	735	670	655
Motor Vehicle Fees	132	109	36	36
ABC License Fee	49	51	50	50
Reimbursements	202	202	197	197
Investment Income	10	10	10	10
Other Transactions	1,495	1,285	1,047	612
Miscellaneous Receipts	3,098	2,917	2,496	2,066
Federal Grants	60	60	60	60
Total	45,395	45,986	47,714	48,257

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2011-2012
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,376	2,141	453	3,970
Receipts:				
Taxes	42,237	8,319	13,059	63,615
Miscellaneous Receipts	3,098	15,212	949	19,259
Federal Receipts	60	1	79	140
Total Receipts	45,395	23,532	14,087	83,014
Disbursements:				
Local Assistance Grants	38,888	18,873	0	57,761
Departmental Operations:				
Personal Service	5,560	6,117	0	11,677
Non-Personal Service	1,796	3,193	62	5,051
General State Charges	4,668	1,862	0	6,530
Debt Service	0	0	5,855	5,855
Capital Projects	0	5	0	5
Total Disbursements	50,912	30,050	5,917	86,879
Other Financing Sources (Uses):				
Transfers from Other Funds	11,898	7,322	6,524	25,744
Transfers to Other Funds	(6,020)	(719)	(14,574)	(21,313)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,878	6,603	(8,050)	4,431
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	361	85	120	566
Closing Fund Balance	1,737	2,226	573	4,536

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2012-2013
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	43,009	8,643	13,249	64,901
Miscellaneous Receipts	2,917	16,072	997	19,986
Federal Receipts	60	1	79	140
Total Receipts	45,986	24,716	14,325	85,027
Disbursements:				
Local Assistance Grants	40,115	19,778	0	59,893
Departmental Operations:				
Personal Service	5,773	6,198	0	11,971
Non-Personal Service	2,178	3,334	62	5,574
General State Charges	5,126	1,999	0	7,125
Debt Service	0	0	6,332	6,332
Capital Projects	0	5	0	5
Total Disbursements	53,192	31,314	6,394	90,900
Other Financing Sources (Uses):				
Transfers from Other Funds	11,656	7,285	6,607	25,548
Transfers to Other Funds	(6,738)	(283)	(14,436)	(21,457)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,918	7,002	(7,829)	4,091
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Reserve for Community Projects Fund	51	0	0	51
Net Designated General Fund Reserves	(91)	0	0	(91)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,379)	404	102	(1,873)

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2013-2014
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,158	8,980	14,001	68,139
Miscellaneous Receipts	2,496	16,456	1,043	19,995
Federal Receipts	60	1	79	140
Total Receipts	47,714	25,437	15,123	88,274
Disbursements:				
Local Assistance Grants	41,996	20,391	0	62,387
Departmental Operations:				
Personal Service	5,879	6,295	0	12,174
Non-Personal Service	2,036	3,436	62	5,534
General State Charges	5,499	2,145	0	7,644
Debt Service	0	0	6,498	6,498
Capital Projects	0	5	0	5
Total Disbursements	55,410	32,272	6,560	94,242
Other Financing Sources (Uses):				
Transfers from Other Funds	12,162	7,477	6,552	26,191
Transfers to Other Funds	(7,160)	(130)	(15,009)	(22,299)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,002	7,347	(8,457)	3,892
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,836)	512	106	(2,218)

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2014-2015
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,131	9,334	14,628	70,093
Miscellaneous Receipts	2,066	16,712	1,064	19,842
Federal Receipts	60	1	79	140
Total Receipts	48,257	26,047	15,771	90,075
Disbursements:				
Local Assistance Grants	43,734	21,016	0	64,750
Departmental Operations:				
Personal Service	6,047	6,421	0	12,468
Non-Personal Service	2,163	3,501	62	5,726
General State Charges	5,660	2,330	0	7,990
Debt Service	0	0	6,551	6,551
Capital Projects	0	5	0	5
Total Disbursements	57,604	33,273	6,613	97,490
Other Financing Sources (Uses):				
Transfers from Other Funds	12,680	7,683	6,185	26,548
Transfers to Other Funds	(7,796)	26	(15,197)	(22,967)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,884	7,709	(9,012)	3,581
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,605)	483	146	(3,976)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2011-2012
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,376	2,150	(168)	453	3,811
Receipts:					
Taxes	42,237	8,319	1,361	13,059	64,976
Miscellaneous Receipts	3,098	15,344	4,016	949	23,407
Federal Receipts	60	40,872	2,294	79	43,305
Total Receipts	45,395	64,535	7,671	14,087	131,688
Disbursements:					
Local Assistance Grants	38,888	53,805	2,711	0	95,404
Departmental Operations:					
Personal Service	5,560	6,803	0	0	12,363
Non-Personal Service	1,796	4,203	0	62	6,061
General State Charges	4,668	2,165	0	0	6,833
Debt Service	0	0	0	5,855	5,855
Capital Projects	0	5	5,177	0	5,182
Total Disbursements	50,912	66,981	7,888	5,917	131,698
Other financing sources (Uses):					
Transfers from Other Funds	11,898	7,323	1,060	6,524	26,805
Transfers to Other Funds	(6,020)	(4,791)	(1,445)	(14,574)	(26,830)
Bond and Note Proceeds	0	0	484	0	484
Net Other Financing Sources (Uses)	5,878	2,532	99	(8,050)	459
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	361	86	(118)	120	449
Closing Fund Balance	1,737	2,236	(286)	573	4,260

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2012-2013
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	43,009	8,643	1,392	13,249	66,293
Miscellaneous Receipts	2,917	16,203	3,685	997	23,802
Federal Receipts	60	37,687	1,847	79	39,673
Total Receipts	45,986	62,533	6,924	14,325	129,768
Disbursements:					
Local Assistance Grants	40,115	51,669	2,010	0	93,794
Departmental Operations:					
Personal Service	5,773	6,879	0	0	12,652
Non-Personal Service	2,178	4,243	0	62	6,483
General State Charges	5,126	2,331	0	0	7,457
Debt Service	0	0	0	6,332	6,332
Capital Projects	0	5	5,276	0	5,281
Total Disbursements	53,192	65,127	7,286	6,394	131,999
Other Financing Sources (Uses):					
Transfers from Other Funds	11,656	7,286	1,410	6,607	26,959
Transfers to Other Funds	(6,738)	(4,288)	(1,505)	(14,436)	(26,967)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	4,918	2,998	305	(7,829)	392
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Reserve for Community Projects Fund	51	0	0	0	51
Net Designated General Fund Reserves	(91)	0	0	0	(91)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,379)	404	(57)	102	(1,930)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2013-2014
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	45,158	8,980	1,397	14,001	69,536
Miscellaneous Receipts	2,496	16,587	3,516	1,043	23,642
Federal Receipts	60	39,731	1,811	79	41,681
Total Receipts	47,714	65,298	6,724	15,123	134,859
Disbursements:					
Local Assistance Grants	41,996	54,433	2,001	0	98,430
Departmental Operations:					
Personal Service	5,879	6,966	0	0	12,845
Non-Personal Service	2,036	4,324	0	62	6,422
General State Charges	5,499	2,483	0	0	7,982
Debt Service	0	0	0	6,498	6,498
Capital Projects	0	5	5,067	0	5,072
Total Disbursements	55,410	68,211	7,068	6,560	137,249
Other Financing Sources (Uses):					
Transfers from Other Funds	12,162	7,478	1,582	6,552	27,774
Transfers to Other Funds	(7,160)	(4,052)	(1,554)	(15,009)	(27,775)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	5,002	3,426	366	(8,457)	337
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,836)	513	22	106	(2,195)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2014-2015
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,131	9,334	1,408	14,628	71,501
Miscellaneous Receipts	2,066	16,843	3,244	1,064	23,217
Federal Receipts	60	45,067	1,809	79	47,015
Total Receipts	48,257	71,244	6,461	15,771	141,733
Disbursements:					
Local Assistance Grants	43,734	60,763	1,730	0	106,227
Departmental Operations:					
Personal Service	6,047	7,095	0	0	13,142
Non-Personal Service	2,163	4,384	0	62	6,609
General State Charges	5,660	2,674	0	0	8,334
Debt Service	0	0	0	6,551	6,551
Capital Projects	0	5	4,995	0	5,000
Total Disbursements	57,604	74,921	6,725	6,613	145,863
Other Financing Sources (Uses):					
Transfers from Other Funds	12,680	7,684	1,519	6,185	28,068
Transfers to Other Funds	(7,796)	(3,524)	(1,528)	(15,197)	(28,045)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	4,884	4,160	297	(9,012)	329
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,605)	483	33	146	(3,943)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2011-2012
(dollars in millions)

	2011 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2012 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,376	4,475	1,098	489	1,245	946	4,192	3,023	1,568	1,906	5,645	5,025	1,376
RECEIPTS:													
Personal Income Tax	4,127	846	2,496	1,720	1,837	2,712	1,693	1,324	441	5,165	1,800	1,840	26,001
User Taxes and Fees	685	669	878	703	717	933	685	689	865	730	625	926	9,105
Business Taxes	151	55	925	74	104	1,063	124	87	1,317	105	122	1,974	6,101
Other Taxes	75	87	87	87	88	88	87	86	86	87	86	86	1,030
Total Taxes	5,038	1,657	4,386	2,584	2,746	4,796	2,589	2,186	2,709	6,087	2,633	4,826	42,237
Licenses, Fees, etc.	46	32	33	31	35	40	41	39	41	39	39	39	455
Abandoned Property	1	0	30	16	10	92	23	127	42	73	56	285	755
ABC License Fee	5	4	4	5	4	5	3	3	3	4	5	4	49
Motor vehicle fees	0	0	0	0	0	7	21	21	21	21	21	20	132
Reimbursements	12	12	25	9	12	24	12	12	27	10	10	37	202
Investment Income	1	1	0	2	0	0	1	0	0	1	1	3	10
Other Transactions	20	51	98	97	55	371	52	48	96	47	76	484	1,495
Total Miscellaneous Receipts	85	100	190	160	116	539	153	250	230	195	208	872	3,098
Federal Grants	2	0	14	0	0	15	0	0	15	0	0	14	60
PIT in Excess of Revenue Bond Debt	1,375	135	964	525	258	1,067	304	171	1,044	1,018	328	907	8,096
Sales Tax in Excess of LGAC Debt S	205	35	443	214	220	224	212	213	263	230	3	147	2,409
Real Estate Taxes in Excess of CW/C	39	36	38	33	41	34	38	25	32	30	26	23	395
All Other	96	14	44	77	9	14	42	22	27	6	(48)	695	998
Total Transfers from Other Funds	1,715	220	1,489	849	528	1,339	596	431	1,366	1,284	309	1,772	11,898
TOTAL RECEIPTS	6,840	1,977	6,079	3,593	3,390	6,689	3,338	2,867	4,320	7,566	3,150	7,484	57,293
DISBURSEMENTS:													
School Aid	232	2,615	2,169	100	540	1,300	500	1,000	1,520	530	500	5,796	16,802
Higher Education	32	25	624	43	198	72	443	32	247	78	321	463	2,578
All Other Education	23	100	306	75	55	70	223	157	62	227	97	337	1,732
Medicaid - DOH	971	927	1,384	480	1,053	156	1,271	1,424	460	810	862	438	10,236
Public Health	15	87	107	79	34	129	29	19	102	16	17	108	742
Mental Hygiene	19	8	352	1	1	533	1	1	349	137	113	366	1,881
Children and Families	8	162	192	117	93	206	88	116	194	78	75	386	1,715
Temporary & Disability Assistance	326	131	136	104	81	122	75	75	89	75	18	170	1,402
Transportation	0	24	0	0	24	0	0	24	15	0	10	3	100
Unrestricted Aid	1	13	295	2	2	92	11	2	205	2	2	140	767
All Other	(23)	25	207	36	50	58	(42)	33	28	33	484	44	933
Total Local Assistance Grants	1,604	4,117	5,772	1,037	2,131	2,738	2,599	2,883	3,271	1,986	2,499	8,251	38,888
Personal Service	602	464	544	512	626	378	348	489	394	373	505	325	5,560
Non-Personal Service	199	149	135	172	166	145	131	112	114	160	157	156	1,796
Total State Operations	801	613	679	684	792	523	479	601	508	533	662	481	7,356
General State Charges	404	338	102	405	416	52	378	440	60	446	282	1,345	4,668
Debt Service	520	0	(99)	375	(4)	(107)	565	0	(84)	445	(18)	(144)	1,449
Capital Projects	(23)	43	(21)	54	59	(42)	87	80	(48)	130	67	414	800
State Share Medicaid	273	209	240	248	257	257	257	257	257	257	257	263	3,032
Other Purposes	162	34	15	34	38	22	142	61	18	30	21	162	739
Total Transfers to Other Funds	932	286	135	711	350	130	1,051	398	143	862	327	695	6,020
TOTAL DISBURSEMENTS	3,741	5,354	6,688	2,837	3,689	3,443	4,507	4,322	3,982	3,827	3,770	10,772	56,932
Excess/(Deficiency) of Receipts over D	3,099	(3,377)	(609)	756	(299)	3,246	(1,169)	(1,455)	338	3,739	(620)	(3,288)	361
CLOSING BALANCE	4,475	1,098	489	1,245	946	4,192	3,023	1,568	1,906	5,645	5,025	1,737	1,737

Source: NYS DOB

APPENDIX B

CERTAIN DEFINITIONS

The following are definitions of certain terms used in the Resolution, the Service Contract or this Official Statement.

"Account" means any account or accounts, as the case may be, established and created pursuant to the Resolution, but does not include any escrow or other fund or account established or created pursuant to a Security Instrument.

"Act" means 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.

"Acts" means, collectively, the Act, the Consolidation Act and the Project Acts.

"Aggregate Obligations" means, as of any date, the sum of the amounts of (i) interest due and payable on such date on Bonds, (ii) the Principal Installment and purchase price, if any, due and payable on such date for Bonds, and (iii) the aggregate Parity Reimbursement Obligations due on such date.

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

"Applicable Percentage" shall mean that percentage which represents the proportion that the aggregate principal amount of Series 2011A Bonds issued to refund bonds issued by the Corporation bears to the aggregate principal amount of the Series 2011A Bonds.

"Authorized Newspaper" means a newspaper or financial journal, 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.

"Authorized Issuer" means any issuer of state-supported debt, the payment of debt service on which is subject to appropriation and not otherwise secured by a dedication of specific revenues.

"Authorized Officer" means (i) in the case of the Corporation, the President, any Senior Vice President, any Vice President, the Treasurer, the Secretary, the Chief Financial Officer, any Assistant Treasurer and any Assistant Secretary, and when used with reference to any act or document, any other person authorized by resolution of the Corporation to perform such act or sign such document, (ii) in the case of the State, Commissioner of General Services, the Director of the Budget or the Comptroller and when used with reference to any act or document, any other person authorized by law or by the Commissioner of General Services, the Director of the Budget or the Comptroller, as the case may be, to perform such act or sign such document, (iii) in the case of the Trustee, any officer within its corporate trust office including 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 Corporation or the Trustee, respectively.

“Beneficiaries” means the Owners of Bonds Outstanding, and Credit Facility Providers and Liquidity Facility Providers as to which there are Parity Reimbursement Obligations.

“Bond” or **“Bonds”** means any bond or bonds, as the case may be, authenticated and delivered under the Resolution.

“Bondholder” or **“Bondowner”** means any person who shall be the registered owner of any Outstanding Bond or Bonds.

“Bond Payment Date” means any due date for the payment of any interest or Principal Installment (as such term is defined in the Bond Resolution) whether at maturity or by reason of acceleration, redemption or otherwise.

“Bond Proceeds Fund” means the Bond Proceeds Fund established pursuant to the Resolution.

“Bond Year” means the twelve-month period commencing on the first day of January in any year.

“Business Day” means any day other than a Saturday, a Sunday or legal holiday or a day on which banking institutions in New York, New York or any city in which the principal office of the Trustee or any Paying Agent is located are authorized or required by law or executive order to remain closed.

“Capital Appreciation Bonds” means the Bonds of any Series so designated in a Series Resolution; provided, however, that the term “Capital Appreciation Bonds” shall only be used with respect to Bonds the interest on which is payable only at maturity, or earlier redemption or acceleration of maturity, in amounts determined by reference to the Compounded Amount of each Bond.

“Capitalized Interest Account” means the Capitalized Interest Account established in the Bond Proceeds Fund pursuant to the Resolution.

“Code” means the Internal Revenue Code of 1986, as amended, and the final, temporary and proposed regulations of the United States Department of Treasury promulgated thereunder.

“Compounded Amount” means the principal amount of the Capital Appreciation Bonds and Convertible Capital Appreciation Bonds plus the amount of interest that has accreted on such Bonds to the date of calculation, determined by reference to accretion tables contained in each such Bond or an offering circular with respect thereto.

“Contract Payments” means, except as otherwise provided in a Series Resolution, all payments or other amounts payable to or received by the Corporation under a Service Contract for Projects relating to the payment of the principal or purchase price of, redemption premium, if any, and interest on, the Bonds, including payments representing such amounts and payable to Credit Facility Providers and Liquidity Providers, and payments in satisfaction of rebate requirements under the Code.

“Convertible Capital Appreciation Bonds” means Bonds which, on or prior to the Current Interest Commencement Date, have the characteristics of Capital Appreciation Bonds and, after the Current Interest Commencement Date, have the characteristics of Current Interest Bonds, in each case with such further terms and conditions as may be designated therefor by subsequent resolution adopted prior to the issuance of such Series of such Bonds.

"Corporation" means the New York State Urban Development Corporation, the corporate governmental agency created by the Act, and its successors and permitted assigns.

"Correctional Facilities Project Act" means Chapter 56 of the Laws of 1983, as amended and supplemented from time to time, and any subsequent Chapter of the Laws of the State of New York pursuant to which any subsequent Series of Bonds may be issued.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to the Corporation or the State, as specified and related to the authorization, sale and issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums, fees or charges for any Credit Facility or Liquidity Facility, upfront payments to counterparties on interest rate exchange agreements, and any other cost, charge or fee in connection with the original issuance of Bonds.

"Costs of Issuance Account" means the Costs of Issuance Account established in the Bond Proceeds Fund pursuant to the Resolution.

"Credit Facility" means an irrevocable letter of credit, bond insurance policy, surety bond, loan agreement, Standby Purchase Agreement or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, a Federal Home Loan Bank, a corporation, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal or State agency or instrumentality approved by the Corporation, pursuant to which the Corporation is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof in accordance with the Resolution and with the Series Resolution authorizing such Bonds, whether or not the Corporation is in default under the Resolution; provided, that use of a Credit Facility shall not result, at the time of delivery of the Credit Facility, in a reduction in the rating of any Bonds Outstanding; and provided further, that a substitute Credit Facility (the "Substitute Credit Facility") may be obtained from time to time (i) which shall contain the same material terms as set forth in the Credit Facility for which substitution is made, and (ii) will not, in and of itself, result in a rating of the related Bonds lower than those which then prevailed.

"Credit Facility Provider" means the counterparty which has executed a Credit Facility with the Corporation, or otherwise has provided a Credit Facility at the request of the Corporation, for the benefit of any of the Bonds.

"Current Interest Bonds" means Bonds that bear interest which is payable semiannually or more often.

"Current Interest Commencement Date" means the date established prior to the issuance of each Series of Convertible Capital Appreciation Bonds, at which time the semiannual compounding of interest ceases and on and after such date interest is payable currently on the Compounded Amounts on the next ensuing interest payment dates.

"Debt Service Fund" means the Debt Service Fund established pursuant to the Resolution.

"Defeased Municipal Obligations" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Fitch or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or direct obligations of the Treasury of the United States of America, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"Earnings Fund" means the Fund by that name established pursuant to the Resolution.

"Event of Default" means an event described in the Resolution.

"Fiduciary" or **"Fiduciaries"** means the Trustee, any Paying Agent, or either or both of them, as may be appropriate.

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

"Fixed Tender Bond" means any Bond, not constituting an Adjustable Rate Bond, which by its terms must be tendered by the Owner thereof for purchase by the Corporation prior to the stated maturity thereof or for purchase thereof.

"Fund" or **"Funds"** means any fund or Funds, as the case may be, established pursuant to the Resolution.

"Government Obligations" means (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations describe 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 Corporation; (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; or (e) Defeased Municipal Obligations.

"Investment Obligations" means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Corporation's funds:

(i) Government Obligations;

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate;

(iii) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; or obligations issued by any state or any public agencies or municipalities which are rated in the highest rating category by a nationally recognized bond rating agency;

(iv) direct and general obligations of any state of the United States to the payment of the principal of and interest on which the full faith and credit of such state is pledged which are rated in either of the two highest rating categories by a nationally recognized bond rating agency;

(v) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, rated "A-1" or "P-1" by Fitch or Standard & Poor's;

(vi) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which has been rated "A" or better by Fitch or Standard & Poor's or money market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof, which has a combined capital and surplus of not less than $50,000,000;

(vii) bank deposits evidenced by certificates of deposit issued by banks (which may include any Fiduciary) which are members of the Federal Deposit Insurance Corporation, provided that such time deposits are fully secured by obligations described in clauses (i) or (ii) above, which such obligations at all times have a market value (exclusive of accrued interest) at least equal to such bank deposits so secured, including interest;

(viii) repurchase agreements relating to securities of the type specified in clauses (i) and (ii) above, provided that such securities in an amount at least equal to the face value of such agreements shall be delivered as security for such agreements to the account of the Trustee to be held therein during the term of the agreements;

(ix) investment agreements, secured or unsecured, with any institutions whose debt securities are rated at least "AA" (or equivalent rating of short-term obligations if the investment is for a period not exceeding one year) by Standard & Poor's or equivalent rating by a nationally recognized rating agency; and

(x) any other obligations conforming to the Corporation's guidelines for investment, so long as such obligations are rated at least in the two highest rating categories of each of the Rating Agencies and approved by the applicable Insurer.

"Liquidity Facility" means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, a Federal Home Loan Bank, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal or State agency or instrumentality approved by the Corporation, pursuant to which the Corporation is entitled to obtain moneys upon the terms and conditions contained therein for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms of the Resolution and of the Series Resolution authorizing such Bond; provided, that the use of the Liquidity Facility shall not result, at the time of delivery of the Liquidity Facility, in a reduction in the rating of any Bonds Outstanding; and provided further that a substitute Liquidity Facility (the "Substitute Liquidity Facility") may be obtained from time to time (i) which shall contain the same material terms as set forth in the Liquidity Facility for which substitution is made, and (ii) will not, in and of itself, result in a rating of the related Bonds lower than those which then prevailed.

"Liquidity Facility Provider" means the counterparty which has executed a Liquidity Facility with the Corporation or, otherwise has provided a Liquidity Facility at the request of the Corporation, for the benefit of any of the Bonds.

"Maturity Amount" means the Compounded Amount of any Capital Appreciation Bond as of the stated maturity thereof.

"Maximum Interest Rate" means, with respect to any particular Adjustable Rate Bond, a numerical rate of interest, which shall be set forth in the Series Resolution authorizing such Bond, that shall be the maximum rate at which such Bond may bear interest at any time.

"Minimum Interest Rate" means, with respect to any particular Adjustable Rate Bond, a numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond, that shall be the minimum rate at which such Bond may bear interest at any time.

"OGS Lease Certificate Project Act" means Section 46 of Part T of Chapter 57 of the Laws of 2007, as amended and supplemented from time to time, and any subsequent Chapter of the Laws of the State of New York pursuant to which any subsequent Series of Bonds may be issued.

"Opinion of Bond Counsel" means an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds selected by the Corporation and satisfactory to the Trustee.

"Opinion of Counsel" means an opinion signed by an attorney or firm of attorneys of recognized standing (who may be counsel to the Corporation) selected by the Corporation.

"Option Bond" means any Bond which by its terms may be tendered by and at the option of the Owner thereof for redemption by the Corporation prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Owner thereof.

"Original Principal Amount" means the Compounded Amount of any Capital Appreciation Bond as of the date of original issuance.

"Outstanding," when used with reference to the Bonds as a whole or the Bonds of a Series, describes, as of any date, all Bonds or Bonds of such Series, as the case may be, theretofore or thereupon being delivered and issued under the provisions of the Resolution, except:

(i) any Bonds cancelled by or surrendered for cancellation to the Trustee at or prior to such date;

(ii) Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agent in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds deemed to have been paid as provided in the Resolution; and

(iv) Bonds in lieu of or in substitution for which other Bonds shall have been issued pursuant to Article III or Section 408 or Section 1007 of the Resolution;

provided, however, that in determining whether the Owners of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver, Bonds owned by the State or the Corporation, or any other obligor upon the Bonds or any affiliate of such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the State or the Corporation, or any other obligor upon the Bonds or any affiliate of such other obligor.

"Owner" or **"Owner of Bonds"** means the Bondholder.

"Parity Reimbursement Obligations" means payments due from the Corporation to the provider of any Credit Facility or any Liquidity Facility which are payable from the Contract Payments on a parity with the Bonds and the Corporation's obligation to make such payments having been secured by a lien and pledge of the Contract Payments, as the case may be, which shall be equal and ratable to the lien and pledge securing the Bonds, all as set forth in any Supplemental Resolution.

"Paying Agent" means any bank, trust company or national banking association appointed to act as a paying agent for the Bonds of any Series, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the provisions of the Resolution.

"Permitted Encumbrance" means any of (i) the Resolution and any Supplemental Resolution, (ii) the Security Instruments, and (iii) any assignments thereof to the Corporation or the Trustee.

"Person" or **"Persons"** means an individual, partnership, corporation, trust or unincorporated organization and a government or agency or political subdivision or branch thereof.

"Pledged Property" means the items pledged to the payment of the principal of, and premium, if any and interest on, and Sinking Fund Installments for all of the Bonds pursuant to subsection 1 of Section 501 of the Resolution.

"Principal Installment" means, as of any date with respect to any Series, so long as any Bonds thereof are Outstanding, the sum of (i) the principal amount and Compounded Amount (to the extent applicable) of Bonds of such Series due on such date, and (ii) the unsatisfied balance (determined as provided in Section 511 of the Resolution) of any Sinking Fund Installments due on such date for Bonds of such Series.

"Project Acts" means the OGS Lease Certificate Project Act, as may be further amended from time to time and any subsequent Chapter of the Laws of the State pursuant to which any subsequent Series of Bonds may be issued.

"Rating Agency" means each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Corporation.

"Rebate Amount" means with respect to the Bonds, the amounts computed as described in the Tax Certificate.

"Rebate Fund" means the Rebate Fund established pursuant to the Resolution.

"Record Date" means any date (whether or not a Business Day) fifteen (15) days prior to any interest payment date on the Bonds or as specified in a Series Resolution.

"Recoveries and Awards" means all amounts arising from or attributable to all amounts realized upon or as a result of the exercise of any right or remedy or enforcement of any security interest under a Security Instrument or the Resolution, and any proceeds thereof, after deducting from any such amounts, any costs and expenses incurred in the exercise of any such right or remedy or in the enforcement of any such security interest, collecting the proceeds thereof or producing income thereon.

"Redemption Fund" means the Redemption Fund established pursuant to the Resolution.

"Redemption Price" means, when used with respect to a Bond (other than a Convertible Capital Appreciation Bond or a Capital Appreciation Bond), or a portion thereof to be redeemed, the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof, pursuant to the Resolution and the applicable Series Resolution, but, when used with respect to a Convertible Capital Appreciation Bond or a Capital Appreciation Bond, "Redemption Price" means the Compounded Amount on the date of redemption of such Bond or portion thereof plus the applicable premium, if any.

"Refunding Bonds" means all Bonds authenticated and delivered on original issuance pursuant to the Resolution or thereafter authenticated and delivered in lieu of or in substitution for any such Bond pursuant to the Resolution.

"Resolution" means the New York State Urban Development Corporation Service Contract Refunding Bond Resolution, as from time to time amended or supplemented by Supplemental Resolutions and/or Series Resolutions.

"Revenue Fund" means the Revenue Fund established pursuant to the Resolution.

"Revenues" means all Contract Payments and Recoveries and Awards.

"Security Instruments" means, collectively, the Service Contract and all assignments of all or any part thereof to the Corporation or the Trustee as collateral or otherwise, as from time to time amended or supplemented.

"Series" means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction pursuant to the Resolution and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the Resolution.

"Series Resolution" means a resolution of the Corporation authorizing the issuance of a Series of Bonds in accordance with the terms and provisions thereof adopted by the Corporation in accordance with the Resolution.

"Service Contract" means, with respect to each Series of Bonds, a written agreement or agreements between the Corporation and the State of not more than 30 years in duration pursuant to which the State agrees to pay the Corporation, subject to annual appropriations by the State legislature, such sums as are necessary to meet, among other things, the debt service payments due on any Outstanding Bonds of such Series and any Parity Reimbursement Obligations in any calendar year.

"Sinking Fund Installment" means, when used with respect to any Series of Bonds, the amount of principal or Compounded Amount, as the case may be, due prior to maturity on Bonds of a given maturity on any particular due date pursuant to the Resolution as specified in the Series Resolution pursuant to which such Series was issued.

"Standard & Poor's" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

"Standby Purchase Agreement" means an agreement by and between the Corporation and another person pursuant to which such person is obligated to purchase Option Bonds or Fixed Tender Bonds tendered for purchase.

"State" means the State of New York.

"Supplemental Resolution" means any resolution supplemental to or amendatory of the Resolution or any Series Resolution, adopted by the Corporation in accordance with the Resolution.

"Taxable Bonds" means Bonds of a Series which are not Tax Exempt Bonds.

"Tax Certificate" means the document executed by the Corporation with respect to each Series and entitled "Tax Certificate as to Arbitrage and Instructions as to Compliance with and the Provisions of Section 103 of the Internal Revenue Code of 1986, as amended."

"Tax Exempt Bonds" means Bonds of a Series the interest on which, in the opinion of Bond Counsel, on the date of original issuance thereof, is excludable from gross income for federal income tax purposes.

"Trustee" means the bank, trust company or national banking association appointed pursuant to the Resolution to act as trustee thereunder, and its successor or successors and any other bank, trust company or national banking association which may at any time be substituted in its place pursuant to the provisions of the Resolution.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following is a general summary of certain provisions of the General Resolution as presently in effect. This summary is not to be considered a full statement of the terms of the General Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof. All references to Articles and Sections in this summary refer to articles and sections of the General Resolution unless expressly stated otherwise. A copy of the General Resolution may be obtained upon request therefor addressed to the Secretary of the Corporation.

Resolution to Constitute Contract (Section 103)

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those Persons who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Corporation and the Owners 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 Corporation shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery 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.

Special Provisions Concerning Capital Appreciation Bonds (Section 104)

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed, or (ii) receiving payment of a Capital Appreciation Bond, or (iii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Corporation or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, or (iv) calculating the principal amount of Bonds to be credited toward Sinking Fund Installments, the principal amount of a Capital Appreciation Bond shall be deemed to be its then current Compounded Amount.

Authorization of Bonds (Section 201)

The Resolution creates and establishes an issue of Bonds of the Corporation to be designated as "Service Contract Revenue Refunding Bonds" and creates, in the manner and to the extent provided therein, a continuing pledge and lien to secure the full and final payment of the principal and premium of, if any, and interest on, all the Bonds issued pursuant to the Resolution. The Bonds shall be special obligations of the Corporation payable from the Pledged Property without recourse against other assets of the Corporation. The State is not liable on the Bonds, and the Bonds shall not be a debt of the State and the Bonds shall contain on the face thereof a statement to this effect. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as is or may be provided in the Resolution or as may be limited by the Acts.

General Provisions for Issuance of Bonds (Section 202)

One or more Series of Bonds may be authenticated and delivered upon original issuance, in such principal amount or amounts for each such Series as may be determined from time to time by the Corporation, for the purpose of (i) refunding or otherwise repaying any Bonds or any bonds, notes or other obligations of the Corporation or any Authorized Issuer pursuant to the Project Acts; (ii) funding a debt service reserve fund, if necessary; (iii) paying the costs associated with terminating swap agreements relating to refunded bonds, and (iv) paying the Costs of Issuance; or Bonds may issued for any combination of (i) through (iv) above.

Bonds of any Series shall be authorized by a Series Resolution which shall specify, among other things, the authorized principal amount and designation of such Series of such Bonds and the purposes for which such Series of Bonds is being issued. Each Series of Bonds shall be executed by the Corporation for issuance under the Resolution and delivered to the Trustee, and thereupon shall be authenticated by the Trustee and delivered to the Corporation or upon its order, but only upon receipt by the Trustee of:

(a) A copy of the Resolution, certified by an Authorized Officer of the Corporation,

(b) An Opinion of Bond Counsel to the effect that (A) the Corporation has the right and power under the Acts to adopt the Resolution and the Resolution has been duly and lawfully adopted by the Corporation, is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms, and no other authorization for the Resolution is required; (B) the Resolution creates the valid pledge for the benefit of the owners of the Bonds which it purports to create of the Pledged Property, subject only to the provisions of the Resolution permitting the application thereof to the purposes and on the terms and conditions set forth in the Resolution; and (C) the Bonds of such Series are valid and binding special obligations of the Corporation as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution (except insofar as the enforceability thereof may be limited by any applicable bankruptcy, insolvency or similar laws relating to the enforcement of creditors' rights generally or the availability of the remedy of specific performance, injunctive relief or any other equitable remedy), and entitled to the benefit of the Resolution and of the Acts, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, and in accordance with the Resolution;

(c) A written order as to the authentication and delivery of the Bonds of such Series, signed by an Authorized Officer of the Corporation;

(d) A copy of the Series Resolution authorizing such Series, certified by an Authorized Officer of the Corporation;

(e) Except in the case of any Refunding Bonds, a copy of a Supplemental Resolution (which may be the Series Resolution authorizing the Series of Bonds) authorizing the final form of the Service Contract and Security Instruments related thereto;

(f) A certificate of an Authorized Officer of the Corporation stating that (i) the Corporation is not in default in any material respect in the performance of any of the terms, provisions or covenants of the Resolution or any Series Resolution to be complied with or performed by the Corporation, (ii) the Corporation has not violated the provision of the Resolution described herein under the heading "Creation of Liens," and (iii) the Service Contracts as in effect following the delivery of such Series of Bonds collectively provide for the timely payment of the Aggregate Obligations when due;

(g) A certificate of an Authorized Officer of the State (i) except in the case of the first Series of Bonds, stating that as of the date of delivery of such Series of Bonds the State is not in default in the payment when due of any Contract Payments required to be paid under any Service Contract securing Bonds issued under the Resolution, and (ii) consenting to the issuance of such Series of Bonds;

(h) A certificate of an Authorized Officer of the Corporation setting forth the aggregate principal amount of Bonds issued and stating that such aggregate amount does not, at the time of delivery of such Bonds, exceed the maximum authorization therefor set forth in the Project Acts, as amended to the date of the certificate;

(i) An executed counterpart of each Security Instrument or, if previously delivered, a copy of each such instrument and agreement, in each case certified by an Authorized Officer of the Corporation;

(j) An Opinion of Counsel to the State (who may be the Attorney General of the State) substantially to the effect that, with respect to each Service Contract entered into as a result of the issuance of the Bonds, (i) the State has the requisite power and authority to execute and deliver the Service Contract, (ii) the Service Contract has been duly and lawfully authorized, executed and delivered by the Director of the Budget and/or the Commissioner of General Services on behalf of the State, is in full force and effect and is the legal, valid and binding obligation of the State enforceable in accordance with and subject to its terms, (iii) the execution of the Service Contract by the Director of the Budget and/or the Commissioner of General Services does not conflict with or constitute on the part of the Director of the Budget and/or the Commissioner of General Services a breach of, or a default under, any existing law, court or administrative regulation, decree or order to which the Director of the Budget and/or the Commissioner of General Services is subject or by which it is bound and (iv) to the best knowledge of such counsel, there is no litigation pending or threatened which would have a material adverse effect on the power of the Director of the Budget and/or the Commissioner of General Services to pay all amounts required under the Service Contract or which would restrain, enjoin, bar or contest the valid and effective execution of the Service Contract by the Director of the Budget and/or the Commissioner of General Services;

(k) An Opinion of Counsel to the Corporation to the effect that (i) all authorizations, consents and approvals of governmental bodies or regulatory authorities required for the Corporation's execution or performance of each Security Instrument of which the Corporation is a signatory and executed in connection with the issuance of such Series of Bonds, the Bonds of such Series, the Resolution and the Series Resolution pursuant to which such Series of Bonds is issued have been obtained or effected, (ii) the execution of each Security Instrument to which the Corporation is a signatory and executed in connection with the issuance of such Series of Bonds, and the Bonds of such Series, and the adoption of the Resolution and the Series Resolution pursuant to which such Series of Bonds are issued by the Corporation, do not conflict with or constitute on the part of the Corporation a breach of, or default under, any existing law, court or administrative regulation, decree or order, or any contract of which such counsel has knowledge or to which the Corporation is subject or by which it is bound, and (iii) to the best knowledge of such counsel, there is no litigation pending or threatened which would have a material adverse effect on the power of the Corporation to enter into the transactions contemplated by the Resolution or which would restrain, enjoin, bar or contest the valid and effective execution of the Security Instruments to which the Corporation is a signatory, and the Bonds, and adoption of the Resolution and the Series Resolution pursuant to which such Series of Bonds is issued by the Corporation;

(l) If any Bonds of such Series are Option Bonds, a Credit Facility or Liquidity Facility in such an amount as would provide sufficient moneys for the purchase or redemption of, and payment of interest due on all Option Bonds of such Series if the Owners thereof elected to tender for purchase or redemption of the entire aggregate Outstanding principal amount of the Option Bonds of such Series; and

(m) Such further documents and moneys as are required by the Resolution or by any Supplemental or Series Resolution.

Special Provisions for Refunding Bonds (Section 203)

Bonds of one or more Series may be authenticated and delivered upon original issuance for the purpose of refunding Bonds.

The Refunding Bonds of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the other documents required for issuance of a Series of Bonds) of:

(a) Irrevocable instructions to the Trustee, in form reasonably satisfactory to it, to give due notice of the payment or redemption of all the Bonds so to be refunded on a payment or redemption date specified in such instructions and the payment or redemption dates, if any, upon which such Bonds are to be paid or redeemed;

(b) If the Bonds of a Series to be refunded are to be paid or redeemed subsequent to the forty-fifth day next succeeding the date of authentication, irrevocable instructions to the Trustee, to provide notice in the manner provided in the Resolution with respect to the payment of such Bonds pursuant to the Resolution;

(c) Either (i) moneys or (ii) Investment Securities as shall be necessary to comply with the provisions of subsection 2 of Section 1105, described below under the heading "Defeasance (Section 1105)," which moneys and Investment Securities shall be held in trust and used only as provided in said subsection; and

(d) A certificate of an independent certified public accountant that the proceeds of the Refunding Bonds deposited pursuant to the Resolution are sufficient to pay or redeem all of the Bonds to be refunded.

The proceeds of the Refunding Bonds of each such Series, including accrued interest, shall be applied simultaneously with the delivery of such Bonds in the manner provided in the Series Resolution authorizing such Bonds.

Mandatory Redemption Upon Deposit of Certain Funds (Section 404)

The Bonds are subject to mandatory redemption, without premium or penalty, in whole at any time or in part only on any interest payment date and shall be prepaid or redeemed at such time from all Recoveries and Awards being deposited in the Redemption Fund pursuant to the provisions of the Resolution described in "Redemption Fund; Amounts to be Deposited Therein" below.

The Pledge Effected by the Resolution (Section 501)

The Corporation pledges and assigns unto and grants a security interest to, the Trustee, and its respective successor in trust, forever, in accordance with the terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof, for the purposes and on the terms and conditions set forth in the Resolution for the securing of the performance of the obligations of the Corporation set forth in the Resolution, all right, title and interest of the Corporation, now or hereafter acquired in and to the following (the "Pledged Property"):

1. Each Security Instrument including all extensions and renewals, if any, of the term thereof, including all right, title and interest of the Corporation therein, including but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and acknowledge receipt of any of the Contract Payments and other income, revenues, and sums of money payable to or receivable by the Corporation thereunder, whether payable as scheduled therein or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, to make claim for, collect, receive and dispose of any collateral therefor, and to do any and all things that the Corporation is or may become entitled to do under each Security Instrument; provided that, except as otherwise provided in a Series Resolution, there shall not be so pledged or assigned any provisions of any Service Contract other than those relating to the payment of the principal or purchase price of, redemption premium, if any, and interest on the Bonds including payments representing such amounts and payable to Credit Facility Providers and Liquidity Providers, and payments in satisfaction of rebate requirements under the Code; and

2. All the Funds (other than the Rebate Fund) Accounts, Revenues, moneys and securities from time to time held by any Fiduciary under the terms of the Resolution or a Series Resolution and any and all other real or personal property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed or transferred to the Corporation in connection with or incidental to the issuance of Bonds or with its written consent to the Trustee as Trustee thereunder which is thereby authorized to receive any and all such property at any and all times and hold and apply the same subject to the terms thereof.

Subject to the provisions of the Resolution, this pledge shall be valid and binding from and after the date of issuance and delivery of the Bonds; and the Pledged Property shall, except as provided under this heading, immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation irrespective of whether such parties have notice thereof. Pursuant to the Act as existing at the date of adoption of the first Series Resolution, neither the Resolution nor any other instrument by which any such pledge or assignment is created need be recorded, and no filing with respect to such pledge or assignment need be made under the Uniform Commercial Code of the State.

Establishment of Funds and Accounts (Section 502)

The Resolution creates the following Funds and Accounts, which shall be held and administered by the Trustee. Each of such Funds and Accounts shall have as a prefix "New York State Urban Development Corporation Service Contract Revenue Refunding Bonds."

(1) Bond Proceeds Fund, which shall contain therein the Costs of Issuance Account and the Capitalized Interest Account;

(2) Revenue Fund;

(3) Debt Service Fund, which shall contain therein the Principal Account and the Interest Account;

(4) Redemption Fund;

(5) Earnings Fund; and

(6) Rebate Fund; which shall contain therein a Rebate Account for each Series of Bonds.

Amounts held at any time by the Trustee in any of these Funds and Accounts shall be held in trust separate and apart from all other funds and accounts of the Corporation and shall be applied only in accordance with the provisions of the Resolution and the Acts. The Corporation may establish and create such other Funds and Accounts in any such Funds as may be authorized pursuant to any Supplemental Resolution, including a Series Resolution authorizing the issuance of a Series of Bonds.

Bond Proceeds Fund (Section 503)

There shall be deposited from time to time in the Bond Proceeds Fund the cash proceeds of sale (inclusive of premium, if any, but not of accrued interest or underwriters' discount) of any Series of Bonds and any other amounts the Corporation determines from time to time to deposit therein, subject to the requirements of the Series Resolution authorizing the issuance of such Series of Bonds. Amounts in the Bond Proceeds Fund, including any Account or subaccount thereof, shall be expended only for the purpose or purposes for which such Series of Bonds is being issued and as may be provided in the Series Resolution authorizing the issuance of such Series of Bonds.

Within the Bond Proceeds Fund shall be the Costs of Issuance Account and the Capitalized Interest Account, into which, for each Series shall be deposited amounts, if any, determined to be deposited therein pursuant to the requirements of the Series Resolution therefor. Amounts on deposit in the Costs of Issuance Account shall be applied to the payment of Costs of Issuance of the Bonds, upon receipt by the Trustee of a written requisition therefor and a certificate of an Authorized Officer of the Corporation stating that the amount to be paid pursuant to such requisition is a proper charge on the Costs of Issuance Account and has not been the basis of any previous withdrawal. Amounts on deposit in the Capitalized Interest Account shall be transferred to the Interest Account prior to the tenth day preceding each interest payment date as required by a

Series Resolution or a Supplemental Resolution authorizing such deposits to be made and providing for the application of such deposits.

Upon such day as shall be specified in the applicable Series Resolution, any amounts remaining (i) in the Costs of Issuance Account or any subaccount thereof and not set aside or appropriated by the Trustee to pay Costs of Issuance of the Series of Bonds, (ii) in the Capitalized Interest Account or any subaccount thereof and not set aside or appropriated by the Trustee to pay interest accrued to such date, and (iii) in any other Account or any subaccount thereof of the Bond Proceeds Fund and not set aside or appropriated by the Trustee to pay any other cost or expense the payment of which was authorized or provided for by the Series Resolution authorizing such Series of Bonds, shall be deposited as provided for in the next paragraph.

The Trustee, upon written instructions of an Authorized Officer of the Corporation, shall deposit any funds described in the previous paragraph in (i) the Revenue Fund, (ii) the Redemption Fund, or (iii) any one or more of the Funds and Accounts set forth in clause (i) or (ii) above; provided, however, in the case of a Series of Tax Exempt Bonds, that any written instructions of the Authorized Officer of the Corporation directing that deposits be made to the Funds and Accounts described in clause (ii) above shall be accompanied by an opinion of Bond Counsel to the effect that such deposit is authorized or permitted to be made pursuant to the Resolution and that such deposit will not adversely affect the exemption of interest in the Bonds from federal income taxation. If the Trustee shall not have received written instructions from an Authorized Officer as provided in this paragraph within ten (10) days of the Date of Completion as provided in the previous paragraph, then the Trustee shall deposit any funds described in the previous paragraph in the Redemption Fund.

Revenue Fund; Amounts to be Deposited Therein (Section 504)

Except as otherwise required by the section of the Resolution described herein under the heading "Debt Service Fund," all Contract Payments shall, upon receipt thereof, be deposited into the Revenue Fund. There shall also be transferred to and deposited in the Revenue Fund such portion of the Contract Payments paid by any Person to the Corporation pursuant to and to the extent provided in a Credit Facility or Liquidity Facility, or, to the extent set forth in the applicable Series Resolution, any interest rate exchange agreement. Moneys and the proceeds of the sale of securities from time to time in the Revenue Fund shall be paid out and applied for the uses and purposes for which the same are pledged by the provisions of the Resolution, in the manner provided in the Resolution.

Revenue Fund; Application Thereof (Section 505)

On or before the last business day prior to each interest payment date or Principal Installment due date, as the case may be, the Trustee shall transfer from the Revenue Fund to the Principal Account and the Interest Account the amount, if any, required so that the balance in the Debt Service Fund shall equal the Aggregate Obligations due on such interest payment date or Principal Installment due date.

If there are any amounts on deposit in the Revenue Fund after this transfer, the Trustee, upon receipt of written instructions from an Authorized Officer of the Corporation, shall transfer from the Revenue Fund to the Redemption Fund all or any portion of such remaining amounts for the purposes of such Fund.

At least ten (10) days prior to any interest payment date or Principal Installment due date, the Trustee shall make transfers to the Corporation from the Revenue Fund to the extent any funds are on deposit therein of the amounts certified by an Authorized Officer of the Corporation as necessary to reimburse the Corporation or to pay reasonable and necessary expenses incurred by the Corporation in connection with the Bonds, including fees and costs with respect to Credit Facilities and Liquidity Facilities, and not previously reimbursed; provided, that no such transfer shall result, in and of itself, on or before the immediately subsequent interest payment or Principal Installment due date, in a transfer of moneys on deposit in the

Redemption Fund, pursuant to the Resolution, to the Debt Service Fund to make up a deficiency in such Fund with respect to such interest payment or Principal Installment due date.

Debt Service Fund (Section 506)

There shall be deposited into the Interest Account of the Debt Service Fund the following:

(i) Such amount determined by the applicable Series Resolution representing accrued interest received upon the sale of a Series of Bonds;

(ii) Amounts transferred from the Capitalized Interest Account pursuant to the Resolution; and

(iii) Amounts transferred from the Revenue Fund or the Redemption Fund equal to the portion of the Aggregate Obligations representing interest due on the Bonds.

The Trustee shall pay out of the Interest Account, to the respective Paying Agents, on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date. Also, the Trustee shall pay out of the Interest Account to the respective Paying Agents, on or before any redemption date for any Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amount shall be applied by the Paying Agent to such payment on or after the due date thereof.

There shall be deposited into the Principal Account amounts transferred from the Revenue Fund or from the Redemption Fund equal to the portion of the Aggregate Obligations representing Principal Installments due on the Bonds. The Trustee shall pay out of the Principal Account, to the respective Paying Agents on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date.

There shall be retained in the Debt Service Fund the portion of the Aggregate Obligations transferred from the Revenue Fund representing Parity Reimbursement Obligations. The Trustee shall pay out of the Debt Service Account, on each date such amounts are due and owing, to the counterparties to which such amounts are owed, any Parity Reimbursement Obligations.

Redemption Fund; Amounts to be Deposited Therein (Section 508)

Upon receipt, the following shall be deposited into the Redemption Fund:

(i) Such portion of the Contract Payments prepaid by the State pursuant to the provisions of a Service Contract for the stated purpose of redemption of Bonds; and

(ii) All Recoveries and Awards, unless the Trustee shall receive instructions from the Corporation to deposit such amounts in the Revenue Fund, accompanied by, in the case of a Series of Tax Exempt Bonds, an Opinion of Bond Counsel to the effect that such deposit will not adversely affect the exclusion of interest on the Bonds for federal income tax purposes under the Code.

Subject to certain limitations if, on the last business day preceding any interest payment date or Principal Installment due date, the amount on deposit in the Debt Service Fund is less than Aggregate Bond Service for such interest payment date or Principal Installment due date, then the Trustee shall transfer from the Redemption Fund to the Debt Service Fund an amount which will be sufficient to make up such deficiency (or all of the moneys in the Redemption Fund if less than the amount required).

To the extent not required to make up such deficiency, amounts in the Redemption Fund shall be applied by the Trustee as promptly as practicable, upon receipt of written instructions from an Authorized Officer of the Corporation, to the purchase or redemption (including premium, if any) of Bonds. Interest on

Bonds so purchased or redeemed shall be paid from the Debt Service Fund, and all expenses in connection with such purchase or redemption shall be paid by the Corporation from moneys held in the Revenue Fund.

Earnings Fund (Section 509)

To the extent amounts deposited in the Earnings Fund are required to be transferred to the Rebate Fund, such amounts shall be released from the lien of the Resolution and shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Owner of any Bond or any other Person. No transfer of moneys from the Earnings Fund shall take place, and no moneys in the Earnings Fund shall be applied to payment of the Bonds or for any other purpose, until all moneys required to be transferred to the Rebate Fund shall have been so transferred.

All investment income or earnings on amounts held in the Redemption Fund, the Debt Service Fund, the Revenue Fund or the Bond Proceeds Fund or any other special fund held under the Resolution (other than the Rebate Fund) shall be deposited upon receipt by the Trustee into the Earnings Fund. The Trustee shall keep separate accounts of all amounts deposited in the Earnings Fund to indicate the source of the income or earnings.

Upon receipt of the certificate referred to in the second paragraph under the heading "Rebate Fund" below, the Trustee shall withdraw from the Earnings Fund that amount as is set forth as the Rebate Amount in a written certificate delivered by an Authorized Officer of the Corporation to the Trustee pursuant to the Resolution and deposit, to the extent available, such amount in the Rebate Fund. Any amounts remaining in the Earnings Fund following such transfer will be deposited in the Debt Service Fund.

Rebate Fund (Section 510)

The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Owner of any Bond or any other Person. The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Officer of the Corporation shall deposit in the Rebate Fund within thirty (30) days after the end of each Bond Year, an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the last day of the immediately preceding Bond Year. The amount deposited in the Rebate Fund pursuant to the preceding sentence shall be withdrawn from the Earnings Fund. In the event that on the first day of any Bond Year the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Officer of the Corporation, shall withdraw such excess amount and deposit it in the Debt Service Fund.

The Trustee, upon the receipt of written instructions from an Authorized Officer of the Corporation, shall pay to the United States, out of amounts in the Rebate Fund, (i) not later than thirty (30) days after the last day of the fifth Bond Year and after every fifth Bond Year thereafter, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to the Bonds as of the date of such payment and (ii) notwithstanding the provisions of the Resolution not later than sixty (60) days after the date on which all Bonds have been paid in full, 100% of the Rebate Amount as of the date of payment.

Investment of Funds and Accounts Held by the Trustee (Section 602)

Moneys in any Fund or Account shall be continuously invested and reinvested or deposited and redeposited by the Trustee upon the written direction of an Authorized Officer of the Corporation. The Corporation shall direct the Trustee to invest and reinvest the moneys in any Fund or Account in Investment Obligations so that the maturity date or date of redemption at the option of the holders shall coincide as nearly as practicable with the times at which moneys are anticipated to be needed to be expended. The Investment Obligations purchased shall be held by the Trustee, or for its account as Trustee, and the Trustee shall keep the

Corporation advised as to the details of all such investments. The Trustee, at the written direction of the Corporation as to specific investments, shall sell, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment from such Fund or Account. The Trustee shall have no obligation to invest, reinvest, deposit, redeposit to sell investments contemplated by the Resolution except upon the written direction of an Authorized Officer of the Corporation as to specific investments.

Investment Obligations purchased under the provisions of the Resolution as an investment of moneys in any Fund or Account shall be deemed at all times to be a part of such Fund or Account but, unless otherwise expressly provided in the Resolution or any Series Resolution, the income or interest earned and gains realized in excess of losses suffered by a Fund or an Account due to the investment thereof shall be deposited in the Earnings Fund except that all such income and interest received from any Investment Obligation on deposit in the Rebate Fund, except as provided in a Series Resolution, shall remain in such Fund.

The Trustee shall sell, or present for redemption or exchange, any Investment Obligation purchased by it pursuant to the Resolution or any Series Resolution whenever it shall be requested in writing by an Authorized Officer of the Corporation to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made, except that any Investment Obligation may be credited to more than one Fund or Account based upon the portions thereof purchased by or allocable to each such Fund or Account and need not be sold in order to provide for the transfer of amounts from one Fund or Account to another. The Trustee shall advise the Corporation in writing, on or before the twentieth day of each calendar month, of all investments held for the credit of each Fund and Account in its custody under the provisions of the Resolution as of the end of the preceding month.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for Funds or Accounts held under the Resolution from being issued or held in book entry form on the books of the Department of the Treasury of the United States or any national securities depository.

In the event that the Trustee has not, prior to 11:00 a.m. on any Business Day, received investment instructions as provided in the Resolution as to any investment proceeds received under the Resolution, the Trustee shall invest the same in Investment Obligations having the shortest available maturity.

Satisfaction of Sinking Fund Installments (Section 507)

Any amount accumulated in the Debt Service Fund up to the unsatisfied balance of each Sinking Fund Installment may and, if so directed in writing by an Authorized Officer of the Corporation shall, be applied (together with amounts accumulated in the Debt Service Fund with respect to interest on the Bonds for which such Sinking Fund Installment was established), by the Trustee, prior to the forty-fifth day preceding the due date of such Sinking Fund Installment, as follows:

(a) to the purchase of Bonds of the maturity and interest rate for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the principal amount (or Compounded Amount, if applicable) of such Bonds plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Trustee shall determine; or

(b) to the redemption of such Bonds if then redeemable by their terms at the price equal to the principal amount (or Compounded Amount, if applicable) of such Bonds plus unpaid interest accrued to the date of redemption.

Upon the purchase or redemption of any Bond as described in the preceding paragraph, an amount equal to the principal amount (or Compounded Amount, if applicable) of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Bonds of such maturity and interest rate and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited by the Trustee against future Sinking Fund Installments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer of the Corporation at the time of such purchase or redemption.

The Corporation may purchase, at any price, Bonds or portions of Bonds whether or not such Bonds or portions shall then be subject to redemption at the option of the Corporation provided that purchases pursuant to this paragraph shall not be made with Pledged Property. In satisfaction, in whole or in part, of any Sinking Fund Installment, the Corporation may deliver to the Trustee at least forty-five (45) days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase of the Series and 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 of each Sinking Fund Installment by the aggregate principal amount (or Compounded Amount, if applicable) of such Bonds.

In the event that Bonds are redeemed prior to maturity pursuant to any Section of the Resolution other than Section 405, the Trustee shall credit the principal amount (or Compounded Amount, if applicable) of the Bonds so redeemed against the subsequent Sinking Fund Installments due under the Resolution.

The Trustee, upon notice and in the manner provided in the Resolution, shall call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount (or Compounded Amount, if applicable) 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.

Payment of Obligations (Section 701)

The Corporation shall duly and punctually pay or cause to be paid the principal of every Bond, and premium, if any, and the interest thereon, and all Parity Reimbursement Obligations, at the date(s) and place(s) and in the manner mentioned in the Resolution, the applicable Series Resolution and the Bonds, according to the true intent and meaning thereof, and shall duly and punctually satisfy all Sinking Fund Installments which may be established for any Series, subject to the provisions of the Resolution.

Power to Issue Bonds and Pledge Funds and Accounts (Section 705)

The Corporation is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. 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, except for any pledge of or lien upon the Contract Payments made or to be credited for the benefit of the provider of a Credit Facility or Liquidity Facility, and all corporate action on the part of the Corporation to that end has been and will be duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally binding special obligations of the Corporation enforceable in accordance with their terms and the terms of the Resolution. The Corporation 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 Trustee and the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

Creation of Liens (Section 707)

Until the pledge created in the Resolution is discharged and satisfied:

(i) the Corporation shall not issue any bonds or other evidences of indebtedness, other than the Bonds, secured by a pledge of the Pledged Property held or set aside by the Corporation or by the Fiduciaries under the Resolution, nor create or cause to be created any lien or charge on the Pledged Property (other than Permitted Encumbrances), nor

(ii) at any time when the Corporation is in default in making any payment required to be made under the Resolution or in maintaining any Fund or Account required to be maintained in the amount required therefor by the Resolution, set apart or appropriate and pay any amount in any Fund or Account except as required by the Resolution.

Accounts and Reports (Section 708)

The Corporation shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to each Fund and Account established under the Resolution, and which shall at all reasonable times during normal business hours be subject to the inspection of the Trustee and the Owners of an aggregate of not less than 25% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

The Corporation shall file with the Trustee and each provider of a Credit Facility and of a Liquidity Facility forthwith upon becoming aware of any Event of Default, or event which with notice or lapse of time or both would be an Event of Default, in the performance by the Corporation of any covenant, agreement or condition contained in the Resolution or in the performance by the State of its obligations under a Service Contract to pay when due the Contract Payments, a certificate, signed by an Authorized Officer of the Corporation, specifying any Event of Default or other event as described under this heading, and if any such Event of Default or other such event shall so exist, specifying the nature and status of such Event of Default or other such event.

Tax Matters (Section 709)

The Corporation will not make, or give its consent to any Fiduciary to make, any use of the proceeds of the Bonds or of any moneys which may be deemed to be the proceeds of the Bonds pursuant to Section 148 of the Code which, if reasonably expected to have been so used on the date of issuance of the Bonds, would have caused any of the Bonds to have been "arbitrage bonds" within the meaning of said Section 148 and the regulations in effect thereunder at the time of such use and applicable to obligations issued on the date of issuance of the Bonds. The Corporation shall at all times do and perform all acts and things necessary or desirable and within its power in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof. Notwithstanding any other provision of the Resolution, the obligation to comply with the requirements described under this heading shall survive the defeasance or payment in full of the Bonds.

Special Covenants with Respect to Service Contract (Section 711)

The Corporation shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of the Resolution, any Supplemental Resolution and sound banking practices and principles, (i) do all such acts and things as shall be necessary to receive and collect Revenues, (ii) comply with the obligations on its part contained in each Service Contract, and use its best efforts to require the State to comply with its obligations thereunder and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights with respect to each Service Contract. The Corporation shall provide the certifications to the State required by each Service Contract regarding the amounts owed by the State under such Service Contract. The Corporation may not sell, assign or otherwise dispose of all or any part of any interest in a Service Contract, other than to the Trustee. The Corporation, without the consent of the Trustee or of the Owners of Bonds Outstanding, may consent to any amendment, change, modification, or alteration of and cause to be amended, changed, modified or altered any provision of, or exhibit to, the Service Contract, except as would affect the obligation of the State to make payments thereunder relating to the payment of the principal or purchase price of, redemption premium, if any, and interest on the Bonds, (i) which would make the Service Contract subject to any lien, claim or encumbrance, provided the same is a Permitted Encumbrance, (ii) which would not materially adversely affect, in the Opinion of Bond Counsel, the interest of the Owners of the Bonds Outstanding or any

Credit Facility Providers or Liquidity Facility Providers, or (iii) with the prior written consent of (A) the Owners of at least fifty one percent (51%) in aggregate principal amount of the Bonds then Outstanding, or (B) in case less than all of the several Series of Bonds then Outstanding are affected by the alteration, change, modification or amendment, the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such change, alteration, modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Owners 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 described under this Section; and provided, further, that no such alteration, change, modification or amendment shall decrease the amount of any payment required to be made by the State under the Service Contract or extend the time of payment of any payment by the State so as to cause the payments thereunder to be less than the related payments in respect of Aggregate Obligations. The Service Contract may also be amended, changed, modified or altered, without the consent of the Trustee or the Owners of Bonds Outstanding, to provide conforming changes in connection with the issuance of any Series of Bonds which will not materially adversely affect, in the Opinion of Bond Counsel, the interest of the Owners of the Bonds Outstanding or any Credit Facility Providers or Liquidity Facility Providers. With respect to a Series of Tax Exempt Bonds, no amendment, change, modification, alteration, consolidation or other act permitted in the Resolution may be effected by the Corporation without receipt of an Opinion of Bond Counsel to the effect that such act will not adversely affect the exclusion of the Bonds from gross income for federal income tax purposes under the Code.

General (Sections 704, 705 and 710)

At any and all times the Corporation 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 and record the same in any office or register as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights and other moneys, securities and funds pledged or assigned by the Resolution, or intended so to be, or which the Corporation may become bound to pledge or assign and, if required by law, to perfect the security interest created thereby.

The Bonds and the provisions of the Resolution are and will be the valid and legally binding special obligations of the Corporation enforceable in accordance with their terms and the terms of the Resolution. The Corporation 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 Trustee and the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

The Corporation 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 Corporation under the provisions of the Acts and the Resolution.

Upon the date of authentication and delivery of any of the Bonds, all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds shall exist, shall have happened and shall have been performed and the issue of such Bonds, together with all other indebtedness of the Corporation, shall be within every debt and other limit prescribed by the laws of the State of New York.

The Trustee and the Paying Agents (Article VIII)

The General Resolution appoints Manufacturers & Traders Trust Company, Buffalo, New York, as Trustee and requires the appointment of one or more Paying Agents (which includes the Trustee). The Trustee may resign by giving not less than sixty (60) days' written notice to the Corporation and publishing notice thereof and may be removed by the Owners of a majority in principal amount of Bonds then Outstanding or by resolution of the Board of Directors of the Corporation evidenced by an instrument in writing filed with the Trustee and signed by an Authorized Officer.

Any successor Trustee must be a bank or trust company organized under the laws of the State of New York or a national banking association, doing business and having its principal corporate trust office in the Borough of Manhattan, City and State of New York, and having capital and surplus aggregating at least $100,000,000, if there is such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms.

Supplemental Resolutions (Article IX)

The Corporation, may at any time or from time to time adopt a Supplemental Resolution for one or more of the following purposes:

(a) To close the Resolution against, or to provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of the Bonds or the issuance of other evidences of indebtedness;

(b) To add to the covenants and agreements of the Corporation in the Resolution, other covenants and agreements to be observed by the Corporation which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(c) To add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Corporation by the Resolution which is for the benefit of the Owners of the Bonds;

(e) To authorize Bonds of a Series and, in connection therewith, to specify and determine the matters and things referred to in Section 202 of the Resolution, 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;

(f) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of the Pledged Property or of any other moneys, securities, funds or accounts;

(g) To modify any of the provisions of the Resolution as may be necessary or desirable to provide for the issuance of Bonds in book entry form;

(h) To provide for additional investments that may be delivered in lieu of Government Obligations in order to cause Bonds of a Series then or thereafter being initially issued and delivered to be deemed paid within the meaning of subsection 2 of Section 1105 of the Resolution; provided, however, that any deposit of such investments, together with other moneys and Government Obligations deposited for such purpose, shall in all other respects comply with the requirements of subsection 2 of Section 1105 of the Resolution; and

(i) To modify any of the provisions of the Resolution or any previously adopted Supplemental Resolution in any respect whatsoever, 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 have ceased 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 after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof.

The Corporation, with the consent of the Trustee, may adopt a Supplemental Resolution for one or more of the following purposes:

(a) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution;

(b) 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; or

(c) To make such other changes as are not, in the judgment of the Trustee, materially adverse to the interests of the Bondowners or other beneficiaries of the pledge of the Resolution.

At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article X of the General Resolution. Such a Supplemental Resolution will become fully effective upon the filing of a certified copy thereof with the Trustee.

No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Powers of Amendment (Section 1002)

Any modification or amendment of the Resolution and of the rights and obligations of the Corporation and of the Owners of the Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the Owners of at least fifty-one percent (51%) in principal amount of the Bonds Outstanding at the time such consent is given; and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least fifty-one percent (51%) in principal amount of the Bonds of each Series 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 Owners 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 described under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal amount (or Compounded Amount, if applicable) of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount (or Compounded Amount, if applicable) or the Redemption Price thereof or in the rate of interest thereon without the consent of all Bondowners, or shall reduce the percentage of the aggregate principal amount (or Compounded Amount, if applicable) of Bonds or otherwise affect classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution, and any such determination if reasonable and in good faith shall be binding and conclusive on the Corporation and all Owners of Bonds.

Consent of Bondholders (Section 1003)

The Corporation may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution, to take effect when and as provided in this

Paragraph. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Corporation to Bondholders. Such Supplemental Resolution shall not be effective unless and until (a) there are filed with the Trustee (i) the written consents of Owners of the percentage of the aggregate principal amount of Outstanding Bonds specified in the Resolution and (ii) an Opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Corporation in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Corporation and enforceable in accordance with its terms, and (b) a notice shall have been given as provided in the Resolution. Ownership of Bonds shall be conclusively presumed by the registration books of the Corporation. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued upon registration of transfer thereof or in exchange therefor (whether or not such subsequent Owner thereof has notice thereof), unless such consent is revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing with the Trustee, prior to the time when the written statement of the Trustee is filed. At any time after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Corporation and the Trustee a written statement that the Owners of such required percentage of the aggregate principal amount of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed.

Powers of Trustee (Section 1101)

The Trustee by the Resolution shall be vested with all of the rights, powers and duties of a trustee appointed by the Bondholders pursuant to the Acts, and the right of the Bondholders to appoint a trustee under the Acts is abrogated by the Resolution.

Events of Default (Section 1102)

Each of the following events is an Event of Default under the Resolution: (a) there shall occur a default in the payment of principal or Redemption Price of or interest on any Bond after the same has become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of thirty (30) days; (b) there shall occur a failure to observe, or a refusal to comply with, the terms of the Resolution or the Bonds; provided, however, that with respect to any failure to observe or refusal to comply with the covenants and agreements set forth in the Resolution, such failure or refusal shall have continued for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Corporation by the Trustee or any Beneficiary unless, prior to the expiration of the thirty-day period, the Corporation and each Beneficiary shall request in writing an extension of time and the Trustee shall agree in writing to such extension, and provided further, that if the failure stated in the notice cannot be remedied within the thirty day period, the Trustee and each Beneficiary shall not unreasonably withhold its consent to an extension of such time if corrective action has been instituted by the Corporation within the thirty day period and is being diligently pursued.

Remedies (Section 1103)

Upon the happening and continuance of any Event of Default specified in the Resolution, then and in each such case the Trustee may proceed, and upon the written request of the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds or of each other Beneficiary, shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders and the Beneficiaries by such of the following remedies, as the Trustee, being advised by counsel shall deem most effectual to protect and enforce such rights subject to the provisions of the Resolution:

1. By suit, action or proceeding in accordance with the Civil Practice Law and Rules to enforce all rights of the Beneficiaries, including the right to collect or require the Corporation to collect Revenues adequate to carry out the covenants, agreements and pledges with respect thereto contained in the Resolution

and to require the Corporation to carry out any other covenant or agreement with Beneficiaries and to perform its duties under the Act;

2. By suit upon the Bonds limited, upon recovery thereunder, to the Revenues and assets pledged under the Resolution;

3. By action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the Beneficiaries, for the Revenues and assets pledged under the Resolution as shall be within its control;

4. By action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Beneficiaries; and

5. By declaration, to cause all Bonds to be due and payable and if all defaults shall be cured, then, with the written consent of the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and its consequences.

In the enforcement of any remedy under the Resolution, but subject to certain Sections of the Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation for principal, Redemption Price, interest or otherwise and for Parity Reimbursement Obligations, under any provision of the Resolution or a Supplemental Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, in any manner provided by law, the moneys adjudged or decreed to be payable.

Except upon the occurrence and during the continuance of an Event of Default under the Resolution, the Corporation expressly reserves and retains the privilege to receive and, subject to the terms and provisions of the Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interests in and to each Security Instrument assigned to the Trustee, and the proceeds and collections therefrom. Neither the Trustee nor any Bondholder shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit.

So long as no Event of Default under the Resolution has occurred and is continuing the Trustee shall not exercise any remedy under any Service Contract without the prior written consent of the Corporation.

Defeasance (Section 1105)

If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer of the Corporation and delivered to the Trustee, the covenants, agreements and other obligations of the Corporation to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all money, 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.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Resolution. All Outstanding Bonds of any Series or any maturity within a 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 paragraph above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to publish as provided in Article IV of the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations or other investments authorized for such purpose in accordance with Section 901 of the Resolution ("Other Authorized Investments") the principal of and interest on which when due will provide moneys which, together with the moneys, if any deposited with the Trustee at the same time, shall be sufficient to pay when due the principal 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 thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, once in an Authorized Newspaper a notice to the Owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this heading and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. The Trustee shall also mail a copy of such notice, postage prepaid, not less than seven (7) days after such publication to the registered owners of the Bonds or portion of Bonds which are to be deemed to have been paid under the Resolution, at their last mailing address, if any, appearing on the registry books, but such mailing shall not be a condition precedent to the deemed payment of such Bonds and failure so to mail any such notice shall not affect the validity of the defeasance of such Bonds as provided for in the Resolution. Neither Government Obligations, Other Authorized Investments nor moneys deposited with the Trustee pursuant to this heading nor principal or interest payments on any such Government Obligations or Other Authorized Investments shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations or Other Authorized Investments deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested by the Trustee at the written direction of the Corporation in Government Obligations or Other Authorized Investments maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption 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, in excess of the amounts required to pay the principal of, Redemption Price, if applicable, and interest on such Bonds, as realized, shall be transferred by the Trustee to the Corporation, and any such moneys so paid by the Trustee to the Corporation shall be released from any trust, lien or pledge created by the Resolution.

For purposes of determining whether Adjustable 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 Investment Securities and moneys, if any, in accordance with this heading, the interest to come due on such Adjustable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Adjustable Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Investment Securities on deposit with the Trustee for the payment of interest on such Adjustable Rate 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 Adjustable Rate Bonds in order to satisfy this heading, the Trustee shall, if requested by the Corporation, pay the amount of such excess to the Corporation free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

Option Bonds shall be deemed to have been paid in accordance with this heading only if, in addition to satisfying the requirements of clauses (a) and (c) above, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Owners of such Bonds upon the exercise of any options provided to the Owners of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to this heading, the options originally exercisable by the Owner of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited with the Trustee for the payment of the principal and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Corporation in writing, pay the amount of such excess to the Corporation free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

Anything in the Resolution to the contrary notwithstanding, but subject to any applicable law to the contrary, any moneys held by a Fiduciary 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 by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the Corporation, be repaid by the Fiduciary to the Corporation, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Corporation for the payment of such Bonds; provided, however, that before being required to make any such payment to the Corporation, the Fiduciary shall, at the expense of the Corporation, cause to be published once in an Authorized Newspaper, 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 publication of such notice, the balance of such moneys then unclaimed will be returned to the Corporation.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS
OF THE SERVICE CONTRACT

The following is a general summary of certain provisions of the Service Contract securing the Series 2011A Bonds. Such summary is not to be considered a full statement of the terms of such documents and, accordingly, is qualified by reference thereto and is subject to the full text thereof. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Service Contract. A copy of the Service Contract is available for review at the corporate headquarters of the Corporation at 633 Third Avenue, New York, New York 10017. See also, "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

Financial Obligations of the State

In consideration for the issuance by the Corporation of the Bonds and the disbursement of the proceeds thereof in accordance with the provisions of, and carrying out the provisions of the Project Acts, the State agrees to make the Contract Payments to the Corporation in accordance with the provisions of Article II of the Service Contract.

Subject to the provisions of the Service Contract, the State shall pay to the Corporation so long as any of the Bonds are Outstanding, five (5) Business Days preceding each Bond Payment Date, an amount equal to the debt service payable on the next succeeding Bond Payment Date less the amount paid or provided for under the Bond Resolution on account thereof on such Bond Payment Date without duplication (i) from the proceeds of Bonds designated therefor by the Corporation, and (ii) from amounts on deposit with the Trustee and available for the payment of debt service under the Bond Resolution, as certified by the Corporation to the Director of the Budget. The term of the Service Contract shall commence on the date of the original issuance of the Series 2011A Bonds and shall expire on the earlier of (i) the date on which all Bonds shall be paid or deemed paid within the meaning of the Bond Resolution or (ii) thirty (30) years from the date of the original issuance of the Series 2011A Bonds.

Subject to the provisions of the Service Contract, the State shall also pay to the Corporation, so long as any of the Bonds are Outstanding, as additional Contract Payments, (i) all amounts as authorized by the Director of the Budget which may become due to the issuer of any surety bond, insurance policy, letter of credit or similar obligation securing the Bonds, if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to the paragraph above and (ii) all fees and expenses of the Trustee or other fiduciaries incurred or payable under the Bond Resolution.

If at any time(s) any payment in respect of the Bonds is rescinded, avoided, or must otherwise be returned pursuant to a court order, decree or directive, whether appealable or not, rendered in connection with the insolvency, bankruptcy or reorganization with respect to the Corporation, and the Trustee gives the State notice thereof, the State will, within ten (10) Business Days of the date of receipt of such notice, subject to the Service Contract, pay directly to the Trustee as additional Contract Payments thereunder, such additional amount(s) as shall equal the amount of the rescinded, avoided or otherwise returned payment for which such notice was given.

Payments of Contract Payments by the State

The State has the right to stipulate that all sums paid by it pursuant to the Service Contract be applied to the purchase or redemption of Bonds in accordance with the terms of the Bond Resolution and (provided that such amount is equal to the "Redemption Price," as such term is defined in the Bond Resolution, on such Bonds) that amounts be transferred from the Revenue Fund to the Redemption Fund for such purposes. Such amounts shall then be so transferred and applied to the redemption or purchase of the Bonds in the manner and to the extent permitted under the Bond Resolution.

Except as provided in the Service Contract, the obligation of the State to pay Contract Payments shall be absolute and unconditional, and such Contract Payments shall be payable without any rights of abatement, deduction, deferment, reduction, set-off, recoupment or counterclaim the State might have against the Corporation or any assignee thereof or any other Person, whether or not the Service Contract shall have been terminated and whether or not the Corporation shall be in default of its obligations under the Service Contract. Subject to the provisions of the Service Contract, the State, however, shall not be precluded from bringing any action it may otherwise have against the Corporation.

Notwithstanding anything in the Service Contract to the contrary, (i) the obligation of the State to fund or to pay the amounts provided for is subject to annual appropriation by the State Legislature, and (ii) the obligation of the State to fund or to pay the amounts provided for shall not constitute a debt of the State within the meaning of any constitutional or statutory provision and shall be deemed executory only to the extent of monies appropriated and available to the State and no liability shall be incurred by the State beyond moneys appropriated and available to the State for the purpose.

Duties of the Corporation

The Corporation agrees to issue the Bonds and to carry out the provisions of the Resolutions, the Project Acts. Such agreement of the Corporation shall constitute consideration for the promises and agreements of the State contained in the Service Contract.

Within ten days after the issuance of the Series 2011A Bonds, the Corporation shall furnish to the State (i) a schedule of the debt service payments to be made on each date in respect of the Series 2011A Bonds and (ii) the Applicable Percentages for the Series 2011A Bonds in the form set forth in Exhibit A to the Service Contract.

The Corporation covenants and agrees that (i) it shall apply the Contract Payments received by it solely in accordance with the Resolutions, (ii) it shall not issue any Additional Bonds, or amend, modify, change or alter, or consent to any amendment, modification, change or alteration of, the terms of the Bonds so as to increase Contract Payments payable in respect thereof, without the prior written consent of the Director of the Budget and (iii) it shall not amend, modify or supplement the Resolutions so as to adversely affect the rights and duties of the Corporation or the State under the Service Contract without the prior written consent of the Director of the Budget.

Special Covenants

The State agrees to request appropriations during the term of the Service Contract, for each year in an amount equal to the principal of (including mandatory sinking fund payments) and interest on the Bonds coming due in such year. The State shall include in its annual budget a request for an appropriation to pay the Contract Payments, without regard to amounts on deposit with the Trustee and available for the payment of debt service under the Resolutions, due under the Service Contract during such year.

The State agrees that whenever requested by the Corporation with reasonable advance notification it shall provide and certify, or cause to be provided and certified, in form satisfactory to the Corporation, such information concerning (A) the operations and finances of the State and such other matters, that the Corporation considers necessary to enable it to complete and publish an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds and to comply with any applicable contractual agreements with respect to the provisions of Rule 15c2-12 under the Securities

Exchange Act of 1934, as amended, and (B) the payments to be made by the State as provided in the Service Contract, or information necessary to enable the Corporation to make any reports required by law or government regulations in connection with the Bonds.

The State, so long as Bonds are Outstanding (i) will take no action, or permit any action to be taken which will impair the exclusion of interest on any Bonds from gross income for purposes of federal income taxation and (ii) will not invest or otherwise use the proceeds of the Bonds in a manner which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to any Bond.

Events of Default and Remedies

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 of the payments provided for in the Service Contract or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Corporation 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 as may appear necessary or desirable to collect the payment then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State under the Service Contract.

The remedies conferred upon or reserved to the Corporation described above 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 Service Contract, nor may they include any amendment, change, modification or alteration of the Service Contract that is prohibited by the Service Contract.

If the Corporation shall fail to observe or perform any covenant, condition or agreement on its part to be observed or performed and such failure to observe or perform shall have continued for 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the Corporation 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 as may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Service Contract.

The remedies conferred upon or reserved to the State described above 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 Service Contract or the obligations of the State to make the payments provided therein, nor may they include any amendment, change, modification or alteration of the Service Contract that is prohibited by the Service Contract.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

New York State Urban Development
Corporation
d/b/a Empire State Development
633 Third Avenue
New York, New York 10017

Re: New York State Urban Development Corporation
Service Contract Revenue Refunding Bonds,
Series 2011A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the New York Urban Development Corporation (the "Corporation") of $12,350,000 aggregate principal amount of its Service Contract Revenue Refunding Bonds, Series 2011A (the "Bonds"), issued pursuant to the provisions of the New York State Urban Development Corporation Act, constituting Chapter 174 of the Laws of New York of 1968, as amended (the "UDC Act"), and Section 46 of Part T of Chapter 57 of the Laws of 2007, as amended and supplemented (the "Project Act"), and pursuant and subject to the provisions, terms and conditions of a resolution of the Corporation adopted on May 12, 2005, entitled "Service Contract Revenue Refunding Bond Resolution," as amended to date (the "General Resolution"), as supplemented by a resolution of the Corporation adopted on August 18, 2011, entitled "Series Resolution Authorizing Service Contract Revenue Refunding Bonds, Series 2011A," and by a resolution of the Corporation adopted on August 18, 2011, entitled "Bond Financing Committee Resolution Concerning the Sale and Issuance of Service Contract Revenue Refunding Bonds, Series 2011A" (collectively, the "Supplemental Resolutions"; together with the General Resolution, the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the General Resolution.

The Bonds are secured under the Resolution by a pledge and assignment of the Pledged Property, including certain payments made by the State under a Service Contract between the Corporation and the State of New York (the "State"), acting by and through the Director of the Budget, dated as of September 8, 2011 (the "Service Contract"), which payments are subject to annual appropriation by the New York State Legislature.

Interest on the Bonds is to be payable semiannually on March 15 and September 15 of each year, commencing on March 15, 2012. The Bonds are to mature on the dates and in the years and amounts set forth in the Resolution.

The Bonds are to be issued in fully registered form in the denomination of $5,000 at maturity or any integral multiple thereof. The Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolution.

In such connection, we have reviewed the Resolution, the Service Contract, the Tax Certificate and Agreement, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Corporation, certificates of the Corporation, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not be relied upon in connection with any such actions, events or matters. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Corporation. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the preceding paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution, the Service Contract and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution, the Service Contract and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto herein.

We have examined the form of a Bond and, in our opinion, the form of the Bond is regular and proper.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Corporation has been duly created and is validly existing as a body corporate and politic constituting a public corporation of the State and has the right and power under the UDC Act and the Project Act to adopt the Resolutions.

2. The Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Corporation as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution, will be payable solely from the sources provided therefor in the Resolution, and will be entitled to the benefit of the Resolution, the UDC Act and the Project Act.

3. The Resolution is in full force and effect, has been duly adopted by, and constitutes the valid and binding obligations of, the Corporation. The Resolution creates the valid pledge for the benefit of the owners of the Bonds which it purports to create subject only to the provisions of the

Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

4. The Service Contract has been duly authorized, executed and delivered by the Corporation and, assuming the due and valid authorization, execution and delivery thereof by the State, constitutes a legal, valid and binding agreement of the Corporation, enforceable against the Corporation in accordance with its terms. Pursuant to the terms of the Service Contract, the obligation of the State, subject to the executory provisions contained in Article II of the Service Contract, to fund or to pay the amounts provided to be funded or paid thereunder is absolute and unconditional.

5. The Bonds are payable solely from the sources described in the Resolution and do not constitute a legally enforceable obligation upon the part of the State or create a debt on behalf of the State enforceable against the State. The Bonds are not a lien or charge upon the funds or property of the Corporation except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State, and the State is not liable for the payment thereof.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

(THIS PAGE INTENTIONALLY LEFT BLANK)

NEW YORK STATE URBAN DEVELOPMENT CORPORATION • SERVICE CONTRACT REVENUE REFUNDING BONDS, SERIES 2011A

Empire State Development

MIX
From responsible sources
FSC™ C017146
FSC
www.fsc.org

Printed by: ImageMaster
www.ImageMaster.com