**NEW ISSUES** **BOOK-ENTRY ONLY**

*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 2010A Bonds is excluded from gross income for federal income tax purposes. Bond Counsel is of the further opinion that interest on the Series 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is such interest included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel observes that interest on the Series 2010B Bonds and Series 2010C Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel is of the opinion that interest on the Series 2010A, Series 2010B and Series 2010C 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 Bonds. See "PART 13 — TAX MATTERS" herein.*

# $1,109,420,000
# NEW YORK STATE URBAN DEVELOPMENT CORPORATION
## STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)

| $367,295,000 | $328,365,000 | $413,760,000 |
|---|---|---|
| SERIES 2010A | SERIES 2010B (FEDERALLY TAXABLE) | SERIES 2010C (FEDERALLY TAXABLE – BUILD AMERICA BONDS) |

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

The New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2010A (the "Series 2010A Bonds"), the New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2010B (Federally Taxable) (the "Series 2010B Bonds"), and the New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2010C (Federally Taxable – Build America Bonds) (the "Series 2010C Bonds" and, collectively with the Series 2010A Bonds and the Series 2010B Bonds, the "Series 2010 Bonds") are special obligations of the New York State Urban Development Corporation (the "Corporation"), doing business as the Empire State Development Corporation. The Series 2010 Bonds are secured by a pledge of certain payments (the "Financing Agreement Payments") to be made to the Trustee on behalf of the Corporation by the State of New York (the "State") under a Financing Agreement between the Corporation and the State. Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund to provide for the payment of the Series 2010 Bonds and all other State Personal Income Tax Revenue Bonds (as hereinafter defined). The Revenue Bond Tax Fund receives a statutory allocation of 25 percent of State of New York personal income tax receipts imposed by Article 22 of the Tax Law (the "New York State Personal Income Tax Receipts") as more fully described herein.

Interest on the Series 2010A Bonds is payable each March 15 and September 15, commencing March 15, 2011. Interest on the Series 2010B Bonds is payable each June 15 and December 15, commencing June 15, 2011. Interest on the Series 2010C Bonds is payable each March 15 and September 15, commencing March 15, 2011. The Series 2010 Bonds are issuable only as fully registered bonds without coupons, in the principal amount of $5,000 or any integral multiple thereof. The Series 2010 Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See "PART 7 - BOOK-ENTRY ONLY SYSTEM" herein. Principal and premium, if any, and interest on the Series 2010 Bonds will be payable through The Bank of New York Mellon, New York, New York, as Trustee and Paying Agent.

**The Series 2010A Bonds are not subject to redemption prior to maturity. The Series 2010B Bonds and the Series 2010C Bonds are subject to redemption prior to maturity as described herein.**

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

**The Series 2010 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2010 Bonds be payable out of any funds other than those of the Corporation pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2010 Bonds. The Corporation has no taxing power.**

MATURITY SCHEDULE — See Inside Cover

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

The Series 2010 Bonds are offered when, as and if issued and delivered to the Underwriters, and are subject to approval of legality by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York, Bond Counsel to the Corporation, and to certain other conditions. Certain legal matters are subject to the approval of Holland & Knight LLP, New York, New York, Counsel to the Underwriters. It is expected that the Series 2010 Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about December 8, 2010.

| | | |
|---|---|---|
| **Citi**<br>*Senior Book-running Manager for the Series 2010B Bonds and the Series 2010C Bonds* | | **Morgan Stanley**<br>*Senior Book-running Manager for the Series 2010A Bonds* |
| **BofA Merrill Lynch** | **Loop Capital Markets LLC** | **M.R. Beal & Company** |
| **Barclays Capital Inc.** | **Goldman, Sachs & Co.** | **J.P. Morgan** |
| **Ramirez & Co., Inc.** | **Rice Financial Products Company** | **Siebert Brandford Shank & Co., LLC** |
| | **Wells Fargo Securities** | |
| **BB&T Capital Markets** | **Cabrera Capital Markets, LLC** | **Fidelity Capital Markets Services** |
| **Jackson Securities, LLC** | **Janney Montgomery Scott** | **Jefferies & Company** |
| **Lebenthal & Co.** | **Mesirow Financial, Inc.** | **Morgan Keegan** |
| **Piper Jaffray & Co.** | **Raymond James** | **RBC Capital Markets** |
| **Roosevelt & Cross, Incorporated** | **Sterne Agee & Leach, Inc.** | **Stifel, Nicolaus & Company, Incorporated** |
| | **Stone & Youngberg** | |

December 2, 2010

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

### $367,295,000
### STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)
### SERIES 2010A

| Maturity March 15 | Amount | Interest Rate | Yield | CUSIP Number† | Maturity March 15 | Amount | Interest Rate | Yield | CUSIP Number† |
|---|---|---|---|---|---|---|---|---|---|
| 2011 | $15,345,000 | 2.00% | 0.25% | 650035VF2 | 2018 | $67,960,000 | 5.00% | 2.66% | 650035VP0 |
| 2015 | 2,455,000 | 2.00 | 1.62 | 650035VR6 | 2019 | 2,070,000 | 3.25 | 2.92 | 650035VK1 |
| 2016 | 3,835,000 | 2.00 | 1.91 | 650035VG0 | 2019 | 73,435,000 | 5.00 | 2.92 | 650035VQ8 |
| 2016 | 62,120,000 | 5.00 | 1.91 | 650035VM7 | 2020 | 6,050,000 | 3.50 | 3.17 | 650035VL9 |
| 2017 | 12,615,000 | 4.00 | 2.30 | 650035VH8 | 2020 | 45,870,000 | 5.00 | 3.17 | 650035VS4 |
| 2017 | 56,510,000 | 5.00 | 2.30 | 650035VN5 | 2020 | 15,000,000 | 4.00 | 3.17 | 650035VT2 |
| 2018 | 4,030,000 | 3.00 | 2.66 | 650035VJ4 | | | | | |

### $328,365,000
### STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)
### SERIES 2010B (FEDERALLY TAXABLE)

| Maturity December 15 | Amount | Interest Rate | Price | CUSIP Number† |
|---|---|---|---|---|
| 2011 | $91,310,000 | 0.650% | 100% | 650035UU0 |
| 2012 | 92,530,000 | 1.560 | 100 | 650035UV8 |
| 2013 | 73,755,000 | 2.028 | 100 | 650035UW6 |
| 2014 | 70,770,000 | 2.626 | 100 | 650035UX4 |

### $413,760,000
### STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)
### SERIES 2010C (FEDERALLY TAXABLE – BUILD AMERICA BONDS)

| Maturity March 15 | Amount | Interest Rate | Price | CUSIP Number† |
|---|---|---|---|---|
| 2020 | $12,330,000 | 4.61% | 100% | 650035UY2 |
| 2021 | 57,070,000 | 4.81 | 100 | 650035UZ9 |
| 2022 | 21,095,000 | 5.01 | 100 | 650035VA3 |
| 2023 | 21,755,000 | 5.21 | 100 | 650035VC9 |
| 2024 | 22,460,000 | 5.36 | 100 | 650035VD7 |
| 2025 | 23,235,000 | 5.51 | 100 | 650035VE5 |

$255,815,000 5.838% Term Bond due March 15, 2040, Price: 100% CUSIP Number†650035VB1

† Copyright, American Bankers Association. CUSIP numbers herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2010 Bonds and neither the State nor the Corporation makes any representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2010 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 2010 Bonds.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2010 Bonds by any person in any jurisdiction in which it is unlawful for the person to make such offer, solicitation or sale. The information set forth herein has been provided by the Corporation, the State and other sources which are believed to be reliable by the Corporation and with respect to the information supplied or authorized by the State, is not to be construed as a representation by the Corporation. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the State. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

IN CONNECTION WITH OFFERS AND SALES OF SERIES 2010 BONDS, NO ACTION HAS BEEN TAKEN BY THE CORPORATION THAT WOULD PERMIT A PUBLIC OFFERING OF THE SERIES 2010 BONDS, OR POSSESSION OR DISTRIBUTION OF ANY INFORMATION RELATING TO THE PRICING OF THE SERIES 2010 BONDS, THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2010 BONDS, IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, EACH UNDERWRITER IS OBLIGATED TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS SERIES 2010 BONDS OR POSSESSES OR DISTRIBUTES THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2010 BONDS AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF SERIES 2010 BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY COUNTRY OR JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES AND THE CORPORATION SHALL HAVE NO RESPONSIBILITY THEREFORE.

**INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES IS PROVIDED IN PART 16 OF THIS OFFICIAL STATEMENT.**

## TABLE OF CONTENTS


Page

PART 1 – SUMMARY STATEMENT ..... i
PART 2 – INTRODUCTION ..... 1
PART 3 – SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS ..... 3
The Revenue Bond Tax Fund ..... 3
Series 2010 Bonds ..... 4
Designation of Series 2010C Bonds as "Build America Bonds" ..... 4
Certification of Payments to be Set Aside in Revenue Bond Tax Fund ..... 4
Set Aside of Revenue Bond Tax Fund Receipts ..... 6
Flow of Revenue Bond Tax Fund Receipts ..... 7
Moneys Held in the Revenue Bond Tax Fund ..... 8
Flow of Revenues ..... 9
Appropriation by the State Legislature ..... 10
Additional Bonds ..... 11
Parity Reimbursement Obligations ..... 11
Certain Covenants of the State ..... 11
Reservation of State's Right to Substitute Credit ..... 12
PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND ..... 12
General History of the State Personal Income Tax ..... 12
Personal Income Tax Rates ..... 13
New York State Personal Income Tax Rates for Tax Years 2009 Through 2011 ..... 14
New York State Personal Income Tax Rates for Tax Years After 2011 ..... 14
Components of the Personal Income Tax ..... 15
Revenue Bond Tax Fund Receipts ..... 15
PART 5 – THE PROJECTS ..... 18
PART 6 – DESCRIPTION OF THE SERIES 2010 BONDS ..... 19
General ..... 19
Series 2010A Bonds ..... 19
Series 2010B Bonds ..... 19
Series 2010C Bonds ..... 19

Page

Redemption ..... 19
Selection of Bonds to be Redeemed; Notice of Redemption ..... 22
PART 7 – BOOK-ENTRY ONLY SYSTEM ..... 24
Global Settlement Procedures ..... 27
PART 8 – DEBT SERVICE REQUIREMENTS ..... 32
PART 9 – ESTIMATED SOURCES AND USES OF FUNDS ..... 33
Series 2010A Bond Proceeds ..... 33
Series 2010B Bond Proceeds ..... 33
Series 2010C Bond Proceeds ..... 33
PART 10 – THE CORPORATION ..... 34
General ..... 34
Economic Development Programs ..... 34
Consolidation ..... 35
Directors; Corporate Management ..... 35
Directors ..... 35
Senior Officers ..... 36
Financial Advisors ..... 36
PART 11 – AGREEMENT OF THE STATE ..... 36
PART 12 – LITIGATION ..... 36
PART 13 – TAX MATTERS ..... 37
PART 14 – RATINGS OF THE SERIES 2010 BONDS ..... 41
PART 15 – UNDERWRITING ..... 41
PART 16 – INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES ..... 42
PART 17– LEGALITY OF INVESTMENT AND DEPOSIT ..... 50
PART 18 – CERTAIN LEGAL MATTERS ..... 50
PART 19 – CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12 ..... 50
PART 20 – MISCELLANEOUS ..... 53
Appendix A – Information Concerning the State of New York ..... A-1
Appendix B – Summary of Certain Provisions of the General Resolution ..... B-1
Appendix C – Financing Agreement ..... C-1
Appendix D – Proposed Form of Opinion of Bond Counsel ..... D-1

## PART 1 – SUMMARY STATEMENT

*This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2010 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms elsewhere in this Official Statement.*

| | |
|---|---|
| **State Personal Income Tax Revenue Bond Financing Program** | Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds") by establishing the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund") held separate and apart from all other moneys of the State in the joint custody of the Commissioner of Taxation and Finance and the Comptroller of the State (the "State Comptroller").<br><br>The Enabling Act authorizes the New York State Urban Development Corporation (the "Corporation"), the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency and the New York State Thruway Authority (collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain authorized purposes (the "Authorized Purposes"). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Division of the Budget of the State (the "Director of the Budget") pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Corporation.<br><br>State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; which together constitute the pledged property under the applicable general resolution. |
| **Purpose of Issue; Security for Series 2010 Bonds** | The Series 2010 Bonds are being issued to enable the Corporation to fund certain projects relating to State facilities, economic development activities and certain other State-supported activities. These projects include certain correctional facilities, youth facilities, court facilities, State police facilities, loans and grants to local governmental entities and for-profit and nonprofit entities for various purposes, equipment purchases for State departments and agencies, and the expansion of an international computer chip research and development center. See "PART 2—INTRODUCTION" and "PART 5—THE PROJECTS" for a more complete description of the application of proceeds of the Series 2010 Bonds.<br><br>The Series 2010 Bonds are special obligations of the Corporation, secured by a pledge of the financing agreement payments to be made by the State Comptroller to the Trustee pursuant to the State Personal Income Tax Revenue Bonds (General Purpose) Financing Agreement entered into by the Corporation with the Director of the Budget. See Appendix C for a conformed copy of such Financing Agreement. |

**Purpose of Issue; Security for Series 2010 Bonds (cont'd)**

**The Series 2010 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2010 Bonds be payable out of any funds other than those of the Corporation pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2010 Bonds. The Corporation has no taxing power.**

**The Series 2010 Bonds are not secured by the Projects (as hereinafter defined) or any interest therein.**

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

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

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

New York State Personal Income Tax Receipts, the Withholding Component and the Revenue Bond Tax Fund Receipts for State Fiscal Years 2008-09 through 2010-11 are as follows:

| State Fiscal Year | New York State Personal Income Tax Receipts | Withholding Component | Revenue Bond Tax Fund Receipts |
|---|---|---|---|
| | | *($ in billions)* | |
| 2008-09 | $36.8 | $27.7 | $9.2 |
| 2009-10 | 34.8 | 29.4 | 8.7 |
| 2010-11* | 36.6 | 31.3 | 9.1 |

* As estimated in the 2010-11 Mid-Year Financial Plan Update.

The Series 2010 Bonds are special obligations of the Corporation, being secured by, among other things, a pledge of financing agreement payments to be made by the State Comptroller to the Trustee on behalf of the Corporation and certain funds held by the Trustee under the Corporation's State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (the "General Resolution").

The Series 2010 Bonds are issued on a parity with all other Bonds which may be issued under the General Resolution. All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund subject to annual appropriation by the State.

Financing agreement payments are made from certain personal income taxes imposed by the State of New York on a statewide basis and deposited, as required by the Enabling Act, to the Revenue Bond Tax Fund. The financing agreement payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds.

| | |
|---|---|
| **Sources of Payment and Security for State Personal Income Tax Revenue Bonds-Revenue Bond Tax Fund Receipts (cont'd)** | **All payments required by financing agreements entered into by the State are executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature (the "State Legislature") making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.**<br><br>The Enabling Act provides that: (i) no person (including the Authorized Issuers or the Holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax.<br><br>For additional information, see "PART 3 - SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS" and "PART 4 - SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND".<br><br>**The Series 2010 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2010 Bonds be payable out of any funds other than those of the Corporation pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, the premium, if any, or interest on the Series 2010 Bonds. The Corporation has no taxing power.** |
| **Set Aside for Purpose of Making Financing Agreement Payments** | The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature.<br><br>The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Revenue Bond Tax Fund Receipts anticipated to be deposited to the Revenue Bond Tax Fund and the amount of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for State Fiscal Year 2010-11.<br><br>See "PART 3 - SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS." |

| | |
|---|---|
| **Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts** | If at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all appropriated financing agreement payments on all State Personal Income Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers.<br><br>Subject to annual appropriation, amounts so transferred to the Revenue Bond Tax Fund will be applied to pay the required financing agreement payments. |
| **Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts** | In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars ($6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees, on behalf of each Authorized Issuer, including the Corporation.<br><br>After the required appropriations and financing agreement payments have been made, excess moneys in the Revenue Bond Tax Fund are paid over and distributed to the credit of the State's General Fund. See "PART 3 - SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS – Moneys Held in the Revenue Bond Tax Fund." |
| **Additional Bonds and Debt Service Coverage** | As provided in each of the general resolutions, additional bonds may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Revenue Bonds, additional State Personal Income Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations.<br><br>Subject to (i) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and (ii) the additional bonds test described above, the Corporation and other Authorized Issuers may issue additional State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of approximately $8.9 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 4.4 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2010 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See "PART 3 - SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS – Additional Bonds."<br><br>As of November 1, 2010, approximately $20.74 billion of State Personal Income Tax Revenue Bonds were outstanding. |

| | |
|---|---|
| **Continuing Disclosure** | In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, all Authorized Issuers, the State and each applicable trustee, including the Trustee, have entered into a Master Continuing Disclosure Agreement. See "PART 19- CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12. |

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**OFFICIAL STATEMENT**

**Relating to**

# $1,109,420,000
# NEW YORK STATE URBAN DEVELOPMENT CORPORATION
## STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)

| $367,295,000 | $328,365,000 | $413,760,000 |
|---|---|---|
| SERIES 2010A | SERIES 2010B (FEDERALLY TAXABLE) | SERIES 2010C (FEDERALLY TAXABLE – BUILD AMERICA BONDS) |

## PART 2 – INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to set forth certain information concerning the New York State Urban Development Corporation (the "Corporation"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), doing business as the Empire State Development Corporation (the "ESDC"), in connection with the offering by the Corporation of its State Personal Income Tax Revenue Bonds (General Purpose), Series 2010A (the "Series 2010A Bonds"), its State Personal Income Tax Revenue Bonds (General Purpose), Series 2010B (Federally Taxable) (the "Series 2010B Bonds"), and its State Personal Income Tax Revenue Bonds (General Purpose), Series 2010C (Federally Taxable – Build America Bonds) (the "Series 2010C Bonds" and, collectively with the Series 2010A Bonds and the Series 2010B Bonds, the "Series 2010 Bonds"). The interest rates, maturity dates, and prices or yields of each series of the Series 2010 Bonds being offered hereby are set forth on the inside cover page of this Official Statement.

This Official Statement also summarizes certain information concerning the provisions of the State Finance Law with respect to the issuance of State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds"), including the Series 2010 Bonds, and the statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law ("Tax Law") which, pursuant to Section 171-a of the Tax Law (the "New York State Personal Income Tax Receipts") are required to be deposited in the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund") to provide for the payment of State Personal Income Tax Revenue Bonds. Under current law, such New York State Personal Income Tax Receipts exclude refunds owed to taxpayers.

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

The Series 2010 Bonds are authorized to be issued pursuant to Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), and the New York State Urban Development Corporation Act, Chapter 174 of the Laws of New York of 1968, as amended and supplemented (the "UDC Act") and the Project Acts, which authorize the Projects described under "PART 5 - THE PROJECTS" herein (the "Project Acts"). The Enabling Act, together with the Project Acts and the UDC Act, constitute the "Authorizing Legislation." The Enabling Act authorizes the Corporation, the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency and the New York State Thruway Authority (collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and

as limited by the Enabling Act) may be issued ("Authorized Purposes"). Legislation has been enacted permitting the transfer of other monies into the Revenue Bond Tax Fund.

The Series 2010 Bonds are additionally authorized under (i) the Corporation's State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution, adopted by the Corporation on November 16, 2009 (the "General Resolution"), (ii) the Corporation's State Personal Income Tax Revenue Bond (General Purpose) Series 2010ABC Supplemental Resolution, adopted by the Corporation on November 30, 2010 (the "Series 2010ABC Supplemental Resolution"), and (iii) the Corporation's Bond Financing Committee Resolution Concerning the Sale and Issuance of State Personal Income Tax Revenue Bonds (General Purpose), Series 2010, adopted by the Corporation on November 30, 2010 (the "Series 2010ABC Bond Financing Committee Resolution", and together with the General Resolution and the Series 2010ABC Supplemental Resolution being herein, except as the context otherwise indicates, called the "Resolution" and any bonds issued pursuant to the General Resolution, including the Series 2010 Bonds, being herein referred to as the "Bonds").

The Series 2010 Bonds, and any additional series of bonds which have heretofore been issued or may hereafter be issued under the General Resolution, will be equally and ratably secured thereunder.

The Series 2010 Bonds and all other State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of: (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Division of the Budget of the State (the "Director of the Budget"); and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; collectively the "Pledged Property". The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

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

All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State. As of November 1, 2010, approximately $20.74 billion of State Personal Income Tax Revenue Bonds were outstanding. (See "PART 3 - SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS – Series 2010 Bonds" and "– Additional Bonds.")

The Series 2010 Bonds are being issued for the purposes of financing Authorized Purposes (as such term is defined in the Resolution). The Series 2010A Bonds are being issued to finance capital projects and equipment purchases for State departments, agencies and the City University of New York, economic development projects throughout the State, including the equipping of an international computer chip research and development center, and economic development grants under various programs, including, but not limited to: the Capital Projects Fund, the Downstate Revitalization Fund, Economic and Community Development Projects, the Empire State Economic Development Fund, the New York State Economic Development Assistance Program, Upstate City-by-City initiatives, Luther Forest infrastructure, and the Upstate Regional Blueprint Fund, as well as other individual projects. The Series 2010B Bonds are being issued to finance capital projects to redevelop Governors Island, economic development loans and grants under the Upstate Agricultural Economic Development Fund, the

expansion and equipping of a computer chip research and development center at the State University of New York at Albany, and the construction of a video lottery facility and related improvements at the State-owned Aqueduct Racetrack in Queens. The Series 2010C Bonds are being issued to finance the development of an international computer chip research and development center and capital projects with respect to facilities and other property owned and operated by various agencies of the State, including: the New York State Department of Correctional Services, the New York State Office of Children and Family Services, the New York State Police, the New York State Division of Military and Naval Affairs, the New York State Office of Court Administration, and the New York State Office of Homeland Security. Additionally, the proceeds of the Series 2010 Bonds will be used to pay all or part of the cost of issuance of the Series 2010 Bonds. See "PART 5—THE PROJECTS" for a more complete description of the application of proceeds of the Series 2010 Bonds. **The Series 2010 Bonds are not secured by the Projects or any interest therein.**

**The Series 2010 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2010 Bonds be payable out of any funds other than those of the Corporation pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on, the Series 2010 Bonds. The Corporation has no taxing power.**

Capitalized terms used herein unless otherwise defined have the same meaning as ascribed to them in the General Resolution. See "APPENDIX B – Summary of Certain Provisions of the General Resolution - Certain Defined Terms."

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

### The Revenue Bond Tax Fund

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

Financing agreement payments made from amounts set aside in the Revenue Bond Tax Fund are subject to annual appropriation for such purpose by the State Legislature. The Enabling Act provides that: (i) no person (including the Authorized Issuers or the Holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are

appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed by Article 22 of the Tax Law.

**Series 2010 Bonds**

The Series 2010 Bonds are special obligations of the Corporation, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to The Bank of New York Mellon, as Trustee and Paying Agent (the "Trustee" or "Paying Agent") on behalf of the Corporation in accordance with the terms and provisions of a Financing Agreement by and between the Corporation and the Director of the Budget, subject to annual appropriation by the State Legislature, and the Funds and accounts established under the General Resolution (other than the Rebate Fund and other Funds as provided in such Resolutions). The Series 2010 Bonds are entitled to a lien, created by a pledge under the General Resolution, on the Pledged Property.

The Enabling Act permits the Corporation and the other Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of $8.9 billion are available to pay financing agreement payments, which amount represents approximately 4.4 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2010 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See "—Additional Bonds" below.

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

**Designation of Series 2010C Bonds as "Build America Bonds"**

The Corporation intends to make irrevocable elections to treat the Series 2010C Bonds as "Build America Bonds" under Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code") for which it will receive, pursuant to Sections 54AA(g) and 6431 of the Code, a cash subsidy payment from the United States Treasury equal to thirty-five percent (35%) of the interest payable by the Corporation on the Series 2010C Bonds. It is expected that any cash subsidy payments received will be deposited, upon receipt, to the credit of the State. **Such subsidy payment will not constitute Revenues under the Resolution, and will not be pledged as security for the Bonds, including the Series 2010 Bonds. Federal tax law imposes certain requirements for qualification of the Series 2010C Bonds as Build America Bonds, including that interest on such Series 2010C Bonds would be, but for the Corporation's election, excludable from gross income for federal income tax purposes.**

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

The Enabling Act, the general resolutions and the financing agreements provide procedures for setting aside amounts from the New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund to ensure that sufficient amounts will be available to make financing agreement

payments, when due, to the applicable trustees on behalf of the Corporation and the other Authorized Issuers.

The Enabling Act provides that:

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

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

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

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

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

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

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

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

The Enabling Act provides that on or before the twelfth day of each month, the Commissioner shall certify to the State Comptroller the actual New York State Personal Income Tax Receipts for the prior month and, in addition, no later than March 31 of each State Fiscal Year, the Commissioner shall certify such amounts relating to the last month of the State Fiscal Year. At such times, the Enabling Act

provides that the State Comptroller shall adjust the amount of estimated New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund from the Withholding Component to the actual amount certified by the Commissioner.

**Set Aside of Revenue Bond Tax Fund Receipts**

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

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

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

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

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

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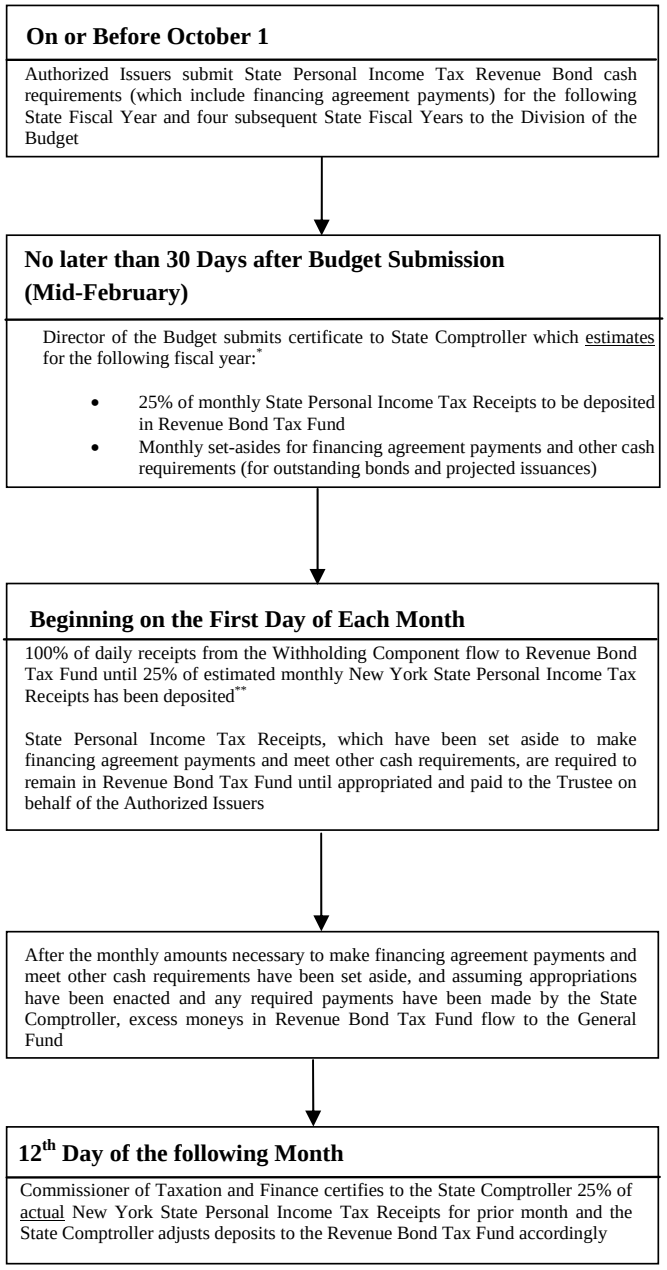
## Flow of Revenue Bond Tax Fund Receipts

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




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

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

**Moneys Held in the Revenue Bond Tax Fund**

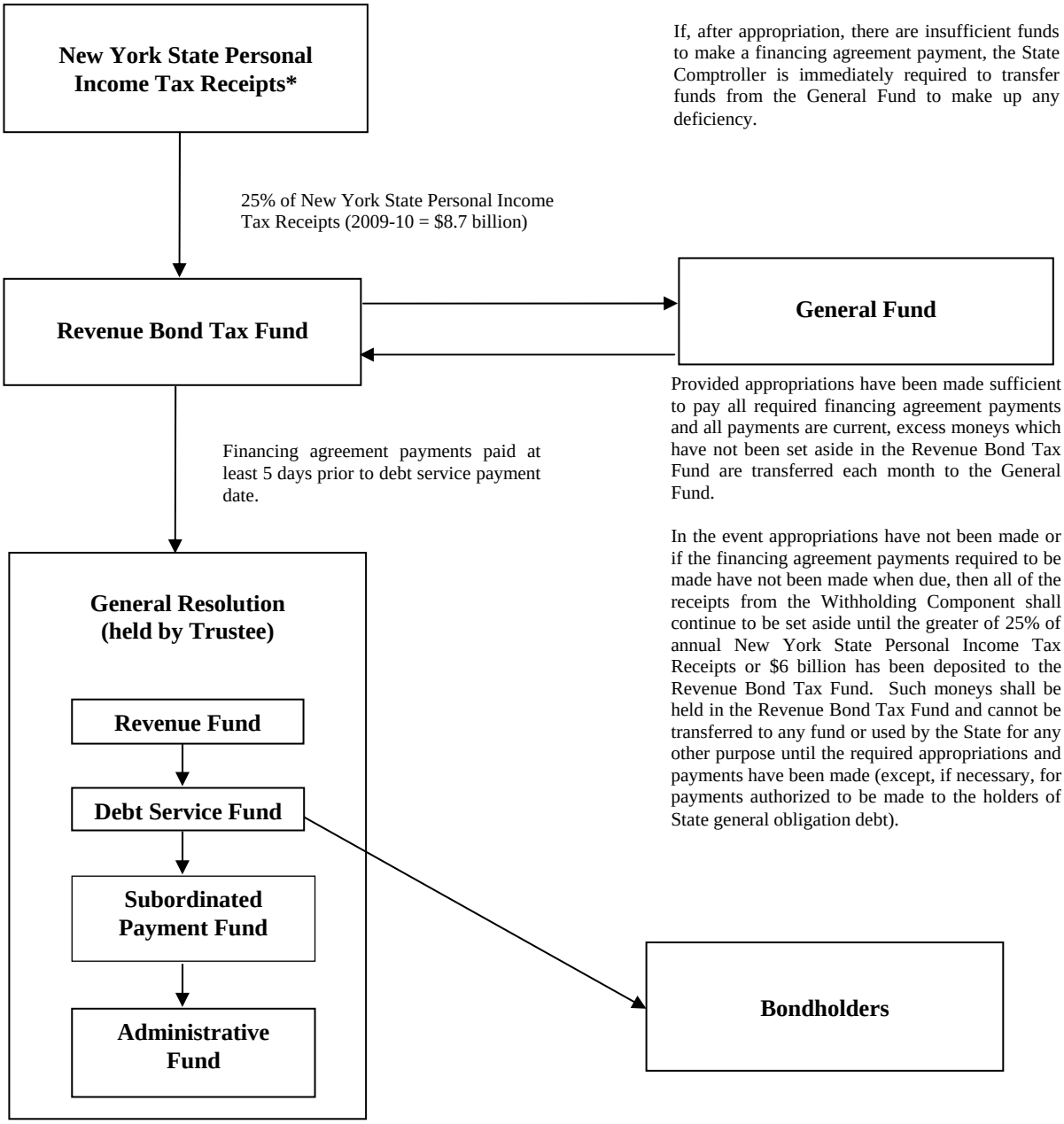
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Corporation and other Authorized Issuers (which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

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

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

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

## Flow of Revenues




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

**Appropriation by the State Legislature**

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

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

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

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

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

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

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

**Additional Bonds**

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

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

**Parity Reimbursement Obligations**

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

**Certain Covenants of the State**

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

Pursuant to the Enabling Act and the general resolutions, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the State

personal income taxes imposed pursuant to Article 22 of the Tax Law. An Event of Default under the general resolutions would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter the statutes imposing or relating to such taxes. However, the Director of the Budget believes that any materially adverse amendment, modification or alteration of, or the repeal of, statutes imposing or related to the State personal income tax imposed pursuant to Article 22 of the Tax Law could have a serious impact on the flow of New York State Personal Income Tax Receipts to the Revenue Bond Tax Fund, the ability of the Authorized Issuers to issue Additional Bonds and the marketability of outstanding State Personal Income Tax Revenue Bonds.

**Reservation of State's Right to Substitute Credit**

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

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

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

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

**General History of the State Personal Income Tax**

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

The State's personal income tax structure adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications, such as: (1) the inclusion of investment income from debt instruments issued by other

states and municipalities and the exclusion of income on certain Federal obligations; and (2) the exclusion of pension income received by Federal, New York State and local government employees, private pension and annuity income up to $20,000 ($40,000 for married couples filing jointly), and any Social Security income and refunds otherwise included in Federal adjusted gross income.

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

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

**Personal Income Tax Rates**

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

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## New York State Personal Income Tax Rates for Tax Years 2009 Through 2011

| **Married Filing Jointly** | **Tax*** |
|---|---|
| Taxable Income: | |
| Not over $16,000 | 4% of taxable income |
| Over $16,000 but not over $22,000 | $640 plus 4.50% of excess over $16,000 |
| Over $22,000 but not over $26,000 | $910 plus 5.25% of excess over $22,000 |
| Over $26,000 but not over $40,000 | $1,120 plus 5.90% of excess over $26,000 |
| Over $40,000 but not over $300,000 | $1,946 plus 6.85% of excess over $40,000 |
| Over $300,000 but not over $500,000 | $19,756 plus 7.85% of excess over $300,000 |
| Over $500,000 | $35,456 plus 8.97% of excess over $500,000 |
| **Single, Married Filing Separately, Estates and Trusts** | |
| Taxable Income: | |
| Not over $8,000 | 4% of taxable income |
| Over $8,000 but not over $11,000 | $320 plus 4.50% of excess over $8,000 |
| Over $11,000 but not over $13,000 | $455 plus 5.25% of excess over $11,000 |
| Over $13,000 but not over $20,000 | $560 plus 5.90% of excess over $13,000 |
| Over $20,000 but not over $200,000 | $973 plus 6.85% of excess over $20,000 |
| Over $200,000 but not over $500,000 | $13,303 plus 7.85% of excess over $200,000 |
| Over $500,000 | $36,853 plus 8.97% of excess over $500,000 |
| **Head of Household** | |
| Taxable Income: | |
| Not over $11,000 | 4% of taxable income |
| Over $11,000 but not over $15,000 | $440 plus 4.50% of excess over $11,000 |
| Over $15,000 but not over $17,000 | $620 plus 5.25% of excess over $15,000 |
| Over $17,000 but not over $30,000 | $725 plus 5.90% of excess over $17,000 |
| Over $30,000 but not over $250,000 | $1,492 plus 6.85% of excess over $30,000 |
| Over $250,000 but not over $500,000 | $16,562 plus 7.85% of excess over $250,000 |
| Over $500,000 | $36,187 plus 8.97% of excess over $500,000 |

* A supplemental income tax recaptures the value of lower tax brackets such that when a taxpayer's AGI exceeds $550,000, all taxable income becomes effectively subject to a flat 8.97 percent tax rate.

## New York State Personal Income Tax Rates for Tax Years After 2011

| **Married Filing Jointly** | **Tax†** |
|---|---|
| Taxable Income: | |
| Not over $16,000 | 4% of taxable income |
| Over $16,000 but not over $22,000 | $640 plus 4.50% of excess over $16,000 |
| Over $22,000 but not over $26,000 | $910 plus 5.25% of excess over $22,000 |
| Over $26,000 but not over $40,000 | $1,120 plus 5.90% of excess over $26,000 |
| Over $40,000 | $1,946 plus 6.85% of excess over $40,000 |
| **Single, Married Filing Separately, Estates and Trusts** | |
| Taxable Income: | |
| Not over $8,000 | 4% of taxable income |
| Over $8,000 but not over $11,000 | $320 plus 4.50% of excess over $8,000 |
| Over $11,000 but not over $13,000 | $455 plus 5.25% of excess over $11,000 |
| Over $13,000 but not over $20,000 | $560 plus 5.90% of excess over $13,000 |
| Over $20,000 | $973 plus 6.85% of excess over $20,000 |
| **Head of Household** | |
| Taxable Income: | |
| Not over $11,000 | 4% of taxable income |
| Over $11,000 but not over $15,000 | $440 plus 4.50% of excess over $11,000 |
| Over $15,000 but not over $17,000 | $620 plus 5.25% of excess over $15,000 |
| Over $17,000 but not over $30,000 | $725 plus 5.90% of excess over $17,000 |
| Over $30,000 | $1,492 plus 6.85% of excess over $30,000 |

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

**Components of the Personal Income Tax**

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

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

**Revenue Bond Tax Fund Receipts**

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

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

In State Fiscal Year 2009-10, New York State Personal Income Tax Receipts were approximately $34.8 billion and accounted for approximately 59 percent of State tax receipts in all State Funds. The 2010-11 Mid-Year Financial Plan Update estimates New York State Personal Income Tax Receipts at $36.6 billion for State Fiscal Year 2010-11.

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax

Fund from State Fiscal Years 2000-01 through 2010-11. For State Fiscal Years 2000-2001 through 2002-03, the table provides a pro forma estimate equivalent to 25 percent of New York State Personal Income Tax Receipts that would have been deposited to the Revenue Bond Tax Fund had the Enabling Act been in effect during the entirety of those State Fiscal Years. The Withholding Component can exceed New York State Personal Income Tax Receipts since such Receipts equal total personal income tax collections less (i) refunds and (ii) through State Fiscal Year 2006-07, deposits into the STAR Fund. For example, in State Fiscal Year 2003-04, refunds and STAR Fund deposits were greater than the aggregate personal income tax collections from components other than the Withholding Component.

**NYS Personal Income Tax Receipts, Withholding Components and State Revenue Bonds Tax Fund Receipts State Fiscal Years 2000-01 through 2010-11**

| State Fiscal Year | New York State Personal Income Tax Receipts | Withholding Component | Withholding/State Personal Income Tax Receipts | Revenue Bond Tax Fund Receipts* |
|---|---|---|---|---|
| 2000-01 | $23,116,012,541 | $20,955,093,052 | 90.7% | $5,779,003,135 |
| 2001-02 | 24,013,593,585 | 20,261,325,030 | 84.4 | 6,003,398,396 |
| 2002-03 | 19,984,262,417 | 19,959,388,350 | 99.9 | 4,996,065,604 |
| 2003-04 | 21,827,770,700 | 21,985,657,770 | 100.7 | 5,456,942,675 |
| 2004-05 | 25,040,965,404 | 23,374,513,925 | 93.3 | 6,260,241,351 |
| 2005-06 | 27,599,721,585 | 24,760,667,777 | 89.7 | 6,899,930,396 |
| 2006-07 | 30,586,021,803 | 26,802,005,019 | 87.6 | 7,646,505,451 |
| 2007-08 | 36,563,948,528** | 28,440,134,437 | 77.8 | 9,140,987,132** |
| 2008-09 | 36,840,019,400** | 27,686,157,203 | 75.2 | 9,210,004,850** |
| 2009-10 | 34,751,381,665** | 29,443,180,489 | 84.7 | 8,687,845,416** |
| 2010-11 (est.) | 36,597,000,000** | 31,301,000,000 | 85.5 | 9,149,250,000** |

* Twenty-five percent of New York State Personal Income Tax Receipts shown on an annualized and *pro forma* basis for State Fiscal Years 2000-2001 through 2002-03.

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

In State Fiscal Year 2009-10, New York State Personal Income Tax Receipts totaled approximately $34.8 billion. The 2010-11 Mid-Year Financial Plan Update estimates that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 5.3% to $36.6 billion in 2010-11.

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

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

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

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for 2001 through 2010.

**NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 2001 to 2010***

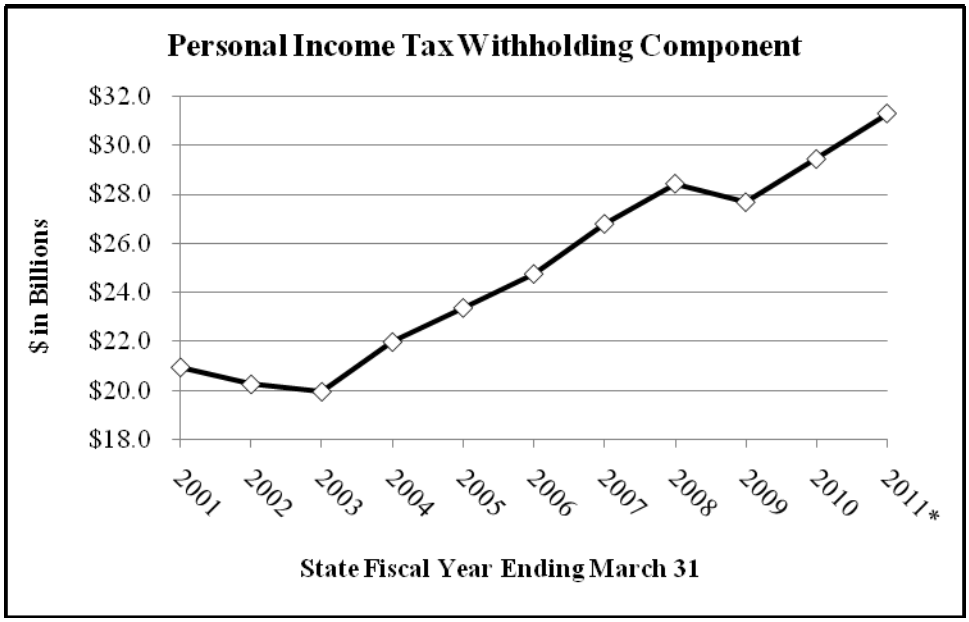
| Tax Year | NYS AGI | Percent Change | Personal Income Tax Liability | Percent Change |
|---|---|---|---|---|
| | | *($ in millions)* | | |
| 2001 | $481,001 | (5.5)% | $22,406 | (8.5)% |
| 2002 | 459,919 | (4.4) | 20,729 | (7.5) |
| 2003 | 473,778 | 3.0 | 22,456 | 8.3 |
| 2004 | 525,964 | 11.0 | 25,769 | 14.8 |
| 2005 | 571,916 | 8.7 | 28,484 | 10.5 |
| 2006 | 632,601 | 10.6 | 29,838 | 4.8 |
| 2007 | 725,245 | 14.6 | 35,215 | 18.0 |
| 2008 | 662,053 | (8.7) | 31,621 | (10.2) |
| 2009 (est.) | 591,455 | (10.7) | 30,193 | (4.5) |
| 2010 (proj.) | 641,395 | 8.4 | 34,167 | 13.2 |

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

The table indicates that under the State's progressive income tax structure with graduated tax rates, tax liability generally changes at a faster percentage rate than adjusted gross income, absent major law changes or economic events. Tax liability and adjusted gross income fell in 2001 and 2002 in the wake of the 2001 national recession and the September 11 attacks. Both subsequently grew for five consecutive years, as the State economy recovered and entered a robust period of expansion. With the onset of the national recession and the financial crisis, adjusted gross income and tax liability are estimated to have fallen for both 2008 and 2009.

Tax liability for tax years 2003 through 2005 reflect a temporary tax rate surcharge on high-income taxpayers, which increased overall liability by about 7 percent, while the low 3.9 percent growth in tax liability for tax year 2006 reflects the expiration of the surcharge at the end of 2005. Likewise, a temporary tax rate surcharge on high-income taxpayers enacted for tax years 2009 through 2011 makes the decline in tax liability much smaller in 2009. A strong recovery in liability is expected for 2010 due to a recovering financial sector and the anticipated shifting of income from 2011 to 2010 with the expiration of the 2001 and 2003 Federal tax cuts.

The following graph shows the history of withholding receipts since State Fiscal Year 2000-2001. Like overall adjusted gross incomes and tax liabilities, withholding has steadily increased each year except the recession-related State Fiscal Years 2001-02, 2002-03 and 2008-09, due to overall growth in employment and wages, as well as the temporary tax surcharge which applied during State Fiscal Years 2003-04 through 2005-06 and for the State Fiscal Year 2009-10 actuals and 2010-11 estimates, which reflects the temporary tax rate increase.




* Estimated.

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

## PART 5 – THE PROJECTS

The Series 2010 Bonds are being issued for the purposes of financing Authorized Purposes (as such term is defined in the Resolution). The Series 2010A Bonds are being issued to finance capital projects and equipment purchases for State departments, agencies and the City University of New York, economic development projects throughout the State, including the equipping of an international computer chip research and development center, and economic development grants under various programs, including, but not limited to: the Capital Projects Fund, the Downstate Revitalization Fund, Economic and Community Development Projects, the Empire State Economic Development Fund, the New York State Economic Development Assistance Program, Upstate City-by-City initiatives, Luther Forest infrastructure, and the Upstate Regional Blueprint Fund, as well as other individual projects. The Series 2010B Bonds are being issued to finance capital projects to redevelop Governors Island, economic development loans and grants under the Upstate Agricultural Economic Development Fund, the expansion and equipping of a computer chip research and development center at the State University of New York at Albany, and the construction of a video lottery facility and related improvements at the State-owned Aqueduct Racetrack in Queens. The Series 2010C Bonds are being issued to finance the development of an international computer chip research and development center and capital projects with respect to facilities and other property owned and operated by various agencies of the State, including: the New York State Department of Correctional Services, the New York State Office of Children and Family Services, the New York State Police, the New York State Division of Military and Naval Affairs, the New York State Office of Court Administration, and the New York State Office of Homeland Security. Additionally, the proceeds of the Series 2010 Bonds will be used to pay all or part of the cost of issuance of the Series 2010 Bonds. **The Series 2010 Bonds are not secured by the Projects or any interest therein.**

**The Series 2010 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2010 Bonds be payable out of any funds other than those of the Corporation pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2010 Bonds. The Corporation has no taxing power.**

## PART 6 – DESCRIPTION OF THE SERIES 2010 BONDS

### General

Each series of the Series 2010 Bonds will be initially dated the date of delivery of the Series 2010 Bonds and will bear interest, computed on the basis of a 360-day year and 30-day month, at the rates per annum and mature on the dates and in the amounts set forth on the inside cover page of this Official Statement.

Each series of the Series 2010 Bonds will be issued only as fully registered bonds in the principal denomination of $5,000 or any integral multiple thereof.

Each series of the Series 2010 Bonds will be issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as bond depository for the Series 2010 Bonds. Principal or redemption price of and interest on each series of the Series 2010 Bonds are payable by The Bank of New York Mellon, New York, New York, as Trustee and Paying Agent, to Cede & Co., so long as Cede & Co. is the registered owner of each series of the Series 2010 Bonds, as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (See "PART 7 - BOOK-ENTRY ONLY SYSTEM" below).

### Series 2010A Bonds

The Series 2010A Bonds will bear interest from their dated date, payable semi-annually on each March 15 and September 15, commencing on March 15, 2011.

### Series 2010B Bonds

The Series 2010B Bonds will bear interest from their dated date, payable semi-annually on each June 15 and December 15, commencing on June 15, 2011

### Series 2010C Bonds

The Series 2010C Bonds will bear interest from their dated date, payable semi-annually on each March 15 and September 15, commencing on March 15, 2011.

### Redemption

The Series 2010A Bonds are not subject to redemption prior to maturity.

***Make-Whole Optional Redemption of the Series 2010B Bonds and the Series 2010C Bonds***

The Series 2010B Bonds and the Series 2010C Bonds are subject to redemption prior to their respective maturities at the option of the Corporation, in whole or in part, on any Business Day, at the Make-Whole Redemption Price (as defined herein) determined by the Designated Investment Banker (as defined herein). The "Make-Whole Redemption Price" is the greater of (i) the issue price(s) as shown on

the inside cover page of this Official Statement (but not less than 100% of the principal amount of the Series 2010B Bonds or the Series 2010C Bonds to be redeemed), or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2010B Bonds or the Series 2010C Bonds to be redeemed (taking into account any mandatory sinking fund redemptions applicable to such Series), not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B Bonds or the Series 2010C Bonds, as the case may be, are to be redeemed, discounted to the date on which such Series 2010B Bonds or the Series 2010C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus 25 basis points, plus accrued and unpaid interest on the applicable Series 2010B Bonds or the Series 2010C Bonds to be redeemed on the redemption date.

For purpose of determining the Make-Whole Redemption Price, the following definitions apply:

"Treasury Rate" means, with respect to any redemption date for a particular Series 2010B Bond or Series 2010C Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Series 2010B Bond or Series 2010C Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the Series 2010B Bond or Series 2010C Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2010B Bonds or Series 2010C Bonds, as applicable, to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Series 2010B Bond or Series 2010C Bond, (i) if the Designated Investment Banker receives at least five Reference Treasury Dealer Quotations (defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than five Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Corporation.

"Reference Treasury Dealer" means each of the five firms, specified by the Corporation from time to time, that are primary United States government securities dealers in The City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Corporation will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2010B Bond or Series 2010C Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the date specified in the redemption notice, which date shall be no earlier than four days after the date of the redemption notice and no later than four days preceding such redemption date.

***Extraordinary Optional Redemption of the Series 2010C Bonds***

The Series 2010C Bonds are subject to redemption at any time prior to their maturity at the option of the Corporation, in whole or in part, upon the occurrence of an Extraordinary Event, at a redemption price (the "Extraordinary Optional Redemption Price") equal to the greater of (i) 100% of the principal amount of the Series 2010C Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2010C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010C Bonds are to be redeemed, discounted to the date on which the Series 2010C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points, plus, in each case, accrued and unpaid interest on the Series 2010C Bonds to be redeemed on the redemption date.

An "Extraordinary Event" will have occurred if (a) Section 54AA or 6431 of the Internal Revenue Code of 1986, as amended (the "Code") (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to "Build America Bonds") is modified or amended in a manner pursuant to which the Corporation's 35% cash subsidy payment from the United States Treasury is reduced or eliminated with respect to the Series 2010C Bonds, or (b) guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections that places one or more substantive new conditions on the receipt by the Corporation of such 35% cash subsidy payments and such condition(s) are unacceptable to the Corporation.

For purposes of determining the Extraordinary Optional Redemption Price, "Treasury Rate" shall have the meaning described above under the caption "— Make-Whole Optional Redemption of the Series 2010B Bonds and the Series 2010C Bonds."

***Mandatory Sinking Fund Redemption of the Series 2010C Bonds***

The Series 2010C Term Bond maturing March 15, 2040 (the "2040 Term Bond") is subject to mandatory redemption in part, in the manner described below under "Selection of Bonds to be Redeemed; Notice of Redemption", on March 15 in the years shown below, at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, to the date of redemption in an amount equal to the Sinking Fund Installments for such Bonds for such date:

| Year | Sinking Fund Installment | Year | Sinking Fund Installment |
|---|---|---|---|
| 2026 | $24,050,000 | 2034 | $11,880,000 |
| 2027 | 24,960,000 | 2035 | 12,325,000 |
| 2028 | 25,885,000 | 2036 | 12,780,000 |
| 2029 | 26,855,000 | 2037 | 13,260,000 |
| 2030 | 27,860,000 | 2038 | 13,755,000 |
| 2031 | 10,640,000 | 2039 | 14,275,000 |
| 2032 | 11,035,000 | 2040† | 14,805,000 |
| 2033 | 11,450,000 | | |

† Stated Maturity

The Corporation may, at any time at least 45 days prior to the date any mandatory Sinking Fund Installment is due, deliver Series 2010 Bonds of a given Series to the Trustee for cancellation in satisfaction, in whole or in part, of any such Sinking Fund Installment of such Series. Monies in the Debt Service Fund to be used to pay the Redemption Price of Series 2010 Bonds of a given Series may also be applied to the purchase of the respective Series of Series 2010 Bonds subject to redemption.

Upon the purchase or redemption of any Series 2010 Bonds for which mandatory Sinking Fund Installments shall have been established, other than by reason of the mandatory Sinking Fund Installment redemption described above and other than as described in the preceding paragraph, an amount equal to the principal amount of such series of the Series 2010 Bonds so purchased or redeemed shall be credited toward each of the mandatory Sinking Fund Installments with respect to the particular Series 2010 Bonds of such series and maturity as set forth below under "–Selection of Bonds to be Redeemed; Notice of Redemption."

**Selection of Bonds to be Redeemed; Notice of Redemption**

In the case of redemptions of Series 2010 Bonds at the option of the Corporation, the Corporation will select the Series and maturities of the Series 2010 Bonds to be redeemed.

If the Series 2010B Bonds or the Series 2010C Bonds, as the case may be, are registered in book-entry form, and so long as DTC or a successor securities depository is the sole registered owner of such Series 2010B Bonds or Series 2010C Bonds and if fewer than all of any maturity of the Series 2010B Bonds or Series 2010C Bonds, as applicable, bearing the same interest rate are to be redeemed, the particular Series 2010B Bonds or Series 2010C Bonds to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2010B Bonds or the Series 2010C Bonds, as the case may be, are held in book-entry form, the selection for redemption of such Series 2010B Bonds or Series 2010C Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2010B Bonds or Series 2010C Bonds, as applicable, will be selected for redemption, in accordance with DTC procedures, by lot; provided that any such redemption must be performed such that all Series 2010B Bonds or Series 2010C Bonds, as applicable, remaining outstanding will be in authorized denominations. See "PART 7-BOOK-ENTRY ONLY SYSTEM."

In connection with any repayment of principal, including payments of scheduled mandatory sinking fund payments, the Trustee will direct DTC to make a pass-through distribution of principal to the owners of the Series 2010B Bonds and the Series 2010C Bonds. A form of Pro Rata Pass-Through Distribution of Principal Notice will be provided to the Trustee that includes a table of factors reflecting the relevant scheduled redemption payments, based on the current schedule of mandatory sinking fund payments, which is subject to change upon certain optional redemptions, and DTC's currently applicable procedures, which are subject to change.

For purposes of caclulating pro rata pass-through distributions of principal, "pro rata" means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator of which is equal to the amount due to the respective owners of the Series 2010B Bonds or the Series 2010C Bonds, as the case may be, on a payment date and (b) the denominator of which is equal to the total original par amount of such Series 2010B Bonds or Series 2010C Bonds.

It is the Corporation's intent that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Corporation nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Series 2010B Bonds and the Series 2010C Bonds on such basis.

If the Series 2010B Bonds or the Series 2010C Bonds, as the case may be, are not registered in book-entry form and if fewer than all of a maturity of the respective Series 2010B Bonds or Series 2010C Bonds bearing the same interest rate are to be redeemed, the applicable Series 2010B Bonds or Series 2010C Bonds of such maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis, provided that any such redemption must be performed such that all Series 2010B Bonds or Series 2010C Bonds, as applicable, remaining outstanding will be in authorized denominations.

***Notice of Redemption***

Any notice of optional redemption of the Series 2010 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2010 Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs; provided, however, that with respect to any conditional notice given to Bondholders in connection with a Make-Whole Optional Redemption of all or a portion of the Series 2010B Bonds or the Series 2010C Bonds, as the case may be, upon the determination of the Make-Whole Redemption Price by the Designated Investment Banker, such redemption shall only be conditioned upon the issuance of refunding bonds pursuant to a contract of purchase that has been executed in connection therewith. Under the Resolutions, the Trustee is required to provide (i) notice of any rescission or failure to meet any such condition or other such event as promptly as practicable after the failure of such condition or the occurrence of such other event, and (ii) notice of the Make-Whole Redemption Price as promptly as practicable after its determination.

When the Trustee shall have received notice from the Corporation that Series 2010 Bonds are to be redeemed, the Trustee shall give notice, in the name of the Corporation, of the redemption of such Series 2010 Bonds, which notice shall specify the Series 2010 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2010 Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2010 Bonds to be redeemed, and in the case of Series 2010 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed.

Such notice shall further state that on the redemption date there shall become due and payable upon each Series 2010 Bond or portion thereof to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on the Series 2010 Bonds or portions thereof to be redeemed.

Notice of any redemption shall be mailed by the Trustee, postage prepaid, no more than 45 days and no less than 20 days before the redemption date, to the Owners of any Series 2010 Bonds or portions of Series 2010 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 2010 Bonds, see "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

## PART 7 – BOOK-ENTRY ONLY SYSTEM

Beneficial ownership interests in the Corporation's bonds and notes will be available in book-entry only form. Purchasers of beneficial ownership interests in the Corporation's bonds and notes will not receive certificates representing their interests in the securities purchased. Purchasers may hold beneficial interests in the Series 2010A Bonds in the United States through DTC. Purchasers may hold beneficial interests in the Series 2010B Bonds and the Series 2010C Bonds in the United States through DTC and in Europe through Clearstream Banking, société anonyme, or the Euroclear System.

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2010 Bonds. References to the Series 2010 Bonds under this caption "Book-Entry Only System" shall mean all Series 2010 Bonds, the beneficial interests in which are owned in the United States. The Series 2010 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 2010 Bond certificate will be issued for each maturity bearing interest at the same rate of each series of the Series 2010 Bonds and will be deposited with DTC.

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

Purchases of the Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the related Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 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 2010 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 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of any series of the Series 2010 Bonds within a stated maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Corporation, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Corporation and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2010 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2010 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2010 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Corporation and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2010 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Corporation (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2010 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Corporation; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be

paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of the Series 2010 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2010 Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for any series of the Series 2010 Bonds. In that event, Series 2010 Bond certificates will be printed and delivered to DTC.

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

Each person for whom a Participant acquires an interest in the Series 2010 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2010 BONDS.

So long as Cede & Co. is the registered owner of the Series 2010 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2010 Bonds (other than under the caption "PART 13 – TAX MATTERS" and "PART 19 – CONTINUING DISCLOSURE UNDER SEC RULE 15c-2-12" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2010 Bonds.

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

For every transfer and exchange of Series 2010 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

NEITHER THE CORPORATION NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2010 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2010 BONDHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2010 BONDHOLDER; (5) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2010 BONDS; OR (6) ANY OTHER MATTER.

**Global Settlement Procedures**

Reference to the Series 2010B Bonds and the Series 2010C Bonds under this caption, "Global Settlement Procedures" shall mean the Series 2010B Bonds and the Series 2010C Bonds, respectively, the beneficial interests in which are owned in Europe. The Series 2010B Bonds and the Series 2010C Bonds initially will be registered in the name of Cede & Co. as registered owner and nominee for DTC, which will act as securities depository for the Series 2010B Bonds and the Series 2010C Bonds. Purchases of the Series 2010B Bonds and the Series 2010C Bonds will be in book-entry form only. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depositories, which, in turn, hold such positions in customers' securities accounts in the U.S. Depositories' names on the books of DTC. Citibank, N.A. acts as the U.S. Depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

*Clearstream*

Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg ("*Clearstream, Luxembourg*") is successor in name to Cedel Bank S.A. Clearstream Luxembourg is a wholly-owned subsidiary of Clearstream International S.A. On January 1, 1995, Clearstream, Luxembourg was granted a banking license in Luxembourg.

Clearstream International S.A., which is domiciled in Luxembourg, is as from June 2009, 51% owned by Clearstream Holding AG and 49% owned by Deutsche Börse Clearing ("DBAG").

Clearstream Holding AG is domiciled in Germany and wholly owned by DBAG. DBAG is a publicly held company organized under German law and traded on the Frankfurt Stock Exchange.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in many countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier ("*CSSF*"), which supervises Luxembourg banks. Since February 12, 2001, Clearstream, Luxembourg has also been supervised by the Central Bank of Luxembourg according to the Settlement Finality Directive Implementation of January 12, 2001, following the official notification to the regulators of the Clearstream, Luxembourg's role as payment system provider operating a securities settlement system. Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the "*Euroclear Operator*") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Clearstream Banking AG, which is domiciled in Germany, is a fully-owned subsidiary of Clearstream International. Clearstream Banking AG provides clearing and settlement services for the German domestic and international market.

*Euroclear*

Euroclear Bank S.A./N.V. ("*Euroclear Bank*") holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Participants, as defined in the Terms and Conditions Governing Use of Euroclear, as amended from time to time (the "Terms and Conditions"), and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries. Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in

an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions on Behalf of the Owners. All of the Series 2010B Bonds and the Series 2010C Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "*U.S. Depositories*"). Holders of the Series 2010C Bonds may hold their Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Series 2010B Bonds and the Series 2010C Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Series 2010B Bonds and the Series 2010C Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Series 2010B Bonds and the Series 2010C Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Procedures May Change. Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

Secondary Market Trading. Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the

case may be, will instruct its U.S. Depository to receive securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear Participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Series 2010B Bonds and the Series 2010C Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participant, a cross-market transaction will settle no differently from a trade between two participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participant's or Clearstream customers' accounts will be back valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one day period.

If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

THE CORPORATION AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS (WITH RESPECT TO THE SERIES 2010B BONDS AND THE SERIES 2010C BONDS) WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2010B BONDS AND THE SERIES 2010C BONDS, RESPECTIVELY: (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE SERIES 2010B BONDS AND THE SERIES 2010C BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES

2010B BONDS AND THE SERIES 2010C BONDS; OR (3) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2010B BONDS AND THE SERIES 2010C BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS. THE CORPORATION AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE CORPORATION AND THE UNDERWRITERS WILL HAVE NO RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE SERIES 2010B BONDS AND THE SERIES 2010C BONDS, RESPECTIVELY; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE RESOLUTIONS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE SERIES 2010B BONDS AND THE SERIES 2010C BONDS.

THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT CONCERNING DTC, CLEARSTREAM AND EUROCLEAR AND THEIR BOOK-ENTRY SYSTEMS HAS BEEN OBTAINED FROM DTC, CLEARSTREAM AND EUROCLEAR, RESPECTIVELY, AND NEITHER THE CORPORATION NOR THE UNDERWRITERS MAKE ANY REPRESENTATIONS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

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## PART 8 – DEBT SERVICE REQUIREMENTS

The following schedule sets forth, for each 12-month period ending March 31 of the years shown, the amounts required for the payment of debt service on the Series 2010 Bonds, for the payment of debt service on outstanding State Personal Income Tax Revenue Bonds and the aggregate total during each such period.

| 12-Month Period Ending March 31 | Series 2010 Bonds | | | Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service[(1), (2), (3)] | Aggregate Debt Service[(1), (2), (3)] |
|---|---|---|---|---|---|
| | Principal Payments | Interest Payments | Total | | |
| 2011 | $ 15,345,000 | $ 10,819,362 | $ 26,164,362 | $ 1,850,513,093 | $ 1,876,677,455 |
| 2012 | 91,310,000 | 45,343,417 | 136,653,417 | 1,898,294,744 | 2,034,948,161 |
| 2013 | 92,530,000 | 44,645,074 | 137,175,074 | 1,846,857,618 | 1,984,032,692 |
| 2014 | 73,755,000 | 43,201,606 | 116,956,606 | 1,787,043,698 | 1,904,000,304 |
| 2015 | 73,225,000 | 41,705,854 | 114,930,854 | 1,741,561,253 | 1,856,492,107 |
| 2016 | 65,955,000 | 39,798,334 | 105,753,334 | 1,680,687,883 | 1,786,441,217 |
| 2017 | 69,125,000 | 36,615,634 | 105,740,634 | 1,662,866,895 | 1,768,607,529 |
| 2018 | 71,990,000 | 33,285,534 | 105,275,534 | 1,617,364,263 | 1,722,639,797 |
| 2019 | 75,505,000 | 29,766,634 | 105,271,634 | 1,556,710,255 | 1,661,981,889 |
| 2020 | 79,250,000 | 26,027,609 | 105,277,609 | 1,498,610,342 | 1,603,887,951 |
| 2021 | 57,070,000 | 22,353,946 | 79,423,946 | 1,407,629,158 | 1,487,053,104 |
| 2022 | 21,095,000 | 19,608,879 | 40,703,879 | 1,391,463,818 | 1,432,167,697 |
| 2023 | 21,755,000 | 18,552,020 | 40,307,020 | 1,379,900,277 | 1,420,207,297 |
| 2024 | 22,460,000 | 17,418,584 | 39,878,584 | 1,329,176,878 | 1,369,055,462 |
| 2025 | 23,235,000 | 16,214,728 | 39,449,728 | 1,308,999,797 | 1,348,449,525 |
| 2026 | 24,050,000 | 14,934,480 | 38,984,480 | 1,317,816,796 | 1,356,801,276 |
| 2027 | 24,960,000 | 13,530,441 | 38,490,441 | 1,195,141,177 | 1,233,631,618 |
| 2028 | 25,885,000 | 12,073,276 | 37,958,276 | 1,209,001,536 | 1,246,959,812 |
| 2029 | 26,855,000 | 10,562,110 | 37,417,110 | 926,682,120 | 964,099,230 |
| 2030 | 27,860,000 | 8,994,315 | 36,854,315 | 758,806,177 | 795,660,492 |
| 2031 | 10,640,000 | 7,367,848 | 18,007,848 | 683,377,745 | 701,385,593 |
| 2032 | 11,035,000 | 6,746,685 | 17,781,685 | 677,857,326 | 695,639,011 |
| 2033 | 11,450,000 | 6,102,461 | 17,552,461 | 635,659,489 | 653,211,950 |
| 2034 | 11,880,000 | 5,434,010 | 17,314,010 | 593,017,960 | 610,331,970 |
| 2035 | 12,325,000 | 4,740,456 | 17,065,456 | 561,449,432 | 578,514,888 |
| 2036 | 12,780,000 | 4,020,923 | 16,800,923 | 485,020,245 | 501,821,168 |
| 2037 | 13,260,000 | 3,274,826 | 16,534,826 | 373,770,452 | 390,305,278 |
| 2038 | 13,755,000 | 2,500,707 | 16,255,707 | 305,542,867 | 321,798,574 |
| 2039 | 14,275,000 | 1,697,690 | 15,972,690 | 218,363,468 | 234,336,158 |
| 2040 | 14,805,000 | 864,316 | 15,669,316 | 87,961,486 | 103,630,802 |
| Total[(3)] | $1,109,420,000 | $548,201,760 | $1,657,621,760 | $33,987,148,247 | $35,644,770,008 |

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

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

(3) Totals may not add due to rounding.

## PART 9 – ESTIMATED SOURCES AND USES OF FUNDS

### Series 2010A Bond Proceeds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2010A Bonds:

| | |
|---|---|
| Sources of Funds | |
| Principal Amount of Series 2010A Bonds | $367,295,000.00 |
| Net Original Issue Premium | 49,385,362.05 |
| Total Sources | $416,680,362.05 |
| Uses of Funds | |
| Deposit to Bond Proceeds Fund | $409,844,522.00 |
| Costs of Issuance* | 5,040,787.93 |
| Underwriters' Discount | 1,795,052.12 |
| Total Uses | $416,680,362.05 |

### Series 2010B Bond Proceeds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2010B Bonds:

| | |
|---|---|
| Sources of Funds | |
| Principal Amount of Series 2010B Bonds | $328,365,000.00 |
| Total Sources | $328,365,000.00 |
| Uses of Funds | |
| Deposit to Bond Proceeds Fund | $323,000,000.00 |
| Costs of Issuance* | 4,505,611.09 |
| Underwriters' Discount | 859,388.91 |
| Total Uses | $328,365,000.00 |

### Series 2010C Bond Proceeds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2010C Bonds:

| | |
|---|---|
| Sources of Funds | |
| Principal Amount of Series 2010C Bonds | $413,760,000.00 |
| Total Sources | $413,760,000.00 |
| Uses of Funds | |
| Deposit to Bond Proceeds Fund | $405,677,000.00 |
| Costs of Issuance* | 5,677,548.82 |
| Underwriters' Discount | 2,405,451.18 |
| Total Uses | $413,760,000.00 |

* Includes New York State Bond Issuance Charge and Corporation Fee.

## PART 10 – THE CORPORATION

### General

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

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

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

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

### Economic Development Programs

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

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

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

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

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

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

Since January 1, 1997, over 7,660 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 $11.0 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 ESDC. ESDC 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. As indicated below, there is one vacancy on the Board of Directors.

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

**Directors**

Dennis Mullen, Chairman

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

Derrick D. Cephas, President and Chief Executive Officer, Amalgamated Bank

Kevin S. Corbett, Vice President DMJM and Harris

Richard H. Neiman, Superintendent, New York State Banking Department

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

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

**Senior Officers**

Dennis Mullen, Chief Executive Officer

Frances A. Walton, Chief Financial and Administrative Officer

Anita W. Laremont, Senior Vice President – Legal and General Counsel

Eileen McEvoy, Corporate Secretary

Kathleen Mize, Deputy Chief Financial Officer and Controller

Robert M. Godley, Treasurer

Peter Davidson, Executive Director

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

**Financial Advisors**

ButcherMark Financial Advisors LLC, MFR Securities and Cityview Capital Solutions, LLC are acting as financial advisors to the Corporation in connection with the issuance of the Series 2010 Bonds.

## PART 11 – AGREEMENT OF THE STATE

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

## PART 12 – LITIGATION

There is not now pending or threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the Series 2010 Bonds or in any way contesting or affecting the validity of the Series 2010 Bonds or any proceedings of the Corporation taken with respect to the issuance or the sale thereof, or the pledge or the application of any money or security provided for the payment of the Series

2010 Bonds or the existence or powers of the Corporation. See "APPENDIX A" under the heading "Litigation" for a description of certain litigation relating to the State generally.

## PART 13 – TAX MATTERS

### Series 2010A Bonds

Bond Counsel is of the opinion that, under existing law, interest on the Series 2010A Bonds, including any accrued original issue discount (as discussed below), will not be included in the gross income of the holders of the Series 2010A Bonds for federal income tax purposes. This opinion is expressly conditioned upon compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), which requirements must be satisfied subsequent to the date of issuance of the Series 2010A Bonds in order to ensure that interest on the Series 2010A Bonds is and continues to be excludable from the gross income of the holders thereof. Failure to so comply could cause the interest on the Series 2010A Bonds to be included in the gross income of the holders thereof, retroactive to the date of issuance of the Series 2010A Bonds. In particular, and without limitation, those requirements include restrictions on the use, expenditure and investment of proceeds and payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Corporation has provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, interest on the Series 2010A Bonds will not constitute a preference item under section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under section 55 of the Code and will not be included in "adjusted current earnings" when calculating corporate alternative minimum taxable income under section 56(g) of the Code. The foregoing opinions reflect the enactment of ARRA, which includes provisions that modify the treatment under the alternative minimum tax of interest on certain bonds, such as the Series 2010A Bonds, issued in 2010.

For federal income tax purposes, interest on the Series 2010A Bonds includes any accrued original issue discount. Original issue discount with respect to a Series 2010A Bond is equal to the excess, if any, of the stated redemption price at maturity of a Series 2010A Bond over the initial offering price at which price a substantial amount of all Series 2010A Bonds with the same maturity were sold (other than to underwriters and other intermediaries). Original issue discount accrues actuarially over the term of a Series 2010A Bond and results in a corresponding increase in the holder's tax basis in such Series 2010A Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Series 2010A Bond is held.

An amount equal to the excess, if any, of the purchase price of a Series 2010A Bond over the principal amount payable at maturity generally constitutes amortizable bond premium for federal income tax purposes. The required amortization of such premium during the term of a Series 2010A Bond will result in reduction of the holder's tax basis in such Series 2010A Bond. Such amortization also will result in reduction of the amount of the stated interest on the Series 2010A Bond taken into account as interest for tax purposes. Holders of Series 2010A Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of such premium.

Bond Counsel has not opined as to other federal or state tax consequences of holding the Series 2010A Bonds. However, prospective purchasers should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2010A Bonds or, in the case of a financial institution, that portion of the holder's interest expense allocated to such Bonds, provided, however, that under ARRA, the Series 2010A Bonds, and certain other similar bonds issued in 2010 and held by such financial institution may not be required to be taken into account in such allocation to the extent they do not in the aggregate exceed 2% of the average adjusted basis of the assets of the holder,

subject to the requirement that interest on indebtedness otherwise allocable to bonds which are for that reason excluded from such allocation be treated as a financial institution preference item as to which deductibility is reduced by 20%, (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(1) reduces the deduction for losses incurred by 15% of the sum of certain items, including interest on the Series 2010A Bonds, (iii) interest on the Series 2010A Bonds earned by certain foreign corporations doing business in the United States could be subject to a foreign branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Series 2010A Bonds, may be subject to federal income taxation under section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Series 2010A Bonds and (vi) receipt of investment income, including interest on the Series 2010A Bonds, may, pursuant to section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit otherwise provided by section 32(a) of the Code.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2010A Bonds may affect the tax exempt status of interest on the Series 2010A Bonds or the tax consequences of ownership of the Series 2010A Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2010A Bonds from gross income for federal income tax purposes.

Interest paid on tax-exempt obligations such as the Series 2010A Bonds is now generally required to be reported by payors to the Internal Revenue Service ("IRS") and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the Series 2010A Bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Series 2010A Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Series 2010A Bonds from gross income for federal tax purposes.

On the date of delivery of the Series 2010A Bonds, the original purchasers of the Series 2010A Bonds will be furnished with an opinion of Bond Counsel substantially in the form shown in "Proposed Form of Opinion of Bond Counsel" attached hereto as Appendix D.

**Series 2010B Bonds and Series 2010C Bonds**

The following discussion briefly summarizes the principal U.S. federal income tax consequences of the acquisition, ownership, and disposition of the Series 2010B Bonds and the Series 2010C Bonds for holders who acquire any Series 2010B Bonds or Series 2010C Bonds in the initial offering and hold such Series 2010B Bonds or Series 2010C Bonds as "capital assets." It does not discuss all aspects of U.S. federal income taxation which may apply to a particular holder, nor does it discuss U.S. federal income tax provisions which may apply to particular categories of holders, such as partnerships, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, employee benefit plans, tax-exempt organizations, dealers in securities or foreign currencies, persons holding Series 2010B Bonds or Series 2010C Bonds as a position in a "hedge" or "straddle," or holders whose functional currency is not the U.S. dollar. It is based upon provisions of existing law which are subject to change at any time, possibly with retroactive effect.

Except as otherwise explicitly noted below, this summary addresses only "U.S. Holders," that is, individual citizens or residents of the United States, corporations or other business entities organized

under the laws of the United States, any state, or the District of Columbia, estates with income subject to United States federal income tax, trusts subject to primary supervision by a United States court and for which United States persons control all substantial decisions, and certain other trusts that elect to be treated as United States persons. Except as otherwise explicitly noted in the discussion of New York taxes below, this discussion relates only to U.S. federal income taxes and not to any state, local or foreign taxes or U.S. federal taxes other than income taxes.

Interest on the Series 2010B Bonds and the Series 2010C Bonds that is "qualified stated interest" generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). Generally, "qualified stated interest" means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate and includes the semi-annual interest payments as set forth on the inside cover hereof.

Because the Corporation will elect to receive Interest Subsidy Payments, holders of the Series 2010C Bonds will not be entitled to any federal tax credits as to Build America Bonds in connection with their holding of Series 2010C Bonds. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS — Designation of Series 2010C Bonds as Build America Bonds."

Interest on the Series 2010B Bonds and the Series 2010C Bonds includes any accrued original issue discount. Original issue discount with respect to a Series 2010B Bond or a Series 2010C Bond is equal to the excess, if any, of the stated redemption price at maturity of a Series 2010B Bond or a Series 2010C Bond over the initial offering price thereof, excluding underwriters and other intermediaries, at which price a substantial amount of all Series 2010B Bonds and Series 2010C Bonds with the same maturity were sold, provided that such excess equals or exceeds a de minimis amount (generally ¼% of the stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity). A U.S. Holder of a Series 2010B Bond or a Series 2010C Bond with original issue discount must include the discount in income as ordinary interest for federal income tax purposes as it accrues in advance of receipt of the cash payments attributable to such income, regardless of the U.S. Holder's regular method of tax accounting. Original issue discount accrues actuarially over the term of a Series 2010B Bond or a Series 2010C Bond and results in a corresponding increase in the holder's tax basis in such Series 2010B Bond or Series 2010C Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Series 2010B Bond or Series 2010C Bond is held.

An amount equal to the excess, if any, of the purchase price of a Series 2010B Bond or a Series 2010C Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. A holder of a Series 2010B Bond or a Series 2010C Bond may elect to amortize such premium during the term of such Series 2010B Bond or Series 2010C Bond by claiming a deduction to offset interest otherwise required to be included in income during any taxable year by the amortizable amount of such premium for the taxable year. Such amortization will result in a corresponding reduction of the holder's tax basis in such Series 2010B Bond or Series 2010C Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the holder at the beginning of the first taxable year to which the election applies and to all taxable debt instruments acquired on or after such date and may be revoked only with the consent of the Internal Revenue Service. Holders of Series 2010B Bonds or Series 2010C Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of amortizable bond premium.

Unless a non-recognition provision of the Code applies, upon the sale, exchange, redemption, or other disposition (including a legal defeasance) of a Series 2010B Bond or a Series 2010C Bond, a U.S. Holder will recognize taxable gain or loss in an amount equal to the difference between the amount

realized (other than amounts representing accrued but unpaid interest) and such holder's adjusted tax basis in such Series 2010B Bond or Series 2010C Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2010B Bond or the Series 2010C Bond was held for more than one year. If the U.S. Holder is an individual, long-term gains will be subject to reduced rates of taxation. The deductibility of losses is subject to limitations.

A non-U.S. Holder of Series 2010B Bonds or Series 2010C Bonds whose income from such Series 2010B Bonds and Series 2010C Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. Holder. Otherwise: (i) a non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for federal income tax purposes) holding Series 2010B Bonds or Series 2010C Bonds on its own behalf generally will not be subject to federal income taxes on payments of principal, premium, interest or original issue discount on a Series 2010B Bond or a Series 2010C Bond, as long as the non-U.S. Holder makes an appropriate filing with a U.S. withholding agent; and (ii) a non-U.S. Holder will not be subject to federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Series 2010B Bond or a Series 2010C Bond unless such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States.

Information as to interest on or proceeds from the sale or other disposition of Series 2010B Bonds or Series 2010C Bonds is required to be reported by payors to the IRS and to recipients. In addition, backup withholding may apply unless the holder of a Series 2010B Bond or a Series 2010C Bond provides to a withholding agent its taxpayer identification number and certain other information or certification of foreign or other exempt status. Any amount withheld under the backup withholding rules is allowable as a refund or credit against the holder's actual U.S. federal income tax liability.

On the date of delivery of the Series 2010B Bonds and Series 2010C Bonds, the original purchasers of the Series 2010B Bonds and Series 2010C Bonds will be furnished with an opinion of Bond Counsel substantially in the form shown in "Proposed Form of Opinion of Bond Counsel" attached hereto as Appendix D.

To ensure compliance with Internal Revenue Service Circular 230, prospective purchasers of Series 2010B Bonds and Series 2010C Bonds are hereby informed that (1) any federal tax advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for purposes of avoiding penalties that may be imposed on the taxpayer, (2) any such federal tax advice is written to support the promotion or marketing of the Series 2010B Bonds and the Series 2010C Bonds, and (3) each purchaser of a Series 2010B Bond or a Series 2010C Bond should seek advice based on such purchaser's particular circumstances from an independent tax advisor.

**State Tax Matters**

In the opinion of Bond Counsel, 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. Bond Counsel has not opined as to the other New York tax consequences resulting from holding the Bonds, including any profit made on the sale thereof, nor has Bond Counsel opined as to the taxability of the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of states other than New York.

## PART 14 – RATINGS OF THE SERIES 2010 BONDS

The Series 2010 Bonds have been rated "AAA" by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("Standard & Poor's) and "AA" by Fitch Ratings ("Fitch"). Each rating reflects only the view of the rating agency issuing such rating and an explanation of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that such credit ratings will continue for any given period of time or that either or both will not be revised or withdrawn entirely by either or both of such rating agencies, if, in their respective judgments, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Series 2010 Bonds.

## PART 15 – UNDERWRITING

The Underwriters of the Series 2010A Bonds, acting through Morgan Stanley & Co. Incorporated, as representative, have jointly and severally agreed, subject to the terms of a Contract of Purchase with the Corporation, to purchase the Series 2010A Bonds from the Corporation. The Underwriters propose initially to offer the Series 2010A Bonds at the initial offering prices set forth on the inside cover page of this Official Statement. The Underwriters may offer and sell the Series 2010A Bonds to certain dealers (including dealers depositing such Series 2010A Bonds into investment trusts) at prices lower than such initial offering prices. The Contract of Purchase provides, in part, that the Underwriters, subject to certain conditions, will purchase from the Corporation $367,295,000 aggregate principal amount of Series 2010A Bonds at an aggregate purchase price of $414,885,309.93 (which price reflects an Underwriters' discount of $1,795,052.12 and a net original issue premium of $49,385,362.05).

The Underwriters of the Series 2010B Bonds and the Series 2010C Bonds, acting through Citigroup Global Markets Inc., as representative, have jointly and severally agreed, subject to the terms of a Contract of Purchase with the Corporation, to purchase the Series 2010B Bonds and the Series 2010C Bonds from the Corporation. The Underwriters propose initially to offer the Series 2010B Bonds and the Series 2010C Bonds at the initial offering prices set forth on the inside cover page of this Official Statement. The Underwriters may offer and sell the Series 2010B Bonds and the Series 2010C Bonds to certain dealers (including dealers depositing such Series 2010B Bonds and the Series 2010C Bonds into investment trusts) at prices lower than such initial offering prices. The Contract of Purchase provides, in part, that the Underwriters, subject to certain conditions, will purchase from the Corporation $328,365,000 aggregate principal amount of Series 2010B Bonds at an aggregate purchase price of $327,505,611.09 (which price reflects an Underwriters' discount of $859,388.91) and $413,760,000 aggregate principal amount of Series 2010C Bonds at an aggregate purchase price of $411,354,548.82 (which price reflects an Underwriters' discount of $2,405,451.18).

Delivery of each Series of Series 2010 Bonds is expressly conditioned upon the delivery of each other Series of Series 2010 Bonds.

The following four sentences have been provided by Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated: Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an underwriter of the Series 2010 Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of Series 2010 Bonds.

The following two sentences have been provided by M.R. Beal & Company: M.R. Beal & Company has entered into a distribution agreement (the Distribution Agreement) with TD Ameritrade, Inc. for the retail distribution of certain municipal securities offerings, including the Series 2010 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, M.R. Beal & Company will share a portion of its underwriting compensation with respect to the Series 2010 Bonds with TD Ameritrade, Inc.

The following two sentences have been provided by J.P. Morgan Securities LLC ("JPMS"): JPMS, one of the Underwriters of the Series 2010 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2010 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2010 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2010 Bonds that such firm sells.

The following three sentences have been provided by Fidelity Capital Markets ("FCM"): FCM, one of the Underwriters of the Series 2010 Bonds, is a division of National Financial Services LLC ("NFS"), which provides fully-disclosed clearing and other services to correspondent broker-dealers (the "correspondent broker-dealers"). NFS has entered into Master Reallowance Agreements with several of the correspondent broker-dealers to allow them to redistribute municipal securities underwritten by NFS to their retail investors at the original offering price. Pursuant to these Master Reallowance Agreements, NFS may share a portion of the underwriting compensation with respect to this bond offering with its correspondent broker-dealers.

The following two sentences have been provided by Goldman, Sachs & Co. ("Goldman Sachs"): Goldman Sachs, one of the Underwriters of the Series 2010 Bonds, has entered into a master dealer agreement (the "Master Dealer Agreement") with Incapital LLC ("Incapital") for the distribution of certain municipal securities offerings, including the Series 2010 Bonds, to Incapital's retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase Series 2010 Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any Series 2010 Bonds that Incapital sells.

The following sentence has been provided by Wells Fargo Securities: Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

## PART 16 – INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

THE FOLLOWING INFORMATION HAS BEEN PROVIDED BY THE UNDERWRITERS FOR USE IN THIS OFFICIAL STATEMENT. NEITHER THE CORPORATION NOR THE STATE HAVE REVIEWED, APPROVED OR DISAPPROVED SUCH INFORMATION AND NEITHER THE CORPORATION NOR THE STATE MAKE ANY REPRESENTATION AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION. FURTHERMORE, NEITHER THE CORPORATION NOR THE STATE HAVE UNDERTAKEN ANY INDEPENDENT INVESTIGATION OF THE LAWS, RULES AND REGULATIONS OF ANY JURISDICTION OUTSIDE THE UNITED STATE RELATING TO THE OFFERING AND SALE OF THE SERIES 2010 BONDS IN ANY SUCH JURISDICTION.

## NOTICE TO PROSPECTIVE INVESTORS IN CANADA (BRITISH COLUMBIA, ONTARIO, AND QUEBEC)

The offering of the Series 2010 Bonds in Canada is being made in the Provinces of British Columbia, Ontario and Québec (each, a "Canadian Jurisdiction" and collectively, the "Canadian Jurisdictions") pursuant to exemptions from the prospectus requirements of applicable securities laws. The Series 2010 Bonds will be offered to "accredited investors" in the Canadian Jurisdictions pursuant to section 2.3 (the "Accredited Investor Exemption") of National Instrument 45-106 - *Prospectus and Registration Exemptions* of the Canadian Securities Administrators ("NI 45-106"). Under the Accredited Investor Exemption, a subscriber or any principal on whose behalf the subscriber is acting as agent (a "Canadian Purchaser") must qualify as an "accredited investor", as such term is defined in NI 45-106. All Canadian Purchasers of the Series 2010 Bonds will be required to execute a subscription agreement which will contain representations, warranties, covenants and acknowledgments of the Canadian Purchaser to establish the availability of such exemption and to ensure compliance with applicable Canadian securities laws.

### Resale Restrictions

The Series 2010 Bonds acquired by Canadian Purchasers hereunder may not be sold, transferred or otherwise disposed of in any manner unless such sale, transfer or disposition complies with the resale restrictions of the securities laws of the Canadian Jurisdictions. Pursuant to applicable Canadian provincial and territorial securities laws, the Series 2010 Bonds acquired by a Canadian Purchaser hereunder will be subject to restrictions on resale until such time as:

(a) the appropriate "hold periods" have been satisfied and such purchaser has complied with other applicable requirements, including the filing of appropriate reports pursuant to applicable securities legislation;

(b) a further statutory exemption may be relied upon by such purchaser; or

(c) an appropriate discretionary order is obtained pursuant to applicable securities laws.

As the Corporation is not a reporting issuer in any province or territory of Canada, the applicable hold period for the Series 2010 Bonds may never expire, and if no further statutory exemption may be relied upon and if no discretionary order is obtained, this could result in a Canadian Purchaser having to hold the Series 2010 Bonds for an indefinite period of time. Each certificate representing the securities issued to Canadian Purchasers will bear a legend indicating that the resale of such securities is restricted.

The foregoing is a summary only of applicable resale restrictions and is subject to the express provisions of applicable securities legislation. All Canadian Purchasers should consult with their own legal advisors to determine the extent of the applicable hold period and the possibilities of utilizing any further statutory exemptions or the obtaining of a discretionary order.

### Indirect Collection of Personal Information

By purchasing the Series 2010 Bonds, a Canadian Purchaser acknowledges that its name, residential address, telephone number and other specified information may be disclosed to Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable Canadian laws. By purchasing the Series 2010 Bonds, a Canadian Purchaser consents to the disclosure of such information.

By purchasing the Series 2010 Bonds, a Canadian Purchaser that is resident in the Province of Ontario acknowledges that it has been notified by the Corporation: (a) of the requirement to deliver to the Ontario Securities Commission (the "OSC") the full name, residential address and telephone number of such purchaser, the number and type of securities purchased, the total purchase price, the exemption relied upon and the date of distribution; (b) that this information is being collected indirectly by the OSC under the authority granted to it in applicable securities legislation; (c) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (d) that the Administrative Support Clerk can be contacted at the Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, or at (416) 593-3684, and can answer any questions about the OSC's indirect collection of this information.

**Rights of Actions for Damages or Rescission**

*Ontario Purchasers*

The Securities Act (Ontario) (the "Ontario Act") provides Canadian Purchasers resident in the Province of Ontario with, in addition to any other right they may have at law, rights of rescission or damages, or both, where this document and any amendment to it contains a misrepresentation (as defined below). However, such rights must be exercised by the purchasers within the time limits prescribed by the Ontario Act. Canadian Purchasers resident in the Province of Ontario should consult with a legal advisor or refer to the applicable provisions of the Ontario Act, found in section 130.1, for the complete text of these rights, the defences available to the Corporation and others and the time limits during which these rights must be exercised.

The rights of action summarized below shall be available to each Canadian Purchaser of the Series 2010 Bonds resident in Ontario and are in addition to and without derogation from any other right or remedy available at law to such purchaser and are intended to correspond to the rights against an issuer of securities provided in the Ontario Act and are subject to the defences contained therein. Where used in this section, "misrepresentation" means an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

In the event that this Official Statement, together with any amendments hereto, is delivered to a Canadian Purchaser resident in Ontario and contains a misrepresentation, such purchaser shall be deemed to have relied upon such misrepresentation and has, subject as hereinafter provided, a statutory right of action against the Corporation either for damages or alternatively, while still the owner of any of the Series 2010 Bonds, rescission, provided that:

(a) an action is commenced to enforce such right (i) in the case of an action for rescission, within 180 days after the date of purchase, or (ii) in the case of an action for damages, within the earlier of 180 days following the date such purchaser first had knowledge of the misrepresentation and three years after the date of the purchase;

(b) a person or company will not be liable if it proves that such purchaser purchased the Series 2010 Bonds with knowledge of the misrepresentation;

(c) in the case of an action for damages, the Corporation will not be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the Series 2010 Bonds as a result of the misrepresentation relied upon;

(d) in no case will the amount recoverable in any action exceed the price at which the Series 2010 Bonds were sold to such purchaser; and

(e) if such purchaser elects to exercise the right of rescission, it will have no right of action for damages.

Notwithstanding the foregoing, a Canadian Purchaser resident in the Province of Ontario will not have the rights referred to above if such purchaser is:

(A) a Canadian financial institution, meaning either:

(ii) an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or

(iii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;

(B) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the Bank Act (Canada);

(C) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or

(D) a subsidiary of any person referred to in paragraphs (A), (B) or (C), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

The foregoing summary is subject to the express provisions of the Ontario Act and the respective regulations and rules thereunder. Each Canadian Purchaser resident in Ontario should refer to the complete text of such provisions or consult with a legal advisor.

**Language of Documents**

Upon receipt of this document, the purchaser hereby confirms that he, she or it has wished that all documents evidencing or relating in any way to the offer and/or sale of the Series 2010 Bonds be drawn up in the English language only. *En recevant ce document, l'acheteur confirme qu'il a souhaité que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à l'offre ou à la vente des Obligations soient rédigés uniquement en anglais.*

## NOTICE TO PROSPECTIVE INVESTORS IN THE PEOPLE'S REPUBLIC OF CHINA (PRC)

This Official Statement has not been and will not be circulated or distributed in the PRC, and the Series 2010 Bonds may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any residents of the PRC except pursuant to applicable laws and regulations of the PRC. For the purposes of this paragraph, the PRC does not include Taiwan, Hong Kong or Macau.

## NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Official Statement has been prepared on the basis that all offers of the Series 2010 Bonds will be made pursuant to an exemption under Article 3 of Directive 2003/7 1/EC (the "Prospectus Directive"), as implemented in member states of the European Economic Area (the "EEA"), from the

requirement to produce a prospectus for offers of the Series 2010 Bonds. Accordingly, any person making or intending to make any offer within the EEA of the Series 2010 Bonds should only do so in circumstances in which no obligation arises for the Corporation or the Underwriters to produce a prospectus for such offer. Neither the Corporation nor the Underwriters have authorized, nor do they authorize, the making of any offer of securities through any financial intermediary, other than offers made by the Underwriters, which constitute the final placement of the securities contemplated in this offering memorandum.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer of any securities which is the subject of the offering contemplated by this Official Statement is not being made and will not be made to the public in that Relevant Member State, other than: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than Euro 43,000,000, and (iii) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; (c) to fewer than an aggregate of 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Underwriter or Underwriters nominated by the Corporation for any such offer: or (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the Series 2010 Bonds shall require the Corporation or the Underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of securities to the public" in relation to the Series 2010 Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Series 2010 Bonds to be offered so as to enable an investor to decide to purchase the Series 2010 Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/7 1/BC and includes any relevant implementing measure in each Relevant Member State.

## NOTICE TO RESIDENTS OF FRANCE

The Series 2010 Bonds have not been offered or sold and will not be offered or sold, directly or indirectly, by way of a public offer in France (Offre au Public, as defined in articles l. 411-1, of the Code Monétaire et Financier). The Series 2010 Bonds may only be subscribed for or held by qualified investors (Investisseurs Qualifiés) solely for their own account, as provided by articles l. 411-2, d. 411-1, d. 411-2, d. 734-1, d. 744-1, d. 754-1 and d. 764-1 of the Code Monétaire et Financier. Thus, the Series 2010 Bonds acquired shall not be distributed directly or indirectly to the public otherwise than in accordance with articles l. 411-1, l. 411-2, l. 412-1 and l. 621-8 to l. 621-8-3 of the Code Monétaire et Financier.

This Official Statement is furnished to potential qualified investors solely for their information and may not be reproduced or redistributed to any other person. It is strictly confidential and is solely destined for qualified investors to which it was initially supplied. This Official Statement does not constitute an offer or invitation to subscribe for or to purchase any securities and neither this Official Statement nor anything herein shall form the basis of any contract or commitment whatsoever.

This Official Statement or any other material relating to the Series 2010 Bonds may not be distributed to the public in France or used in connection with any offer for subscription or sale of the Series 2010 Bonds in France other than in accordance with articles l. 411-2, d. 411-1 and d. 411-2 of the

code Monétaire et Financier. This Official Statement has not been submitted and no prospectus will be submitted to the "Autorité des Marchés Financiers" for approval. Any contact with potential qualified investors in France does not and will not constitute financial and banking solicitation (Démarchage Bancaire et Financier) as defined in articles l. 341-1 et seq. of the code Monétaire et Financier.

## NOTICE TO PROSPECTIVE INVESTORS IN GERMANY

The Series 2010 Bonds have not been, will not be and may not be offered, promoted or sold, either directly or indirectly, in Germany by way of an offer to the public within the meaning of section 2 No. 4 of the Securities Prospectus Act (Wertpapierprospektgesetz). The Series 2010 Bonds may only be offered to, sold to, subscribed for or held by qualified investors within the meaning of section 2 No. 6 of the Securities Prospectus Act or, if applicable, any person in Germany whose professional or commercial activities involve them in the acquiring or disposing of investments within the meaning of section 8f subsection 2 No. 4 of the Sales Prospectus Act (Verkaufsprospektgesetz) either as principal or agent.

This document does not constitute an offer to subscribe for or buy any of the Series 2010 Bonds offered hereby to any person to whom it is unlawful to make such offer or solicitation in Germany. This document is given to potential investors solely for their information and may not be distributed to any other person. It is confidential and solely targeted at the recipients, i.e. qualified investors within the meaning of section 2 No. 6 of the Securities Prospectus Act, to which it has been initially supplied.

## NOTICE TO RESIDENTS OF HONG KONG

The Series 2010 Bonds have not been authorized by the securities and futures commission in Hong Kong for public offering in Hong Kong, nor has a copy of this Official Statement been registered with the registrar of companies in Hong Kong.

The Series 2010 Bonds may not be offered or sold by means of any document other than (i) in circumstances which do not constitute, or form part of, an offer to the public within the meaning of the companies ordinance (Cap.32 of the laws of Hong Kong), or (ii) to "professional investors" within the meaning of the securities and futures ordinance (Cap.571 of the laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the companies ordinance (Cap.32 of the laws of Hong Kong), and that no advertisement, invitation or document relating to the Series 2010 Bonds may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Series 2010 Bonds which are or are intended to be sold or otherwise disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the securities and futures ordinance (cap. 571 of the laws of Hong Kong) and any rules made thereunder.

## NOTICE TO RESIDENTS OF JAPAN

The Series 2010 Bonds have not been and will not be registered under the financial instruments and exchange law of Japan (law no. 25 of 1948, as amended, the "FIEL"). The Series 2010 Bonds may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

## NOTICE TO PROSPECTIVE INVESTORS IN KOREA

The Series 2010 Bonds have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the "FSCMA") and the Series 2010 Bonds have been and will be offered in Korea as a private placement under the FSCMA. None of the Series 2010 Bonds may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the "FETL"). For a period of one year from the issue date of the Series 2010 Bonds, the denomination of the Series 2010 Bonds may not be sub-divided. Furthermore, the purchaser of the Series 2010 Bonds shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the securities.

Each Underwriter will represent and agree that it has not offered, sold or delivered the Series 2010 Bonds directly or indirectly to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea and will not offer, sell or deliver the Series 2010 Bonds directly or indirectly to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FSCMA, the FETL and other relevant laws and regulations of Korea.

## NOTICE TO PROSPECTIVE INVESTORS IN NORWAY

The Series 2010 Bonds have not and will not be offered or sold, directly or indirectly, to any person in Norway, other than to legal and physical persons deemed to be professional investors as further defined in Section 7-1 of the Norwegian Regulation of Securities Trading ("the Regulation").

Professional investors are categorized as:

(i) Legal entities that are deemed to be professional investors without further requirements, cf. Section 7-1 (1) of the Regulation, (ii) Legal and physical persons that must be registered with the competent authority responsible for inspecting prospectuses in order to be deemed professional investors, cf. Section 7-1 (2) and (iii) of the Regulation.

This Official Statement is furnished to potential investors solely for their information and may not be reproduced or redistributed to any other person. It is strictly confidential and is solely destined for persons or institutions to which it was initially supplied. This Official Statement does not constitute an offer or invitation to subscribe for or to purchase any securities. Neither this Official Statement nor anything herein shall form the basis of any contract or commitment whatsoever.

This Official Statement has not been submitted to the Oslo Stock Exchange/the Norwegian Financial supervisory authority for approval.

Investment services, including offering and subscription of securities, can only be made through investment firms authorized by the Financial Supervisory Authority of Norway, cf. the Norwegian Securities Trading Act chapter 9. The Corporation reserves its rights, at its sole discretion, to reject any subscription made through non-authorized investment firms.

## NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

This Official Statement together with any accompanying documents does not constitute an issue prospectus to Art. 1156 and Art. 652a of the Swiss Federal Code of Obligations. The Series 2010 Bonds

may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors. This Official Statement together with any accompanying documents and any other supplement hereto are personal to each offeree and do not constitute an offer to any other person. This Official Statement together with any accompanying documents may only be used by those persons to whom they have been distributed in connection with the offering of the Series 2010 Bonds and may neither be copied nor directly or indirectly be distributed nor be made available to other persons without the express prior written consent of the Corporation.

## NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

The offer of the Series 2010 Bonds has not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations of Taiwan and the Series 2010 Bonds, including any copy of this Official Statement or any other documents relating to the securities, may not be offered, sold, delivered or distributed within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires the prior registration with or approval of the Financial Supervisory Commission of Taiwan. Taiwan investors who subscribe and purchase the Series 2010 Bonds shall comply with all relevant securities, tax and foreign exchange laws and regulations in effect in Taiwan.

## NOTICE TO PROSPECTIVE INVESTORS IN THE KINGDOM OF THAILAND

Warnings:

Prior to making an investment decision, investors should exercise their own judgment when considering information relating to a party issuing securities or bonds as well as the terms and conditions of the securities or bonds, including the suitability of such securities or bonds for investment and their relevant risk exposure. Nothing in this Official Statement should be read to represent or even suggest that the Thai Securities and Exchange Commission or the staff of the Thai Securities and Exchange Commission have recommended investment in the Series 2010 Bonds; nor does this Official Statement contain any assurance in relation to the value or returns on the Series 2010 Bonds; nor has the Thai Securities and Exchange Commission or the staff of the Thai Securities and Exchange Commission certified the accuracy and completeness of information contained in this Official Statement. The liability for certification of the accuracy and completeness of information contained in this Official Statement is vested in the offeror of the Series 2010 Bonds.

If this Official Statement contains any false statements or omits to state any material information which should have been disclosed, the holders of the Series 2010 Bonds shall be entitled to claim damages from the offeror or any prior owners of the Series 2010 Bonds pursuant to section 82 of the Securities and Exchange Act B.E. 2535 (1992) within one year from the date on which the fact that this Official Statement contained false information becomes known or should have been known, but not exceeding two years from the date this Official Statement was delivered to the holders of the Series 2010 Bonds.

Risks and restrictions:

In respect of investing in securities or bonds offered in Thailand by a foreign offeror, investors shall be entitled to rights and protections similar in nature to those provided by any foreign jurisdiction to investors making direct investments in the securities or bonds offered. Accordingly, investors are strongly encouraged to review and update themselves on the pertinent laws and regulations of the foreign offeror's home jurisdiction and of any jurisdiction where the securities or bonds of the foreign offeror are traded on an exchange.

## NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This Official Statement is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment banking activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Official Statement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Official Statement relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Official Statement or any of its contents.

## PART 17 - LEGALITY OF INVESTMENT AND DEPOSIT

The UDC Act provides that the Series 2010 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.

The Series 2010 Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all its municipalities and municipal subdivisions for, to the extent that the legality of their investments is governed by the laws of the State, any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

## PART 18 – CERTAIN LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Series 2010 Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York, Bond Counsel to the Corporation, and to certain other conditions. The approving opinions of Bond Counsel will be delivered with the Series 2010 Bonds. The proposed forms of such opinions are included in this Official Statement as Appendix D.

Certain legal matters will be passed upon for the Underwriters by their counsel, Holland & Knight LLP, New York, New York.

## PART 19 – CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters of the Series 2010 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"), each of the Authorized Issuers, the State, and each of the trustees under the general resolutions will enter into a written agreement (the "Master Disclosure Agreement") prior to the expected settlement date for the Series 2010 Bonds for the benefit of all Holders

of State Personal Income Tax Revenue Bonds to provide in electronic form to the Electronic Municipal Market Access ("EMMA") maintained by the Municipal Securities Rulemaking Board ("MSRB"), as the sole repository for the central filing of electronic disclosure pursuant to Rules 15c2-12, on an annual basis on or before 120 days after the end of each fiscal year of the State, commencing, for the Series 2010 Bonds, with the fiscal year ending March 31, 2011, financial information and operating data referred to herein as "Annual Information" and the sources of the Revenue Bond Tax Fund Receipts, as 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, and the State will undertake to provide, in electronic form, 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, to the MSRB, if and when such statements are available. In addition, the Authorized Issuers have undertaken, for the benefit of all holders of State Personal Income Tax Revenue Bonds, including holders of the Series 2010 Bonds, to electronically file the notices described below (the "Notices") with the MSRB, in a timely manner not in excess of ten 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 this Official Statement under the headings "PART 3 – SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS" and "PART 4 – SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND", including information relating to: (1) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rate, the tax base and the components of the State personal income tax (unless the personal income tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided); (2) a historical summary of New York State Personal Income Tax Receipts for a period of at least the five most recent completed State Fiscal Years then available, together with an explanation of the factors affecting collection levels; and (b) financial information and operating data of the type included in the Annual Information Statement of the State set forth 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 (c) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the State and the collection of New York State Personal Income Tax Receipts.

The Notices include notices of any of the following events with respect to all State Personal Income Tax Revenue Bonds, including the holders of the Series 2010 Bonds (each of which is described in the Master Disclosure Agreement): (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 the obligated person; (13) the consummation of a merger, consolidation or acquisition involving an obligated person, or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee, or the change of name of a trustee, if material. In addition, the Authorized Issuers have undertaken, for the benefit of the holders of State Personal Income Tax Revenue Bonds, including the holders of the Series 2010 Bonds, to provide, in electronic form, to 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.

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2010 Bonds, may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide the continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2010 Bonds, may recover monetary damages thereunder under any circumstances. Any holder of State Personal Income Tax Revenue Bonds, including the holders of Series 2010 Bonds, including any beneficial owner, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. In addition, if all or any part of Rule 15c2- 12 ceases to be in effect for any reason, then the information required to be provided under the Master Disclosure Agreement, insofar as the provision of Rule 15c2- 12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

The State has not in the previous five years failed to comply, in all material respects, with any previous undertakings pursuant to Rule 15c2-12. The 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 Master Disclosure Agreement do not anticipate that it often will be necessary to amend the information undertakings. The Master Disclosure Agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein.

Copies of the Master Disclosure Agreement are on file at the respective offices of each Authorized Issuer.

## PART 20 – MISCELLANEOUS

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

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

The Underwriters have not provided any information contained in this Official Statement except for the information contained under the caption "PART 15 – UNDERWRITING" and "PART 16 – INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES" and except for certain financial and statistical information relating to the Series 2010 Bonds.

The Director of the Budget of the State of New York is to certify that the statements and information appearing (a) under the headings (i) "SUMMARY STATEMENT" (except for the first, second and fourth paragraphs under the subcaption "Purpose of Issue; Security for Series 2010 Bonds", as to which no representation is made), (ii) "INTRODUCTION" (the second, third, fourth (last two sentences only), seventh, eighth, ninth and eleventh paragraphs only), (iii) "SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS", (iv) "SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND", and (v) "DEBT SERVICE REQUIREMENTS" as to the column "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service" and (b) in the "Annual Information Statement of the State of New York", including any updates or supplements thereto (the "Annual Information Statement"), included in Appendix A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, however, that while the information and statements contained in Appendix A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, further, however, that with regard to the statements and information in Appendix A hereto under the caption "Litigation", such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2010 Bonds.

The references herein to the Project Acts, the UDC Act, the Enabling Act, other laws of the State, the General Resolution and the Financing Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of the Corporation with the registered Owners of the Series 2010 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2010 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2010 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly stated, are

intended merely as expressions of opinion, forecasts or estimates and not as representations of fact. Copies of the documents mentioned in this paragraph are available for review at the corporate headquarters of the Corporation located at 633 Third Avenue, New York, New York 10017. The Corporation's telephone number at such address is (212) 803-3100.

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

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

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

# APPENDIX A

# INFORMATION CONCERNING THE STATE OF NEW YORK

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# APPENDIX A

## INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix A is dated September 7, 2010. It was updated on November 9, 2010. 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.state.ny.us.

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

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

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# Update to Annual Information Statement (AIS)
# State of New York

*November 9, 2010*

This quarterly update (the "AIS Update") updates the Annual Information Statement of the State of New York that was dated September 7, 2010 (the "AIS") and contains information only through November 9, 2010. This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the 2010-11 Financial Plan (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on November 1, 2010. The Updated Financial Plan includes (a) a summary of recent events and changes to the Financial Plan made since the AIS was released, (b) revised Financial Plan projections for fiscal years 2010-11 through 2013-14, (c) operating results for the first half of fiscal year 2010-11, (d) an updated economic forecast, (e) pro forma Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2010-11 and information on other post-employment benefits, and (f) a summary on debt management. The Updated Financial Plan is available on the DOB website, www.budget.state.ny.us.

2. A discussion of special considerations related to the State Financial Plan for fiscal year 2010-11.

3. The status of significant litigation 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 utilized significant portions of the Updated Financial Plan, but has also relied on information drawn from other sources, such as the Office of the State Comptroller ("OSC"), that it believes to be reliable. Information relating to matters described in the section entitled "Litigation" is furnished by the State Office of the Attorney General.

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

The State may issue AIS supplements 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 ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. Effective July 1, 2009, pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the MSRB is designated as the sole repository for the electronic filing of all primary and secondary market disclosure. 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.

## Usage Notice

This AIS Update has been supplied by the State pursuant to its contractual obligations under various continuing disclosure agreements (each, a "CDA") entered into by the State in connection with financings of 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.state.ny.us) 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 condition of the State at any time subsequent to its release date. Maintenance of this AIS Update on the DOB website, or on 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 or incorporated by reference therein without such consent and agreement by DOB is unauthorized and the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of this AIS Update if so misused.**

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# Update to the 2010-11 Financial Plan

**Note:** *DOB issued the Updated Financial Plan on November 1, 2010, extracts of which are set forth herein. The Updated Financial Plan includes updated estimates for 2010-11 and projections for 2011-12 through 2013-14. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.*

*State law requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund — the fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this 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 ("SRFs"), which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal SRFs, which receive Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction and reconstruction of roads, bridges, prisons, and other infrastructure projects; and Debt Service Funds, which pay principal, interest and related expenses on debt issued by the State and its public authorities.*

*Please see the Glossary of Acronyms of this AIS Update for the definitions of acronyms, defined terms and abbreviations that are used in this AIS Update.*

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# 2010-11 Updated Financial Plan Highlights

The following table provides indicators and measures of the 2010-11 Updated Financial Plan relative to the prior year and relative to the Enacted Budget agreement.

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

| | | 2010-11 | | |
|---|---|---|---|---|
| | 2009-10 Adjusted [1,2] | Enacted Budget [1] | Change | Mid-Year Update[1] |
| **State Operating Funds Budget** | | | | |
| Size of Budget | $78,934 | $78,998 | $203 | $79,201 |
| Annual Growth | 1.0% | 0.1% | 0.2% | 0.3% |
| **Other Budget Measures (Annual Change)** | | | | |
| General Fund (with transfers) | $54,262 | $53,533 | $153 | $53,686 |
| | -0.6% | -1.3% | 0.2% | -1.1% |
| State Funds (Including Capital) | $84,094 | $85,073 | $258 | $85,331 |
| | 1.1% | 1.2% | 0.3% | 1.5% |
| Capital Budget (Federal and State) | $7,112 | $8,454 | $54 | $8,508 |
| | 4.1% | 18.9% | 0.7% | 19.6% |
| Federal Operating | $44,891 | $46,375 | $1,253 | $47,628 |
| | 22.7% | 3.3% | 2.8% | 6.1% |
| All Funds | $130,937 | $133,827 | $1,510 | $135,337 |
| | 7.7% | 2.2% | 1.2% | 3.4% |
| All Funds (Including "Off-Budget" Capital) | $132,614 | $135,478 | $1,640 | $137,118 |
| | 7.1% | 2.2% | 1.2% | 3.4% |
| **Inflation (CPI) (Annual Change)** | 0.3% | 1.1% | 0.2% | 1.3% |
| **Personal Income (Annual Change)** | 0.2% | 4.3% | -0.3% | 4.0% |
| **All Funds Receipts (Annual Change)** | | | | |
| Taxes | $57,668 | $61,796 | ($343) | $61,453 |
| | -4.4% | 7.2% | -0.6% | 6.6% |
| Miscellaneous Receipts | $23,557 | $23,014 | $204 | $23,218 |
| | 17.4% | -2.3% | 0.9% | -1.4% |
| Federal Grants | $47,523 | $49,486 | $1,079 | $50,565 |
| | 22.4% | 4.1% | 2.3% | 6.4% |
| Total Receipts | $128,748 | $134,296 | $940 | $135,236 |
| | 8.0% | 4.3% | 0.7% | 5.0% |
| **Base Tax Growth/(Decline)** [3] | -12.3% | 2.2% | 0.1% | 2.3% |
| **General Fund/HCRA Budget Gap Forecast** | | | | |
| 2010-11 [4] | N/A | $0 | ($315) | ($315) |
| 2011-12 | N/A | ($8,177) | ($849) | ($9,026) |
| 2012-13 | N/A | ($13,461) | ($1,183) | ($14,644) |
| 2013-14 | N/A | ($15,563) | ($1,669) | ($17,232) |
| **Total General Fund Reserves** | $2,302 | $1,385 | $0 | $1,385 |
| Rainy Day Reserves | $1,206 | $1,206 | $0 | $1,206 |
| Reserved for Deferred Payments [5] | $906 | $0 | $0 | $0 |
| All Other Reserves | $190 | $179 | $0 | $179 |
| **State Workforce (Subject to Direct Executive Control)** [6] | 131,741 | 128,165 | (1,672) | 126,493 |
| **Debt** | | | | |
| State Related Debt Service as % of All Funds Receipts | 4.4% | 4.5% | -0.1% | 4.4% |
| State Related Debt Outstanding | $54,694 | $56,877 | ($247) | $56,630 |

[1] Spending is adjusted to exclude the impact of paying the end-of-year school aid payment ($2.06 billion) scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized by statute. This was done to carry forward the 2009-10 budget shortfall into 2010-11. The adjustment affects spending totals in 2009-10 and 2010-11, and growth rates in 2009-10 and 2010-11. See Financial Plan tables at the end of this Update for 2009-10 actual results and 2010-11 unadjusted estimates.

[2] 2009-10 Federal and All Funds disbursements and receipts have been adjusted to include $2.0 billion in Federal aid that passes through the State's All Funds Financial Plan under ARRA. This "pass-through" money, which provides no gap-closing benefit and is subject to a range of factors that make the timing of disbursements highly uncertain, was expected to total approximately $4.4 billion in 2009-10. Actual disbursements, however, totaled only $2.4 billion. Thus, 2009-10 results have been adjusted for the difference. This adjustment affects growth rates in 2009-10 and 2010-11. See Financial Plan tables at the end of this Update for 2009-10 actual results.

[3] Reflects the estimated change in tax receipts excluding the impact of Tax Law changes since fiscal year 1986-87.

[4] Before proposed spending reductions to eliminate the projected budget gap.

[5] The State deferred more payments than were needed to carry forward the 2009-10 budget shortfall. This created a temporary increase in the year-end balance in 2009-10. The balance was used when the deferred payments were made in the first quarter

[6] See workforce discussion under the "Special Considerations" section later in this Update.

## Summary

The State completed action on the 2010-11 budget on August 3, 2010. In accordance with State law, DOB issued the Enacted Budget Financial Plan on August 20, 2010, which reflected the impact of the 2010-11 budget on the multi-year operating forecast. Overall, the slowdown in economic growth has been more pronounced than expected and has contributed to lower than expected tax collections and higher than expected Medicaid costs to date. Through September 30, 2010, General Fund tax receipts were approximately $510 million below planned levels.[1] Medicaid spending over the same period exceeded estimates by over $110 million. In addition, litigation against the State has constrained the State's ability to collect certain taxes on Native American reservations at the levels budgeted in the Enacted Budget Financial Plan. (See "Year-to-Date Operating Results" later in this Update.)

In light of results to date and updated program information, DOB has lowered the annual estimate for General Fund tax receipts by approximately $278 million in 2010-11,[2] which is less than the year-to-date variance due to changes in the timing of when certain receipts are expected to be received. At the same time, DOB has increased estimated Medicaid spending by $368 million for 2010-11, and by an average of approximately $800 million annually thereafter. Lower than anticipated spending in other areas of the budget, including child welfare services and labor settlements, and the availability of resources that have materialized since the time of budget enactment, are expected to offset, in part, the tax receipts shortfall and Medicaid overruns in 2010-11.

The Enacted Budget Financial Plan included $500 million in savings from across-the-board reductions to State agency operations. In the current year, savings are expected to fall approximately $150 million below planned levels, due to implementation constraints, but to exceed budgeted savings in 2011-12 by an equivalent amount, as the full annual benefit of measures is realized.

Due to these and other revisions, which are summarized in more detail below, DOB now estimates that the General Fund has a budget gap of $315 million in the current fiscal year. The projected budget gaps for 2011-12 and beyond have also grown compared to the Enacted Budget Financial Plan forecast summarized in the AIS. The Updated Financial Plan projects a budget gap for 2011-12, which a new gubernatorial administration must address in the Executive Budget that is due on February 1, 2011, of $9.0 billion, an increase of $850 million from the Enacted Budget Financial Plan forecast.

The Updated Financial Plan projects gaps in future years, which will be materially affected by the level of recurring actions ultimately approved to balance the 2011-12 fiscal year, of $14.6 billion in 2012-13 (an increase of $1.2 billion from the Enacted Budget Financial Plan forecast) and $17.2 billion in 2013-14 (an increase of $1.7 billion). The following table summarizes the revisions to the receipts and disbursements forecasts and the impact on General Fund operating projections reflected in the Updated Financial Plan.

[1,2] Excludes the impact of debt service revisions that affect the transfer of tax receipts to the General Fund.

| GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS<br>SUMMARY OF MAJOR CHANGES FROM ENACTED BUDGET<br>(millions of dollars) | | | | |
|---|---|---|---|---|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| **ENACTED BUDGET SURPLUS/(GAP) ESTIMATE** | **0** | **(8,177)** | **(13,461)** | **(15,563)** |
| **Total Revisions** | **(315)** | **(849)** | **(1,183)** | **(1,669)** |
| Tax Receipts | (278) | (105) | (339) | (405) |
| Medicaid/HCRA | (368) | (725) | (859) | (827) |
| Allocation of Agency Operational Savings | (154) | 151 | 288 | 290 |
| Timing of Outstanding Labor Agreements | 204 | (204) | 0 | 0 |
| Other | 281 | 34 | (273) | (727) |
| **MID-YEAR BUDGET SURPLUS/(GAP)** | **(315)** | **(9,026)** | **(14,644)** | **(17,232)** |
| Proposed Across-the-Board Reductions (Requires Leg. Approval) | 375 | | | |
| Funding for Initiatives | (60) | | | |
| **PROPOSED BUDGET SURPLUS/(GAP)** | **0** | **(9,026)** | **(14,644)** | **(17,232)** |

To address the estimated budget gap in the current year, Governor Paterson is expected to ask the Legislature to address the shortfall in a fashion similar in scope to that approved as part of the FMAP contingency plan authorized in the Enacted Budget Financial Plan. Governor Paterson is expected to ask the Legislature to approve reductions beyond the level needed to eliminate the current-year budget gap, and to agree that any excess be used to fund priority initiatives, including legislation passed by the Legislature and vetoed by Governor Paterson for fiscal reasons in 2010. Based on preliminary calculations, DOB estimates that spending for State programs would need to be reduced in the range of 1.5 to 2 percent over the remainder of the fiscal year to achieve a General Fund savings target of approximately $375 million. The actual percentage reduction would depend on the scope of programs affected and the estimated cash disbursements for the remainder of the year.

There can be no assurance that the Legislature will approve any proposed reductions in planned State spending. Accordingly, the potential reductions are not included in the four-year Financial Plan projections by agency and Financial Plan category set forth in Updated Financial Plan. DOB expects to allocate the multi-year impact of any reductions approved by the Legislature in the Financial Plan projections that will accompany the Executive Budget for 2011-12.

## Revisions to the 2010-11 Financial Plan

DOB has made a number of substantial revisions to the General Fund receipts and disbursements forecasts since the release of the AIS on September 7, 2010. The revisions are based on a comprehensive review of operating results to date, updated economic data, and other information. The following table summarizes the Updated Financial Plan revisions and displays the impact on General Fund operating projections over the forecast period. It is followed by a discussion of the major revisions.

**GENERAL FUND FORECAST FOR 2010-11 THROUGH 2013-14**
**SAVINGS/(COSTS)[1]**
**(millions of dollars)**

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|
| **ENACTED BUDGET SURPLUS/(GAP) ESTIMATE** | **0** | **(8,177)** | **(13,461)** | **(15,563)** |
| **Total Receipts Revisions** | **(162)** | **(750)** | **(983)** | **(1,069)** |
| Forecast Revisions: | (88) | 60 | (86) | (157) |
| Tax Forecast Revisions | (278) | (105) | (339) | (405) |
| Personal Income Tax[2] | (300) | (302) | (322) | (323) |
| Sales/Use Taxes* | (94) | 80 | (1) | 0 |
| Business Taxes | 69 | 117 | (16) | (82) |
| Other Taxes* | 47 | 0 | 0 | 0 |
| 18-A Assessment | (40) | (28) | (28) | (28) |
| Mental Hygiene | 73 | 139 | 226 | 240 |
| Workers Compensation Assessment Surplus | 65 | 0 | 0 | 0 |
| Debt Management | 43 | 0 | 0 | 0 |
| Allocation of Agency Operational Savings | 33 | 62 | 52 | 44 |
| All Other | 16 | (8) | 3 | (8) |
| Other Adjustments (No Net Financial Plan Impact) | (74) | (810) | (897) | (912) |
| Mental Hygiene Accounting Reclassifications | (168) | (810) | (897) | (912) |
| Allocation of FMAP Contingency Savings | 94 | 0 | 0 | 0 |
| **Total Disbursement Revisions** | **(153)** | **(99)** | **(200)** | **(600)** |
| Forecast Revisions | (227) | (909) | (1,097) | (1,512) |
| Medicaid/HCRA | (368) | (725) | (859) | (827) |
| *Program Costs/Caseload Increases* | *(732)* | *(800)* | *(841)* | *(887)* |
| *HCRA/Other Medicaid* | *(125)* | *(135)* | *21* | *(89)* |
| *Medicare Part D Clawback* | *223* | *38* | *0* | *0* |
| *FMAP Reestimate/State/Local Share Reconciliation* | *300* | *208* | *0* | *0* |
| *Federal Health Care Reform* | *(34)* | *(36)* | *(39)* | *149* |
| Human Services | 156 | 151 | 149 | 146 |
| School Aid | 12 | (109) | (156) | (354) |
| Lottery Aid | (83) | (11) | (63) | (68) |
| Higher Education | 2 | (100) | (166) | (169) |
| Transportation/Motor Vehicles | 74 | 64 | 94 | 115 |
| Public Safety/Criminal Justice | (10) | (25) | (33) | (71) |
| Judiciary | 0 | 132 | 13 | (129) |
| Fringe Benefits | 8 | (12) | (65) | (53) |
| *Health Insurance* | *(40)* | *(75)* | *(125)* | *(125)* |
| *Pension* | *(1)* | *22* | *45* | *57* |
| *All Other Fringe Benefits* | *49* | *41* | *15* | *15* |
| Mental Hygiene | (84) | (118) | (229) | (309) |
| Allocation of Agency Operational Savings | (187) | 89 | 236 | 246 |
| Timing of Outstanding Labor Agreements | 204 | (204) | 0 | 0 |
| All Other | 49 | (41) | (18) | (39) |
| Other Adjustments (No Net Financial Plan Impact) | 74 | 810 | 897 | 912 |
| Mental Hygiene Accounting Reclassifications | 168 | 810 | 897 | 912 |
| Allocation of FMAP Contingency Savings | (94) | 0 | 0 | 0 |
| **REVISED BUDGET SURPLUS/(GAP) ESTIMATE** | **(315)** | **(9,026)** | **(14,644)** | **(17,232)** |
| *(Increase)/Decrease From Enacted Budget* | *(315)* | *(849)* | *(1,183)* | *(1,669)* |
| Proposed Across-the-Board Reductions (Requires Leg. Approval) | 375 | 0 | 0 | 0 |
| Funding for Initiatives | (60) | 0 | 0 | 0 |
| **PROPOSED BUDGET SURPLUS/(GAP) ESTIMATE** | **0** | **(9,026)** | **(14,644)** | **(17,232)** |

1. Certain revisions displayed in the table above are reclassifications of receipts and disbursements projections that have no net Financial Plan impact (e.g., Mental Hygiene). In other cases, revisions may affect both receipts and disbursements and need to be considered together to understand the Financial Plan impact. For instance, revisions related to reductions in State agency operations included in the Enacted Budget Financial Plan and allocated to agency budgets for the first time in this Updated Financial Plan affect both receipts and disbursements. (For example, a reduction to State agency operations funded by a special revenue fund is displayed as a transfer of resources from the special revenue fund, thereby increasing General Fund receipts.)

2. Tax changes include transfers from other funds before the impact of revisions to debt service costs.

## Receipts Revisions

General Fund receipts, including transfers from other funds, are estimated to total $54.5 billion in 2010-11, a decrease of $162 million compared to the Enacted Budget Financial Plan. Lower estimated tax receipts are expected to be offset in part by higher receipts from other sources, including miscellaneous receipts and nontax transfers from other funds.

- **Tax Receipts:** Projected tax receipts have been reduced in each year of the Financial Plan, based on updated economic information and actual tax collection results through September 2010. Excluding the impact of debt service changes affecting the transfer of tax receipts to the General Fund, tax receipts in 2010-11 have been reduced by $278 million compared to the Enacted Budget forecast. The annual estimate for tax receipts has been reduced by less than the year-to-date variance due to a change in the timing of receipts from business tax audits, which DOB had originally expected to be settled before September 2010 but now anticipates will occur later in the fiscal year.

Personal income tax receipts have been revised downward by approximately $300 million annually, reflecting weakness in quarterly estimated payments. Receipts from user taxes have been reduced in the current year based on consumer spending data and actual collections, but are expected to rebound in 2011-12 as the economy continues to slowly improve. Cigarette tax receipts have been reduced due to the litigation over on the State's ability to collect certain taxes on Native American reservations, affecting receipts in both the General Fund and HCRA. Projected receipts from business taxes and other taxes have been increased modestly in both 2010-11 and 2011-12, reflecting unanticipated strength in estimated payments from banks and the performance of the real estate sector.

- **Other Receipts:** The reduction in estimated annual tax receipts in 2010-11 is offset in part by higher than expected receipts from other sources. These unplanned receipts include legal recoveries, surplus workers compensation funds, and transfers related to reductions in statewide agency operations financed by special revenue funds (see discussion below). In addition, the State realized a one-time benefit of $43 million from the termination of its existing synthetic variable rate swaps in September 2010.

- **Accounting Reclassifications:** The Updated Financial Plan includes accounting reclassifications related to the transfer of money to and from the General Fund. The reclassifications have no impact on the net operating forecast (e.g., a reduction in planned transfers from other funds is offset by a commensurate reduction in planned transfers to other funds). The most sizeable reclassification is related to the adjustment of spending for mental hygiene services between the General Fund and State special revenue funds, which has the effect of reducing transfers to and from the General Fund by an equal amount.

## Disbursement Revisions

General Fund disbursements, including transfers to other funds, are estimated at $55.7 billion in 2010-11, an increase of $153 million from the Enacted Budget Financial Plan. Likewise, spending has been increased in subsequent years. The most significant revisions are summarized below.

- **Medicaid:** Gross State-share spending for Medicaid has been increased by approximately $800 million annually, due in part to actual and anticipated growth in the number of people enrolled in the program. Based on the updated estimates, more than 200,000 new enrollees are expected to enter Medicaid in the current fiscal year, bringing total enrollment to 4.9 million. In addition, higher State costs are driven by the Federal government increasing its share of rebates from drug

manufacturers pursuant to Federal Health Care Reform; reconciliation of 2008 payments for the reimbursable portion of nursing home revenue assessments; and the impact of revisions to the HCRA operating forecast.

In 2010-11, the gross increase in State-share Medicaid spending is offset in part by certain non-recurring resources. Reconciliation of SFY 2009-10 local Medicaid obligations under the Medicaid Cap forms the basis for final enhanced FMAP shares under ARRA. The Updated Financial Plan is adjusted for $300 million in State funding previously reserved for this reconciliation ($208 million in SFY 2010-11). Furthermore, the local reconciliation also informs the lower distribution of the ARRA enhancement on the State's "clawback" payments for certain dually eligible (Medicare and Medicaid) recipients' drug benefit under Medicare Part D. This reduction decreases the State's expenditures by $223 million in SFY 2010-11 ($38 million in SFY 2011-12). The combination of all 2010-11 Medicaid revisions results in a net increase in costs of $368 million.

- **Social Services:** Spending projections for child welfare services have been reduced by approximately $120 million annually based on updated claiming data from social service districts. In addition, projected spending for other programs, and the reconciliation of human services COLA based on statutorily defined inflationary increases, has been lowered.

- **School Aid:** The September 2010 update to the school aid database resulted in higher than projected costs beginning in the 2011-12 school year. The costs reflect additional claims filed since the Enacted Budget Financial Plan, and updated wealth and demographic information reported by school districts. The Updated Financial Plan projections also reflect the impact of a revised estimate of demographic and enrollment factors within the Foundation Aid formula. Based on statute, additional school year obligations from 2010-11 are to be paid in State fiscal year 2011-12. As in prior years, updated school district data and additional claims have resulted in a cost increase to the State's multi-year Financial Plan, subsequent to the Enacted Budget agreements.

- **Lottery/VLT Aid for Education:** Receipts from statewide lottery games continue to fall below expectations, reflecting in part the impact of the economic downturn. DOB has lowered the estimate of lottery receipts expected to be available for School Aid across the Financial Plan forecast period.

- **Higher Education:** Current economic conditions, in particular high unemployment rates, have contributed in part to the recent upward trend in student enrollment in SUNY and CUNY community colleges. Similarly, increased spending under the TAP grant award program is expected due to the increased enrollment in institutions of higher education.

- **Transportation/Motor Vehicles:** The General Fund subsidy provided to the DHBTF has been revised across the plan period as a result of changes in estimated spending levels for capital projects, debt service costs, and other receipts.

- **Public Safety/Criminal Justice:** General Fund spending projections have been increased to reflect additional disaster relief aid, and a downward revision to expected revenues from the Motor Vehicle Law Enforcement fee that is used to support State Police costs.

- **Fringe Benefits:** Reflects multi-year upward revisions for health insurance costs for State employees and retirees mainly due to three factors: delays in the State's progress in self-insuring parts of NYSHIP; reduced savings from the implementation of the Medicare Part B premium sharing legislation enacted as part of the 2010-11 budget; and projected increases due to Federal Health Care Reform and premium rate changes. Reductions in the State's salary base are expected to reduce pension and social security costs, compared to the Enacted Budget Financial Plan forecast.

- **Mental Hygiene:** The revisions reflect two-year net savings of $10 million for 2010-11 and 2011-12, excluding the impact of the workforce reduction plan. The major changes include reduced projected spending of approximately $40 million for the human service COLA based on the current statutory formula (a decrease from an annual increase of 3.5 percent to 1.2 percent in 2011-12). This is partially offset by higher estimated costs for a recent Federal District Court decision mandating additional supported housing and support services, such that costs are now projected to be $4 million in 2010-11 and $45 million in 2011-12, or $8 million more than projected previously, as well as $12 million in additional costs based on the latest projected civil confinement caseload for the SOMTA program.

- **Timing of Outstanding Labor Settlements:** The Enacted Budget Financial Plan included estimated spending in 2010-11 to finance potential agreements with labor unions that have not yet reached settlements for the period from 2007-08 through 2010-11. Based on the status of negotiations and the timetable for ratification, it no longer appears likely than any spending for potential agreements will occur in the current year.

- **Allocation of Statewide Agency Operational Savings:** The Enacted Budget Financial Plan included $500 million in planned savings from statewide reductions in agency spending. The estimated spending for each agency has been revised to reflect its share of the reductions. Savings were anticipated from, among other things, workforce reductions that include the early retirement incentive plan, hiring freezes, layoffs, eliminating positions through attrition, delaying planned hiring of staff, encouraging participation in the voluntary reduction in work schedule program, eliminating funded vacancies and temporary positions, and enhancing controls for reducing overtime costs. Operational efficiencies that reduce costs in contractual services, supplies and materials, equipment purchases and travel expenses are also expected. Total savings at a level comparable to the Enacted Budget Financial Plan projections are expected by the end of fiscal year 2011-12, with lower than expected savings in 2010-11 and higher savings in 2011-12.

- **Allocation of FMAP Contingency Reductions:** The Enacted Budget Financial Plan mandated uniform reductions to most local assistance payments to cover the difference between the $1.1 billion in savings counted on in the proposed 2010-11 Financial Plan from enhanced FMAP and the actual amount ultimately approved by the Federal government. DOB calculated this difference at $281 million. The payment reductions to local assistance spending began taking effect in mid-September 2010, as provided by law, and have been allocated to agency budgets in the Updated Financial Plan.

## Adjusted Annual Spending growth

The projections for annual spending growth are affected by both the management of payments at the end of 2009-10 and, in the case of Federal Funds and All Funds spending, by the uncertainties concerning the timing of Federal pass-through aid. The latter consists of ARRA stimulus money for a wide range of purposes that provides no gap-closing benefit, but by law must pass through the State's Financial Plan before it reaches its beneficiary. To avoid the distorting effect of these factors, DOB has adjusted

spending to (a) exclude the impact of the deferral of the $2.06 billion end-of-year school aid payment from 2009-10 into 2010-11 and (b) include $2.0 billion in Federal ARRA pass-through spending that was expected in 2009-10. **See the Financial Plan tables herein for 2009-10 actual results and 2010-11 unadjusted estimates.** The following table provides a summary of revisions and adjusted annual spending totals.

**TOTAL DISBURSEMENTS - ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH**
**(millions of dollars)**

| | | 2010-11 Adjusted | | | | |
|---|---|---|---|---|---|---|
| | 2009-10 Adjusted | Enacted Budget | Change | Revised Estimate | Annual $ Change | Annual % Change |
| **State Operating Funds** | **78,934** | **78,998** | **203** | **79,201** | **267** | **0.3%** |
| General Fund (excluding transfers) | 48,475 | 47,601 | 344 | 47,945 | (530) | -1.1% |
| Other State Funds | 25,447 | 25,789 | (96) | 25,693 | 246 | 1.0% |
| Debt Service Funds | 5,012 | 5,608 | (45) | 5,563 | 551 | 11.0% |
| **All Governmental Funds** | **130,937** | **133,827** | **1,510** | **135,337** | **4,400** | **3.4%** |
| State Operating Funds | 78,934 | 78,998 | 203 | 79,201 | 267 | 0.3% |
| Capital Projects Funds | 7,112 | 8,454 | 54 | 8,508 | 1,396 | 19.6% |
| Federal Operating Funds | 44,891 | 46,375 | 1,253 | 47,628 | 2,737 | 6.1% |
| **General Fund, including Transfers** | **54,262** | **53,533** | **153** | **53,686** | **(576)** | **-1.1%** |
| **State Funds** | **84,094** | **85,073** | **258** | **85,331** | **1,237** | **1.5%** |

All Funds spending in 2010-11 is now projected to total $135.3 billion, an increase of $1.5 billion from the Enacted Budget Financial Plan. Higher General Fund spending, primarily for Medicaid, contributes nearly $350 million to the increase. The remaining increase since the Enacted Budget Financial Plan is mainly due to an updated estimate of Federal aid, particularly in the areas of health care, welfare, and school aid, including the new Federal Education Jobs Fund and Race to the Top program.

The annual spending growth in State Operating Funds is affected by the rapid annual increase 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 over $1.0 billion in 2010-11.

**CAUSES OF ADJUSTED STATE OPERATING FUNDS SPENDING CHANGE [1]**
**(millions of dollars)**

| | 2009-10 | 2010-11 | Annual $ Change | Annual % Change |
|---|---|---|---|---|
| **Total** | **78,934** | **79,201** | **267** | **0.3%** |
| Debt Service | 4,961 | 5,471 | 510 | 10.3% |
| Fringe Benefits | 4,276 | 4,811 | 535 | 12.5% |
| Non-Personal Service/Fixed Costs | 4,885 | 4,950 | 65 | 1.3% |
| Personal Service | 10,874 | 10,270 | (604) | -5.6% |
| Local Assistance | 53,938 | 53,699 | (239) | -0.4% |

[1] Adjusted to exclude the impact of paying the $2.06 billion end-of-year school aid payment, scheduled for the last quarter of 2009-10, in the first quarter of 2010-11, as authorized in statute.

Debt service on State-supported debt is projected to increase by $510 million (10.3 percent) in 2010-11, with approximately 35 percent of the growth due to the restructuring of certain transportation-related debt in 2005 that deferred substantial debt service costs until 2010-11. Overall spending from debt service funds, which includes certain non-personal service spending appropriated in the debt service budget, increases by roughly $550 million.

Spending on fringe benefits is projected to increase by $535 million, an increase of 12.5 percent. Growth in fringe benefits is due principally 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 are expected to increase by $313 million (27.1 percent) in 2010-11. The growth assumes that $242 million in State pension costs will be amortized in 2010-11, as authorized in the 2010-11 Enacted Budget.

## 2010-11 Projected Closing Balances

### General Fund

The General Fund is estimated to end the 2010-11 fiscal year with a balance of $1.4 billion, unchanged from the Enacted Budget Financial Plan. The closing balance depends on successful implementation of actions to eliminate the estimated budget gap of $315 million without the use of existing reserves. The estimate for spending from the Community Projects Fund is based on historical patterns and may be lower in 2010-11 as a result of the Governor's vetoes of member-item reappropriations.

**2010-11 GENERAL FUND ESTIMATED CLOSING BALANCE**
**(millions of dollars)**

| | Enacted Budget | Change | Revised Estimate |
|---|---|---|---|
| **Projected Fund Balance** | **1,385** | **0** | **1,385** |
| Tax Stabilization Reserve Fund | 1,031 | 0 | 1,031 |
| Rainy Day Reserve Fund | 175 | 0 | 175 |
| Community Projects Fund | 85 | 0 | 85 |
| Reserved for Debt Reduction | 73 | 0 | 73 |
| Contingency Reserve Fund | 21 | 0 | 21 |

The estimated closing balance includes $1.0 billion in the State's Tax Stabilization Reserve, which can be used to finance an unanticipated deficit at the end of the fiscal year, $175 million in the Rainy Day Reserve, which can be used if certain economic criteria are met, $85 million in the Community Projects Fund, which is reserved to finance existing "member item" initiatives, $73 million for debt management purposes, and $21 million in the Contingency Reserve for litigation risks.

### All Governmental Funds

DOB projects the State will end the 2010-11 fiscal year with a balance of $3.5 billion in All Governmental Funds. The balance consists of $1.4 billion in the General Fund, $1.7 billion in State Special Revenue Funds, $422 million in Federal Operating Funds, $364 million in Debt Service Funds and a negative balance of $275 million in Capital Projects Funds. The year-end balance depends on successful implementation of actions to eliminate the current-year gap.

**2010-11 ALL FUNDS ESTIMATED CLOSING BALANCE**
**(millions of dollars)**

| | Enacted Budget | Change | Mid-Year Estimate |
|---|---|---|---|
| **Projected Fund Balance** | **3,827** | ***(251)*** | **3,576** |
| General Fund | 1,385 | *0* | 1,385 |
| State Special Revenue Funds | 1,816 | (136) | 1,680 |
| Miscellaneous Special Revenue | 676 | (44) | 632 |
| *Industry Assessments* | *321* | *(17)* | *304* |
| *Health and Social Welfare* | *166* | *(15)* | *151* |
| *General Government* | *168* | *2* | *170* |
| *All Other* | *21* | *(14)* | *7* |
| State University Income | 949 | (155) | 794 |
| Mass Transportation Operating Assistance | 3 | 39 | 42 |
| Dedicated Mass Transportation Trust Fund | 71 | 9 | 80 |
| MTA Financial Assistance Fund | 61 | 0 | 61 |
| Health Care Resources Fund | 0 | 0 | 0 |
| Lottery Fund | 18 | 3 | 21 |
| All Other | 38 | 12 | 50 |
| Federal Operating Funds | 522 | (100) | 422 |
| Capital Projects Funds | (284) | 9 | (275) |
| Debt Service Funds | 388 | *(24)* | 364 |

The balances held in State Special Revenue Funds include moneys designated to finance existing or potential commitments, or funds that are restricted or dedicated for specified statutory purposes. The largest balances in the State Special Revenue Funds include moneys on hand to finance future costs for State University programs, operating assistance for transportation programs, and various programs financed from the assessments associated with the State's regulation of various industries. The remaining fund balances are held in numerous funds, primarily the Miscellaneous Special Revenue Fund, and accounts that support a variety of programs, including public health, general government, and public safety. The reduction in Special Revenue Fund balances from the Enacted Budget Financial Plan is mainly attributable to additional SUNY hospital spending and for adjustments to several funds and accounts based on updated results.

Balances in Federal Operating Funds reflect timing differences between disbursements and Federal reimbursement. The timing of spending on ongoing, multi-year capital projects in advance of reimbursement from bond proceeds accounts for routine loans (or negative balances) in Capital Funds. Balances in Debt Service Funds represent funds set aside to finance debt service costs pursuant to legal obligations set forth in bond resolutions.

## General Fund Outyear Budget Projections

This section presents the State's multi-year projections for receipts and disbursements based on the Updated Financial Plan. State law requires the Governor to submit, and the Legislature to enact, a balanced plan of receipts and disbursements on a cash-basis for the General Fund. However, approximately 40 percent of total State 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. Thus, the multi-year projections and growth rates are presented on both a General Fund and State Operating Funds basis.

The multi-year forecast reflects revisions to the Enacted Budget Financial Plan based on updated assumptions concerning economic performance, revenue collections, spending patterns, and projections for the current-services costs of program activities.

In evaluating the State's outyear operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future financial position is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, in terms of the outyear projections, 2011-12 is the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years. DOB will provide quarterly revisions to its multi-year estimates, as required pursuant to State Finance Law.

### Budget Gaps

In the General Fund, the projected budget gaps total approximately $9.0 billion in 2011-12, $14.6 billion in 2012-13, and $17.2 billion in 2013-14. The net operating deficits in State Operating Funds are projected at $9.1 billion in 2011-12, $14.2 billion in 2012-13, and $16.9 billion in 2013-14.

The imbalances projected for the General Fund and State Operating Funds in future years tend to be very similar. This is because the General Fund is typically the financing source of last resort for many State programs, and any imbalance in other funds that cannot be rectified by the use of existing balances is typically paid by the General Fund.

The growth in the gaps between 2010-11 and 2011-12 is caused in large part by the expiration of Federal stimulus funding for Medicaid and education, which is expected to result in approximately $5.4 billion in costs reverting to the General Fund, starting in 2011-12. The annual growth in the gap is also affected by the sunset, at the end of calendar year 2011, of the temporary PIT increase enacted in 2009-10, which is expected to reduce 2011-12 receipts by more than $1 billion from 2010-11 levels.

### Spending

General Fund spending is projected to grow at an average annual rate of 12.8 percent from 2010-11 through 2013-14.[3] Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting 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. Excluding these stimulus-related effects, which temporarily suppress General Fund costs in 2010-11 and the first quarter of 2011-12, General Fund spending grows at approximately 8.7 percent on a compound annual basis.

[3] The 2010-11 estimate is adjusted to exclude $2.1 billion in school aid payments that were budgeted in 2009-10 but paid in 2010-11.

State Operating Funds spending is projected to grow at an average annual rate of 9.8 percent through 2013-14[3]. For both the General Fund and State Operating Funds, spending growth is driven by Medicaid, education, pension costs, employee and retiree health benefits, and social services programs.

The spending projections do not incorporate any estimate of potential new actions to control spending in the current year or future years; any potential continuation of Federal stimulus aid beyond the first quarter of 2011-12; and any costs for future collective bargaining agreements beyond the April 1, 2011 expiration of the current four-year contracts for most unions. For the first time, the forecast includes an initial estimate of the effect of national health care reform on State health care costs.

**Receipts**

State tax receipts are projected to grow at an average annual rate of 4.3 percent from 2010-11 through 2013-14. This is consistent with a projected return to modest economic growth in the New York economy in the second half of 2010. Receipts growth is affected by the tax changes approved in the Enacted Budget, as well as in prior fiscal years, and by tax compliance and anti-fraud efforts. These factors are expected to continue to enhance expected receipt growth through 2013-14. (See "2010-11 All Funds Receipts Projections" herein for a complete summary.)

Total disbursements for 2010-11 have been restated to exclude the $2.1 billion in school aid that was planned for March 2010 but paid in June 2010. The "payment of School Aid Deferral" line is displayed to account for the net operating impact.

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# General Fund Projections

**OUTYEAR GENERAL FUND PROJECTIONS (ADJUSTED)**
**(millions of dollars)**

| | 2010-11 | 2011-12 | Annual $ Change | Annual % Change | 2012-13 | Annual % Change | 2013-14 | Annual % Change |
|---|---|---|---|---|---|---|---|---|
| **Receipts** | | | | | | | | |
| Taxes (After Debt Service) | 50,102 | 53,384 | 3,282 | 6.6% | 53,700 | 0.6% | 56,557 | 5.3% |
| Personal Income Tax | 31,919 | 34,191 | 2,272 | 7.1% | 33,855 | -1.0% | 35,762 | 5.6% |
| User Taxes and Fees | 11,034 | 11,398 | 364 | 3.3% | 11,694 | 2.6% | 12,277 | 5.0% |
| Business Taxes | 5,783 | 6,452 | 669 | 11.6% | 6,658 | 3.2% | 6,895 | 3.6% |
| Other Taxes | 1,366 | 1,343 | (23) | -1.7% | 1,493 | 11.2% | 1,623 | 8.7% |
| Miscellaneous Receipts/Federal Grants | 2,921 | 2,881 | (40) | -1.4% | 2,846 | -1.2% | 2,794 | -1.8% |
| Other Transfers | 1,491 | 792 | (699) | -46.9% | 520 | -34.3% | 520 | 0.0% |
| **Total Receipts** | **54,514** | **57,057** | **2,543** | **4.7%** | **57,066** | **0.0%** | **59,871** | **4.9%** |
| **Disbursements** | | | | | | | | |
| Grants to Local Governments (Adjusted) | **35,688** | **46,012** | **10,324** | **28.9%** | **50,697** | **10.2%** | **54,896** | **8.3%** |
| School Aid (Adjusted) | 16,706 | 19,958 | 3,252 | 19.5% | 22,405 | 12.3% | 24,859 | 11.0% |
| Medicaid (incl. administration) | 7,425 | 13,164 | 5,739 | 77.3% | 14,664 | 11.4% | 15,875 | 8.3% |
| Higher Education | 2,449 | 2,820 | 371 | 15.1% | 2,992 | 6.1% | 3,082 | 3.0% |
| Mental Hygiene | 2,218 | 2,015 | (203) | -9.2% | 2,156 | 7.0% | 2,339 | 8.5% |
| Children and Family Services | 1,697 | 1,893 | 196 | 11.5% | 2,098 | 10.8% | 2,324 | 10.8% |
| Other Education Aid | 1,488 | 1,826 | 338 | 22.7% | 1,909 | 4.5% | 1,998 | 4.7% |
| Temporary and Disability Assistance | 1,152 | 1,528 | 376 | 32.6% | 1,658 | 8.5% | 1,711 | 3.2% |
| All Other | 2,553 | 2,808 | 255 | 10.0% | 2,815 | 0.2% | 2,708 | -3.8% |
| State Operations | **8,138** | **8,749** | **611** | **7.5%** | **8,798** | **0.6%** | **9,026** | **2.6%** |
| Personal Service | 6,189 | 6,659 | 470 | 7.6% | 6,556 | -1.5% | 6,663 | 1.6% |
| Non-Personal Service | 1,949 | 2,090 | 141 | 7.2% | 2,242 | 7.3% | 2,363 | 5.4% |
| General State Charges | **4,119** | **4,583** | **464** | **11.3%** | **4,989** | **8.9%** | **5,437** | **9.0%** |
| Pensions | 1,470 | 1,664 | 194 | 13.2% | 1,904 | 14.4% | 2,126 | 11.7% |
| Health Insurance (Active Employees) | 1,838 | 2,034 | 196 | 10.7% | 2,244 | 10.3% | 2,470 | 10.1% |
| Health Insurance (Retired Employees) | 1,223 | 1,355 | 132 | 10.8% | 1,493 | 10.2% | 1,643 | 10.0% |
| Fringe Benefit Escrow | (2,309) | (2,385) | (76) | 3.3% | (2,565) | 7.5% | (2,739) | 6.8% |
| All Other | 1,897 | 1,915 | 18 | 0.9% | 1,913 | -0.1% | 1,937 | 1.3% |
| Transfers to Other Funds: | **5,741** | **6,787** | **1,046** | **18.2%** | **7,297** | **7.5%** | **7,769** | **6.5%** |
| State Share Medicaid | 2,435 | 3,013 | 578 | 23.7% | 3,110 | 3.2% | 3,073 | -1.2% |
| Debt Service | 1,650 | 1,766 | 116 | 7.0% | 1,757 | -0.5% | 1,686 | -4.0% |
| Capital Projects | 878 | 1,197 | 319 | 36.3% | 1,310 | 9.4% | 1,462 | 11.6% |
| All Other | 778 | 811 | 33 | 4.2% | 1,120 | 38.1% | 1,548 | 38.2% |
| **Total Disbursements (Adjusted)** | **53,686** | **66,131** | **12,445** | **23.2%** | **71,781** | **8.5%** | **77,128** | **7.4%** |
| Payment of School Aid Deferral | 2,060 | | (2,060) | | | | | |
| **Total Disbursements (Unadjusted)** | **55,746** | **66,131** | **10,385** | **18.6%** | **71,781** | **8.5%** | **77,128** | **7.4%** |
| **Change in Reserves[1]** | **(917)** | **(48)** | | | **(71)** | | **(25)** | |
| **Budget Surplus/(Gap) Estimate Before Actions** | **(315)** | **(9,026)** | | | **(14,644)** | | **(17,232)** | |

[1] The State deferred more payments than were needed to carry forward the 2009-10 budget shortfall. This created a temporary increase in the year-end balance in 2009-10. The balance was used when the deferred payments were made in the first quarter of 2010-11.

## State Operating Funds Projections

**STATE OPERATING FUNDS PROJECTIONS (ADJUSTED)**
**(millions of dollars)**

| | 2010-11 | 2011-12 | Annual $ Change | Annual % Change | 2012-13 | Annual % Change | 2013-14 | Annual % Change |
|---|---|---|---|---|---|---|---|---|
| **Receipts:** | | | | | | | | |
| Taxes | 60,124 | 64,163 | 4,039 | 6.7% | 64,989 | 1.3% | 68,288 | 5.1% |
| Personal Income Tax | 36,568 | 39,277 | 2,709 | 7.4% | 39,287 | 0.0% | 41,504 | 5.6% |
| User Taxes and Fees | 13,505 | 14,047 | 542 | 4.0% | 14,370 | 2.3% | 14,950 | 4.0% |
| Business Taxes | 7,205 | 7,945 | 740 | 10.3% | 8,208 | 3.3% | 8,501 | 3.6% |
| Other Taxes | 2,846 | 2,894 | 48 | 1.7% | 3,124 | 7.9% | 3,333 | 6.7% |
| Miscellaneous Receipts/Federal Grants | 18,757 | 18,618 | (139) | -0.7% | 19,058 | 2.4% | 19,299 | 1.3% |
| **Total Receipts** | **78,881** | **82,781** | **3,900** | **4.9%** | **84,047** | **1.5%** | **87,587** | **4.2%** |
| **Disbursements:** | | | | | | | | |
| Grants to Local Governments (Adjusted) | 53,699 | 64,475 | 10,776 | 20.1% | 70,185 | 8.9% | 74,984 | 6.8% |
| School Aid (Adjusted) | 19,798 | 22,695 | 2,897 | 14.6% | 25,300 | 11.5% | 27,823 | 10.0% |
| Medicaid (incl. administration) | 11,906 | 17,604 | 5,698 | 47.9% | 19,553 | 11.1% | 20,882 | 6.8% |
| STAR | 3,270 | 3,418 | 148 | 4.5% | 3,584 | 4.9% | 3,772 | 5.2% |
| Higher Education | 2,471 | 2,836 | 365 | 14.8% | 2,992 | 5.5% | 3,082 | 3.0% |
| Other Education Aid | 1,506 | 1,842 | 336 | 22.3% | 1,923 | 4.4% | 2,011 | 4.6% |
| Mental Hygiene | 3,454 | 3,709 | 255 | 7.4% | 3,968 | 7.0% | 4,274 | 7.7% |
| Public Health/Aging/Insurance | 2,270 | 2,418 | 148 | 6.5% | 2,523 | 4.3% | 2,558 | 1.4% |
| Social Services | 2,851 | 3,423 | 572 | 20.1% | 3,757 | 9.8% | 4,037 | 7.5% |
| Local Government Assistance | 781 | 1,070 | 289 | 37.0% | 1,070 | 0.0% | 1,062 | -0.7% |
| All Other | 5,392 | 5,460 | 68 | 1.3% | 5,515 | 1.0% | 5,483 | -0.6% |
| State Operations | 14,883 | 16,050 | 1,167 | 7.8% | 16,012 | -0.2% | 16,348 | 2.1% |
| Personal Service | 10,270 | 11,260 | 990 | 9.6% | 11,123 | -1.2% | 11,273 | 1.3% |
| Non-Personal Service | 4,613 | 4,790 | 177 | 3.8% | 4,889 | 2.1% | 5,075 | 3.8% |
| General State Charges | 5,146 | 5,749 | 603 | 11.7% | 6,321 | 9.9% | 6,860 | **8.5%** |
| Pensions | 1,470 | 1,664 | 194 | 13.2% | 1,904 | 14.4% | 2,126 | 11.7% |
| Health Insurance (Active Employees) | 1,838 | 2,034 | 196 | 10.7% | 2,244 | 10.3% | 2,470 | 10.1% |
| Health Insurance (Retired Employees) | 1,223 | 1,355 | 132 | 10.8% | 1,493 | 10.2% | 1,643 | 10.0% |
| All Other | 615 | 696 | 81 | 13.2% | 680 | -2.3% | 621 | -8.7% |
| Debt Service | 5,471 | 6,039 | 568 | 10.4% | 6,354 | 5.2% | 6,515 | 2.5% |
| Capital Projects | 2 | 2 | 0 | 0.0% | 2 | 0.0% | 2 | 0.0% |
| **Total Disbursements (Adjusted)** | **79,201** | **92,315** | **13,114** | **16.6%** | **98,874** | **7.1%** | **104,709** | **5.9%** |
| Payment of School Aid Deferral | 2,060 | | (2,060) | | | | | |
| Total Disbursements (Unadjusted) | 81,261 | 92,315 | 11,054 | 13.6% | 98,874 | 7.1% | 104,709 | 5.9% |
| **Net Other Financing Sources/(Uses)** | **825** | **442** | | | **710** | | **501** | |
| **Net Operating Surplus/(Deficit)[1]** | **(1,555)** | **(9,092)** | | | **(14,117)** | | **(16,621)** | |

[1] Financed in part with the use of existing fund balances in 2010-11. See Financial Plan Tables.

The annual spending changes are affected by the expiration of Federal stimulus funding for Medicaid, school aid, and other purposes, which is expected to result in approximately $5.4 billion in costs reverting to the State starting in 2011-12. The following table displays the impact of the direct Federal aid as it applies to major programs (by adjusting the State spending to show the annual spending change excluding the benefit of ARRA), which temporarily lowered State costs. Reported State Operating Funds are increasing by nearly 17 percent in 2011-12. When adjusted to exclude Federal ARRA direct State aid, the annual growth is approximately 9 percent. All amounts are shown on a State fiscal year basis.

| STATE OPERATING FUNDS SPENDING PROJECTIONS<br>MAJOR PROGRAM AREAS ADJUSTED FOR IMPACT OF ARRA DIRECT FEDERAL AID<br>(millions of dollars) | | | | |
|---|---|---|---|---|
| | 2010-11 | 2011-12 | Annual $ Change | Annual % Change |
| State Operating Funds (Adjusted): | 85,607 | 93,276 | 7,669 | 9.0% |
| Reported State Operating Funds | 79,201 | 92,315 | 13,114 | 16.6% |
| Federal ARRA | 6,406 | 961 | (5,445) | -85.0% |
| School Aid (Adjusted) | 21,129 | 23,204 | 2,075 | 9.8% |
| Reported School Aid | 19,798 | 22,695 | 2,897 | 14.6% |
| Federal ARRA (State Fiscal Stabilization) | 1,331 | 509 | (822) | -61.8% |
| DOH Medicaid (Adjusted) | 15,854 | 17,957 | 2,103 | 13.3% |
| Reported Medicaid | 11,906 | 17,604 | 5,698 | 47.9% |
| Federal ARRA (Enhanced FMAP) | 3,948 | 353 | (3,595) | -91.1% |
| Higher Education (Adjusted) | 2,637 | 2,836 | 199 | 7.5% |
| Reported Higher Education | 2,471 | 2,836 | 365 | 14.8% |
| Federal ARRA (State Fiscal Stabilization) | 166 | 0 | (166) | -100.0% |
| Other Education Aid (Adjusted) | 1,838 | 1,845 | 7 | 0.4% |
| Reported Other Education Aid | 1,506 | 1,842 | 336 | 22.3% |
| Federal ARRA (State Fiscal Stabilization) | 332 | 3 | (329) | -99.1% |
| Personal Service (Adjusted) | 10,899 | 11,356 | 457 | 4.2% |
| Reported Personal Service | 10,270 | 11,260 | 990 | 9.6% |
| Federal ARRA (Enhanced FMAP - Mental Hygiene) | 629 | 96 | (533) | -84.7% |

## Grants to Local Governments

### *Medicaid (Department of Health)*

The State's share of Medicaid is financed with a combination of General Fund and HCRA resources. Local governments are also required to share in the costs of the program. The Federal government is financing an additional share of Medicaid costs for October 2008 through June 30, 2011, which temporarily lowers the State's costs for the program.

| MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (DOH ONLY)<br>(millions of dollars) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2010-11 | 2011-12 | Annual $ Change | Annual % Change | 2012-13 | Annual % Change | 2013-14 | Annual % Change |
| **State Operating Funds (Before FMAP)** | **15,854** | **17,957** | **2,103** | **13.3%** | **19,299** | **7.5%** | **20,882** | **8.2%** |
| **Enhanced FMAP -- State Share[1]** | **(3,948)** | **(353)** | **3,595** | **-91.1%** | **254** | **-172.0%** | **0** | **0.0%** |
| **State Operating Funds (After FMAP)** | **11,906** | **17,604** | **5,698** | **47.9%** | **19,553** | **11.1%** | **20,882** | **6.8%** |
| **Other State Funds Support** | **(4,481)** | **(4,439)** | **42** | **-0.9%** | **(4,890)** | **10.2%** | **(5,006)** | **2.4%** |
| HCRA Financing | (2,866) | (2,897) | (31) | 1.1% | (3,348) | 15.6% | (3,464) | 3.5% |
| Provider Assessment Revenue | (745) | (750) | (5) | 0.7% | (750) | 0.0% | (750) | 0.0% |
| Indigent Care Revenue | (870) | (792) | 78 | -9.0% | (792) | 0.0% | (792) | 0.0% |
| **Total General Fund** | **7,425** | **13,165** | **5,740** | **77.3%** | **14,663** | **11.4%** | **15,876** | **8.3%** |

[1] 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 Fall 2012.

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 the temporarily enhanced levels of Federal aid. The number of Medicaid recipients is expected to total 4.9 million at the end of 2010-11, an increase of 5.9 percent from the 2009-10 caseload of 4.5 million.

The expiration of the enhanced FMAP share substantially increases State-funded spending for Medicaid in 2011-12. However, even after adjusting for the impact of enhanced FMAP, State spending for Medicaid is expected to grow significantly over the multi-year Financial Plan, increasing at an average annual rate of 9.6 percent, from $15.9 billion in 2010-11 to $20.9 billion in 2013-14. Overall Medicaid growth results, in part, from the takeover of local Medicaid costs under the cap, the combination of projected increases in service utilization, and medical care cost inflation that affects nearly all categories of service (e.g., hospitals, nursing homes), as well as rising enrollment levels.

In addition, the payment of an extra weekly cycle to providers adds an estimated $400 million in 2011-12.

*School Aid*

School aid spending includes foundation aid; UPK; and expense-based aids such as building aid, transportation aid, and special education aids. School aid spending is supported by the General Fund, as well as lottery revenues (including VLTs). On a school year basis, school aid is projected to grow at an average annual rate of 10.5 percent, from $21.2 billion in 2010-11 to $28.6 billion in 2013-14.

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

| | 2010-11 | 2011-12 | Annual $ Change | Annual % Change | 2012-13 | Annual $ Change | 2013-14 | Annual $ Change |
|---|---|---|---|---|---|---|---|---|
| Foundation Aid/Academic Achievement Grant | $14,894 | $16,063 | $1,169 | 7.8% | $17,649 | $1,586 | $19,679 | $2,030 |
| Universal Prekindergarten | $378 | $462 | $84 | 22.2% | $564 | $102 | $630 | $66 |
| Expense-Based Aids (Building, Transportation, High Cost and Private Special Education, BOCES) | $5,914 | $6,340 | $426 | 7.2% | $6,800 | $460 | $7,300 | $500 |
| Other Aid Categories/Initiatives | $807 | $845 | $38 | 4.7% | $907 | $62 | $971 | $64 |
| Gap Elimination Adjustment | ($1,412) | $0 | $1,412 | -100.0% | $0 | $0 | $0 | $0 |
| Federal Education Jobs Fund | $607 | $0 | ($607) | -100.0% | $0 | $0 | $0 | $0 |
| **Total School Aid** | **$21,188** | **$23,710** | **$2,522** | **11.9%** | **$25,920** | **$2,210** | **$28,580** | **$2,660** |

Growth in 2011-12 is primarily due to the elimination of the one-time gap elimination adjustment, increases in expense-based aids and the phase-in of foundation aid over a seven-year period. Growth in 2012-13 and beyond is primarily due to increases in foundation aid and UPK increases in expense-based aids such as building aid and transportation aid.

On a State fiscal-year basis, school aid spending is projected to grow on average $2.7 billion annually from 2011-12 to 2013-14.

**MULTI-YEAR SCHOOL AID FINANCING PROJECTIONS - FISCAL YEAR BASIS (ADJUSTED)**
**(millions of dollars)**

| | 2010-11[1] | 2011-12 | Annual $ Change | Annual % Change | 2012-13 | Annual % Change | 2013-14 | Annual % Change |
|---|---|---|---|---|---|---|---|---|
| General Fund Local Assistance | 16,705 | 19,958 | 3,253 | 19.5% | 22,405 | 12.3% | 24,859 | 11.0% |
| General Fund Lottery Aid Guarantee | 83 | 0 | (83) | -100.0% | n/a | n/a | n/a | n/a |
| Core Lottery Aid | 2,085 | 2,095 | 10 | 0.5% | 2,102 | 0.3% | 2,109 | 0.3% |
| VLT Lottery Aid | 925 | 642 | (283) | -30.6% | 793 | 23.5% | 855 | 7.8% |
| **Total State Funds** | **19,798** | **22,695** | **2,897** | **14.6%** | **25,300** | **11.5%** | **27,823** | **10.0%** |

[1]Adjusted to exclude the end of 2009-10 fiscal year payment ($2.06 billion) which was deferred to 2010-11.

Over the multi-year Financial Plan period, revenues available to finance school aid from core lottery sales are expected to increase nominally. Revenues from VLTs in 2010-11 reflect the $380 million one-time franchise payment received by the State in September 2010 from the sale of VLT development rights at Aqueduct. Revenues from VLTs are expected to grow in future years, augmented by the anticipated opening of a VLT facility at Aqueduct racetrack by October 2011.

*Mental Hygiene*

Mental hygiene spending (excluding capital and debt service) is projected to grow by approximately $270 million annually (7 percent), reaching a total of $4.3 billion in 2013-14. Sources of operating growth include: increases in the projected State share of Medicaid costs; projected expansion of the various mental hygiene service systems, including increases primarily associated with the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline, as well as additional funds for supported housing beds and associated support services pursuant to a Federal district court decision; and several chemical dependence treatment and prevention initiatives in OASAS, including treatment costs associated with recent reforms to the Rockefeller drug laws.

*Social Services*

The State share of OCFS spending is expected to grow by approximately $200 million annually through 2013-14 primarily driven by growth in local claims-based programs. OTADA spending is projected to increase by $559 million from $1.2 billion in 2010-11 to $1.7 billion by 2013-14, due to the anticipated loss of TANF Emergency Contingency Fund grants that were used to support public assistance costs that would otherwise have been paid for with State resources.

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## State Operations

| STATE OPERATING FUNDS - STATE OPERATIONS (millions of dollars) | 2010-11 | 2011-12 | Annual $ Change | 2012-13 | Annual $ Change | 2013-14 | Annual $ Change |
|---|---|---|---|---|---|---|---|
| **Personal Service** | **10,270** | **11,260** | **990** | **11,123** | **(137)** | **11,273** | **150** |
| State University | 3,148 | 3,235 | 87 | 3,141 | (94) | 3,167 | 26 |
| Correctional Services | 1,898 | 1,940 | 42 | 1,961 | 21 | 1,984 | 23 |
| Judiciary | 1,537 | 1,651 | 114 | 1,694 | 43 | 1,750 | 56 |
| Mental Hygiene | 542 | 989 | 447 | 1,062 | 73 | 1,078 | 16 |
| State Police | 586 | 590 | 4 | 593 | 3 | 596 | 3 |
| Tax and Finance | 331 | 314 | (17) | 314 | 0 | 317 | 3 |
| Public Health | 251 | 258 | 7 | 264 | 6 | 270 | 6 |
| Children and Family Services | 175 | 170 | (5) | 174 | 4 | 169 | (5) |
| Environmental Conservation | 189 | 168 | (21) | 169 | 1 | 169 | 0 |
| Legislature | 165 | 168 | 3 | 172 | 4 | 175 | 3 |
| Timing of Outstanding Labor Agreements | 12 | 346 | 334 | 142 | (204) | 142 | 0 |
| All Other | 1,436 | 1,431 | (5) | 1,437 | 6 | 1,456 | 19 |
| **Non-Personal Service** | **4,613** | **4,790** | **177** | **4,889** | **99** | **5,075** | **186** |
| State University | 1,764 | 1,821 | 57 | 1,742 | (79) | 1,798 | 56 |
| Correctional Services | 515 | 528 | 13 | 560 | 32 | 602 | 42 |
| Judiciary | 364 | 390 | 26 | 413 | 23 | 439 | 26 |
| Public Health | 237 | 240 | 3 | 246 | 6 | 256 | 10 |
| Mental Hygiene | 211 | 224 | 13 | 271 | 47 | 279 | 8 |
| Lottery | 144 | 148 | 4 | 147 | (1) | 150 | 3 |
| Children and Family Services | 102 | 109 | 7 | 113 | 4 | 117 | 4 |
| Tax and Finance | 95 | 94 | (1) | 94 | 0 | 96 | 2 |
| Debt Service | 92 | 92 | 0 | 92 | 0 | 92 | 0 |
| Insurance | 72 | 77 | 5 | 78 | 1 | 79 | 1 |
| All Other | 1,017 | 1,067 | 50 | 1,133 | 66 | 1,167 | 34 |

Growth in State Operations spending over the multi-year Updated Financial Plan is concentrated in agencies that operate large facilities, such as SUNY, Corrections, and the mental hygiene agencies, as well as the Judiciary. The main causes of growth include expiration of the enhanced FMAP that lowers State costs for portions of mental hygiene spending, the timing of outstanding labor agreements, inflationary increases in operating costs, and ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections.

### Personal Service

Personal service spending includes wages and compensation for overtime, holiday and temporary services. It does not include fringe benefits, which are accounted for under General State Charges. Personal service spending increases reflect the impact of settled labor contracts, salary adjustments for performance advances, longevity payments and promotions. Growth in personal service is affected by the expiration of enhanced FMAP, which temporarily reduced the State-share costs of operating the mental hygiene system; increased spending in SUNY hospitals due to SUNY Downstate Medical Center's acquisition of Long Island College Hospital; the costs of improved care and treatment for inmates with mental illness; and anticipated needs for Office of Court Administration.

### Non-Personal Service

Non-personal service spending represents the costs of operations other than employee wages and benefits. It includes utilities, rent, equipment, supplies and materials, telecommunications, information technology, travel, training, medical supplies, prescription drugs, and certain contractual obligations. Spending is expected to grow by an average of 3 percent annually through 2013-14, and is concentrated in agencies that operate large facilities.

Significant cost increases are expected for food, prescription drugs, and energy costs in State facilities (including prisons, youth facilities, and mental hygiene facilities); increased spending in SUNY hospitals due to SUNY Downstate Medical Center's acquisition of Long Island College Hospital; costs for developing the new Statewide Financial System; and targeted initiatives including increasing staff-to-youth ratios and improving mental health services for youth residing in State-operated juvenile justice facilities.

**General State Charges**

GSCs account for the costs of fringe benefits provided to State employees and retirees of the Executive, Legislative and Judicial branches, as well as for certain fixed costs. GSCs are projected to grow at an average annual rate of 10.1 percent from 2010-11 through 2013-14. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees.

The State's 2010-11 ERS pension contribution rate as a percentage of salary is expected to grow from 12.1 percent in 2010-11 to 23.5 percent in 2013-14. The PFRS pension contribution rate is expected to be 18.3 percent in 2010-11, and is projected to grow to 31.4 percent by 2013-14.

The Enacted Budget Financial Plan permits local governments and the State to amortize a portion of their pension costs beginning in 2010-11. Specifically, pension contribution costs in excess of the amortization thresholds, which are 9.5 percent for ERS and 17.5 percent for PFRS in 2010-11, may be amortized. 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 ten-year period at an interest rate to be determined by the State Comptroller. For 2010-11 amortizations, the Comptroller has set the interest rate at 5 percent. For planning purposes, the Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The amounts assumed to be amortized over the Financial Plan period total $242 million in 2010-11, $552 million in 2011-12, $755 million in 2012-13, and $1.0 billion in 2013-14.

Beginning in 2011-12, pension costs also include the State's payment for the retirement incentives approved in the fall 2010. The Financial Plan currently assumes an annual State payment of $70 million, beginning in 2011-12.

Spending for employee and retiree health insurance costs is expected to grow at a consistently high rate through 2013-14, with annual growth reflecting an annual premium increase of approximately 7 percent. See discussion of the GASB Statement 45 later in this AIS Update for the valuation of future State health insurance costs for State employees.

**Transfers to Other Funds (General Fund Basis)**

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

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

**OUTYEAR DISBURSEMENT PROJECTIONS - GENERAL FUND TRANSFERS TO OTHER FUNDS**
**(millions of dollars)**

| | 2010-11 | 2011-12 | Annual $ Change | 2012-13 | Annual $ Change | 2013-14 | Annual $ Change |
|---|---|---|---|---|---|---|---|
| **Transfers to Other Funds:** | **5,741** | **6,787** | **1,046** | **7,297** | **510** | **7,769** | **472** |
| Medicaid State Share | 2,435 | 3,013 | 578 | 3,110 | 97 | 3,073 | (37) |
| Debt Service | 1,650 | 1,766 | 116 | 1,757 | (9) | 1,686 | (71) |
| Capital Projects | 878 | 1,197 | 319 | 1,310 | 113 | 1,462 | 152 |
| Dedicated Highway and Bridge Trust Fund | 578 | 637 | 59 | 710 | 73 | 779 | 69 |
| All Other Capital | 300 | 560 | 260 | 600 | 40 | 683 | 83 |
| All Other Transfers | 778 | 811 | 33 | 1,120 | 309 | 1,548 | 428 |
| Mental Hygiene | 0 | 102 | 102 | 394 | 292 | 810 | 416 |
| Medicaid Payments for State Facility Patients | 216 | 216 | 0 | 216 | 0 | 216 | 0 |
| Education - Lottery | 83 | 0 | (83) | 0 | 0 | 0 | 0 |
| Judiciary Funds | 153 | 156 | 3 | 157 | 1 | 163 | 6 |
| Banking Services | 66 | 66 | 0 | 66 | 0 | 66 | 0 |
| Indigent Legal Services | 40 | 40 | 0 | 40 | 0 | 40 | 0 |
| SUNY- Hospital Operations | 33 | 0 | (33) | 0 | 0 | 0 | 0 |
| Department of Transportation (MTA Tax) | 24 | 25 | 1 | 25 | 0 | 25 | 0 |
| Alcoholic Beverage Control | 18 | 18 | 0 | 19 | 1 | 21 | 2 |
| Mass Transportation Operating Assistance | 19 | 19 | 0 | 19 | 0 | 19 | 0 |
| Public Trans Systems | 19 | 19 | 0 | 19 | 0 | 19 | 0 |
| Correctional Industries | 14 | 14 | 0 | 14 | 0 | 14 | 0 |
| DCJS - Crimes Against Revenues Account | 10 | 16 | 6 | 16 | 0 | 16 | 0 |
| Statewide Financial System | 9 | 45 | 36 | 55 | 10 | 60 | 5 |
| All Other | 74 | 75 | 1 | 80 | 5 | 78 | (2) |

Transfers to other funds are expected to total $6.8 billion in 2011-12, an annual increase of over $1 billion, or 18.2 percent. This increase is mainly due to higher costs related to the State share of Medicaid costs for mental hygiene services, capital projects and debt service.

Support for capital projects is expected to increase by over 35 percent in 2011-12 mainly for economic development projects, statewide technology initiatives, and capital project activity for SUNY, CUNY and Corrections.

Increases in all other transfers reflect the need to supplement resources available for the mental hygiene system and to fund the development of the State's new financial management system.

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## Debt Service

The following tables summarize State debt levels and debt service spending. The changes since the AIS in debt outstanding, debt issuances, and debt service costs detailed below include accelerated bonding in 2010-11 for AMD, the Aqueduct VLT facility, mental health facilities, and SUNY Dormitories, as offset by reductions in bonding for transportation purposes, as well as other education and economic development activities.

Also reflected in the estimates below is $143 million in 2010-11 debt service savings, of which $112 million has been achieved. This primarily results from bond refinancings, the use of Build America Bonds (BABs, as authorized by the Federal Government under ARRA), the termination of excluded agreement swaps, and other reestimates.

| Projected Debt Outstanding (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| **Enacted Budget State-Related Debt Outstanding** | **56,877** | **58,413** | **58,751** | **58,487** | **58,102** |
| Global Foundries | 128 | (4) | (5) | (5) | (6) |
| Aqueduct VLT Facility | 128 | (10) | (11) | (12) | (13) |
| Mental Health Facilities | 40 | (53) | (52) | (51) | (51) |
| SUNY Dorms | 51 | 52 | 52 | 28 | (50) |
| Education | (242) | (209) | (168) | (101) | (74) |
| Economic Development & Housing | (144) | (171) | (98) | (103) | (110) |
| Transportation | (103) | (83) | (57) | (33) | (10) |
| All Other | (105) | (81) | (76) | (74) | (71) |
| Subtotal | (248) | (558) | (415) | (351) | (384) |
| **Mid-Year Update State-Related Debt Outstanding** | **56,629** | **57,855** | **58,336** | **58,136** | **57,719** |

| Projected Debt Issuances (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| **Enacted Budget State-Related Debt Issuances** | **5,365** | **5,368** | **4,372** | **3,899** | **3,794** |
| Global Foundries | 128 | (128) | 0 | 0 | 0 |
| Aqueduct VLT Facility | 128 | (128) | 0 | 0 | 0 |
| Mental Health Facilities | 42 | (92) | 0 | 0 | 0 |
| SUNY Dorms | 51 | 0 | 0 | (22) | (77) |
| Education | (209) | 20 | 26 | 41 | 31 |
| Economic Development & Housing | (131) | (26) | 73 | 0 | 0 |
| Transportation | (103) | 20 | 23 | 21 | 21 |
| All Other | (57) | 12 | (6) | (12) | (15) |
| Subtotal | (152) | (321) | 115 | 28 | (40) |
| **Mid-Year Update State-Related Debt Issuances** | **5,213** | **5,048** | **4,487** | **3,927** | **3,754** |

| Projected Debt Service (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| **Enacted Budget State-Related Debt Service** | **6,051** | **6,627** | **6,949** | **7,095** | **7,093** |
| Global Foundries | 0 | 11 | (2) | (1) | (1) |
| Aqueduct VLT Facility | 2 | 14 | (1) | (1) | (1) |
| Mental Health Facilities | 2 | (1) | (5) | (5) | (5) |
| SUNY Dorms | (2) | (4) | (0) | 3 | 0 |
| Education | (50) | (20) | (18) | (13) | (11) |
| Economic Development & Housing | 17 | (14) | (13) | (2) | (0) |
| Transportation | (9) | (8) | (6) | (4) | (2) |
| All Other | (4) | 26 | 41 | 34 | 30 |
| Subtotal | (45) | 4 | (3) | 11 | 10 |
| **Mid-Year Update State-Related Debt Service** | **6,006** | **6,631** | **6,946** | **7,106** | **7,103** |

## Statutory Debt Limitations

### Debt Reform Act

The Debt Reform Act of 2000 imposed statutory limitations which restricted the issuance of State-supported debt to capital purposes and established a maximum term of 30 years for such debt. The statute also imposed phased-in caps that will ultimately limit the amount of new State-supported debt to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued on and after April 1, 2000. The cap on debt outstanding is fully phased-in during 2010-11, while the cap on debt service costs is expected to be fully phased-in during 2013-14.

The statute requires that the limitations on the amount of State-supported debt and debt service costs be calculated by October 31 of each year and reported in the October Update to the State's Financial Plan and are set forth below. If the actual amount of new State-supported debt outstanding and debt service costs for the prior fiscal year (2009-10) are below the caps at this time, State-supported debt may continue to be issued. However, if either the debt outstanding or the debt service cap is met or exceeded, the State would be precluded from issuing new State-supported debt until the next annual cap calculation is made and debt is found to be within the applicable limitations.

For the 2009-10 fiscal year, the cumulative debt outstanding and debt service caps are 3.98 percent each. As shown in the table below, the actual levels of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2010 the State issued new debt resulting in $29.9 billion of debt outstanding applicable to the debt reform cap. This is approximately $6.3 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled $2.4 billion in 2009-10 – or roughly $2.7 billion below the statutory debt service limitation.

| Debt Outstanding Cap (millions of dollars) | |
|---|---|
| New Debt Outstanding | $29,883 |
| Personal Income (Current Year 2009) | $907,886 |
| Debt Outstanding (Percent of Per. Income) | 3.29% |
| Cap Imposed by Debt Reform Act | 3.98% |

| Debt Service Cap (millions of dollars) | |
|---|---|
| New Debt Service | $2,359 |
| Governmental Funds Receipts | $126,748 |
| Debt Service (Percent of Govt'l Fund Receipts) | 1.86% |
| Cap Imposed by Debt Reform Act | 3.98% |

Current projections estimate that debt outstanding and debt service costs will continue to remain below the limits imposed by the Act throughout the next several years. However, the State is continuing through a period of declining debt capacity. In part, declines in debt capacity are a product of reduced forecasts for personal income levels resulting from ongoing recessionary factors. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $4.2 billion in 2010-11 to only $1.8 billion in 2012-13. Measures to further adjust capital spending and debt financing practices are expected to be taken as needed to stay within the statutory limitations.

| Debt Outstanding Cap (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| Year | Personal Income | Cap % | Actual/ Recommended % | $ (Above)/Below | % (Above)/Below |
| 2009-10 (Actual) | 907,886 | 3.98% | 3.29% | 6,281 | 0.69% |
| 2010-11 (Projected) | 947,668 | 4.00% | 3.56% | 4,211 | 0.44% |
| 2011-12 (Projected) | 978,786 | 4.00% | 3.77% | 2,216 | 0.23% |
| 2012-13 (Projected) | 1,032,088 | 4.00% | 3.82% | 1,828 | 0.18% |
| 2013-14 (Projected) | 1,086,571 | 4.00% | 3.80% | 2,158 | 0.20% |
| 2014-15 (Projected) | 1,144,585 | 4.00% | 3.75% | 2,826 | 0.25% |

| Debt Service Cap (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| Year | All Funds Receipts | Cap % | Actual/ Recommended % | $ (Above)/Below | % (Above)/Below |
| 2009-10 (Actual) | 126,748 | 3.98% | 1.86% | 2,689 | 2.12% |
| 2010-11 (Projected) | 135,235 | 4.32% | 2.31% | 2,707 | 2.00% |
| 2011-12 (Projected) | 134,666 | 4.65% | 2.64% | 2,710 | 2.01% |
| 2012-13 (Projected) | 133,390 | 4.98% | 2.94% | 2,723 | 2.04% |
| 2013-14 (Projected) | 139,792 | 5.00% | 3.02% | 2,767 | 1.98% |
| 2014-15 (Projected) | 142,873 | 5.00% | 3.06% | 2,768 | 1.94% |

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# Year-to-Date Operating Results

## General Fund

Through September 30, 2010, General Fund receipts, including transfers from other funds, totaled $25.5 billion, $485 million below the estimate in the Enacted Budget Financial Plan. General Fund disbursements, including transfers to other funds, totaled $25.4 billion, $390 million below the Enacted Budget Financial Plan. The General Fund ended September 2010 with a closing balance of $2.4 billion, $95 million lower than planned. Based in part on the operating results to date, DOB has revised the annual estimates for receipts and disbursements in this Updated Financial Plan. The following table compares planned and actual results through September 30, 2010.

**GENERAL FUND RESULTS: APRIL to SEPTEMBER 2010**
**(millions of dollars)**

| | Enacted Budget | Results | Favorable/ (Unfavorable) vs. Plan | Increase/ (Decrease) from Prior Year |
|---|---|---|---|---|
| **Opening Balance (April 1, 2010)** | **2,302** | **2,302** | **0** | **354** |
| **Receipts** | **26,004** | **25,519** | **(485)** | **319** |
| Personal Income Tax* | 15,685 | 15,555 | (130) | 670 |
| User Taxes and Fees* | 5,747 | 5,543 | (204) | 277 |
| Business Taxes | 2,312 | 2,069 | (243) | (324) |
| Other Taxes* | 762 | 829 | 67 | 252 |
| Non-Tax Revenue | 1,498 | 1,523 | 25 | (556) |
| **Disbursements** | **25,830** | **25,440** | **390** | **724** |
| School Aid | 8,725 | 8,609 | 116 | 1,451 |
| Medicaid (including admin) | 3,768 | 3,881 | (113) | 461 |
| Children and Family Services | 756 | 452 | 304 | (267) |
| All Other Education | 586 | 684 | (98) | 73 |
| All Other Local | 3,642 | 3,513 | 129 | (718) |
| Personal Service | 3,394 | 3,355 | 39 | (154) |
| Non-Personal Service | 941 | 928 | 13 | (130) |
| General State Charges | 1,372 | 1,395 | (23) | (6) |
| Transfers To Other Funds | 2,646 | 2,623 | 23 | 14 |
| **Change in Operations** | **174** | **79** | **(95)** | **(405)** |
| **Closing Balance (September 30, 2010)** | **2,476** | **2,381** | **(95)** | **(51)** |

* Includes transfers from other funds after debt service.

Through September 2010, General Fund tax receipts, including transfers after debt service, were $510 million below the Enacted Budget Financial Plan estimate. Collections for all three major tax categories, personal income taxes, user taxes, and business taxes, fell below expectations. The personal income tax and user tax results are expected to result in lower annual collections. Collections for business taxes to date have been adversely affected by the timing of audits. Business tax collections are expected to recover over the remaining months of the fiscal year. Receipts from non-tax sources, including legal recoveries, exceeded planned levels.

Actual disbursements were $390 million below planned levels through September 2010. The variance to date reflects, in part, slower than anticipated processing of payments following enactment of the budget for 2010-11 and implementation of the FMAP contingency plan. The annual estimate for disbursements has been revised upward based on trends in Medicaid and State Operations.

- Medicaid spending continues to exceed planned levels in nearly all categories of service, and enrollment in the program is growing even faster than expected. DOB has increased the annual estimate for Medicaid spending based in part on operating results to date.

- All other education spending to date has been affected by the processing of special education claims by SED. Claims for the year are still expected to remain within budgeted levels.

- Children and Families spending has been lower to date due to a combination of processing delays and claiming patterns. The annual spending estimate has been lowered.

- Lower school aid spending reflects, in part, the impact of FMAP contingency reductions on disbursements.

- State Operations spending is exceeding planned levels through the second quarter. Constraints affecting implementation of statewide agency reductions are expected to result in higher personal service costs in 2010-11 than previously anticipated.

- Other spending has been affected by the FMAP contingency reductions, payment processing, and other factors that are not expected to materially affect annual estimates.

### General Fund Annual Change (Through September)

Receipts through September 2010 were $319 million, or 1.3 percent, higher than the same period in 2009 largely due to the increased collections in the personal income tax ($670 million), user taxes and fees ($277 million), and other taxes ($252 million). Business tax collections fell $324 million, largely the result of 2009 legislation which increased the March 2010 prepayment from 30 percent to 40 percent of liability; non-tax receipts are down $556 million primarily due to the timing of 18-A assessment payments.

Disbursements through September 2010 were $724 million, or 3.0 percent higher than for the same period in 2009. Growth is primarily due to the payment of the $2.06 billion end-of-school year payment in June 2010 instead of March 2010. Other sources of annual growth were driven by an additional Medicaid cycle through September 2010 compared to the same period in the prior year, and the timing of Medicaid offsets from HCRA during this period ($252 million). These increases are partially offset by lower spending in most areas of the budget.

### All Governmental Funds Operating Results

**SPENDING RESULTS: APRIL to SEPTEMBER 2010**
**(millions of dollars)**

| | Enacted Budget | Results | Favorable/ (Unfavorable) vs. Plan | Increase/ (Decrease) from Prior Year |
|---|---|---|---|---|
| **State Operating Funds** | **36,929** | **36,721** | **208** | **820** |
| General Fund (excl. transfers) | 23,184 | 22,817 | 367 | 710 |
| Other State Funds | 11,491 | 11,676 | (185) | (136) |
| Debt Service Funds | 2,254 | 2,228 | 26 | 246 |
| **All Governmental Funds** | **63,544** | **63,424** | **120** | **3,790** |
| State Operating Funds | 36,929 | 36,721 | 208 | 820 |
| Capital Projects Funds | 3,651 | 3,611 | 40 | 225 |
| Federal Operating Funds | 22,964 | 23,091 | (127) | 2,742 |

State Operating Funds disbursements were $208 million below the Enacted Budget Financial Plan forecast and include the General Fund variances described above. The higher spending in other State funds is largely driven by earlier than expected payments related to industry assessments ($166 million).

Capital Projects spending was below the Enacted Budget Financial Plan estimates primarily due to slower than anticipated spending on economic development projects ($69 million), Higher Education ($60 million), and Transportation ($25 million).

Federal Operating Funds spending exceeded projections due to timing-related variances in social service, mental hygiene and education.

# Economic Outlook

## The National Economy

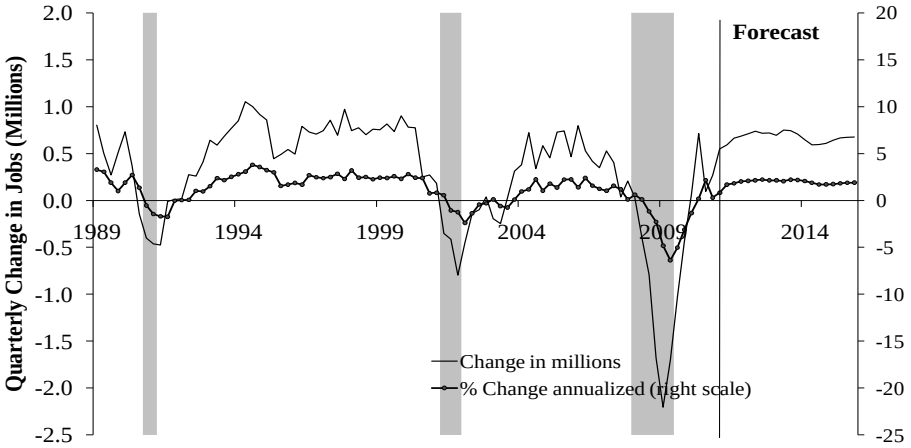
The slowdown anticipated in DOB's Enacted Budget Financial Plan forecast appears to be extending well into the fourth quarter of 2010. With a labor market recovery just getting underway, a shock emanating from euro-zone sovereign debt markets caused the nation's already fragile credit markets to tighten further, all against a backdrop of ongoing household deleveraging. Equity market prices, as represented by the S&P 500, fell 16 percent between late April and early July and virtually stagnated for the remainder of the summer. Whether acting as a bellwether for the condition of the real economy or operating via a negative wealth effect, the equity market decline coincided with a deceleration in both household spending and labor market growth. Real U.S. GDP growth fell from 3.7 percent in the first quarter of 2010 to 1.7 percent in the second quarter, and is estimated to remain there for the entire second half of the year. The national economy, as measured by real U.S. GDP, is now projected to grow 2.6 percent in 2010, followed by downwardly revised growth of 2.6 percent for 2011.

As distance from the expiration of the Federal homebuyers' credit increases, the residential housing market's intrinsic weakness has become increasingly apparent. DOB now expects a double-digit decline in residential fixed investment for the third quarter and a further decline in the fourth quarter, rather than the modest growth anticipated in August. Moreover, after a brief rally in the spring before the expiration of the credit, home prices have weakened again, though they remain slightly above their year-ago levels. Consequently, DOB has lowered its projection for private residential fixed investment to a decline of 2.4 percent for 2010, followed by growth of 4.1 percent for 2011.

The housing market's persistent weakness represents yet another temporary setback for the nation's labor market, depressing not only the demand for construction workers and building supplies, but also the demand for home appliances and other consumer durables. The softening of aggregate demand during the late spring and summer as the housing market cooled and equity markets languished coincided with a downshift in net private sector job growth, which averaged only 77,000 over the five months from May through September; this was down from an average of 200,000 for the prior two months.

An examination of the recent data provides little indication that a substantial ramp-up in hiring is imminent. Weekly initial claims for unemployment insurance benefits have remained stubbornly near or above 450,000 since the beginning of the year, although Census worker layoffs and the Federal extended benefits program may be distorting this series' value as a leading signal. Additional indicators such as growth in average workweek length and the hiring of temporary workers produce very little evidence of accelerating job growth. Therefore, DOB has revised down its near-term labor market outlook, with monthly job gains not expected to return to 200,000 until the middle of 2011, coinciding with a strengthening of domestic demand. An employment decline of 0.6 percent on an annual average basis is now projected for 2010, followed by growth of 1.1 percent for 2011. The unemployment rate projection for 2011 has been revised up to 9.4 percent, but remains unchanged at 9.7 percent for 2010.

**The Nation's Labor Market Recovery Will Take Years**




Note: Shaded areas represent U.S. recessions.
Source: Moody's Economy.com; DOB staff estimates.

U.S. corporate profits experienced strong quarterly growth in 2009 and the first quarter of 2010, led largely by financial corporations. Though financial sector profits fell substantially in the second quarter, and likely fell again in the third, corporate profits overall were stronger than anticipated in the second quarter, led by nonfinancial corporations. Although domestic demand has been generally weak, U.S. nonfinancial firms exporting to emerging markets, particularly in Asia and Latin America, have experienced strong earnings growth, which combined with weak hiring domestically, has buttressed profits. U.S. corporate profits, including the inventory valuation and capital consumption adjustments are now projected to rise a strong 27.9 percent in 2010, followed by 5.8 percent growth for 2011. After a strong September and October, equity markets are expected to resume a slow but steady recovery from the spring's tumult. The resulting boost to both household financial wealth and the confidence that the recovery is back on track should help buttress household spending going forward.

The weaker outlook for employment, combined with downward revisions to wages and some of the other components of personal income, have resulted in a weaker outlook for income growth. U.S. personal income growth of 3.1 percent is now projected for 2010, followed by growth of 3.3 percent for 2011. With the weak pace of the recovery continuing to keep price growth outside of the volatile food and energy sectors at bay, the Federal Reserve is almost certain to embark upon a further round of quantitative easing following the early November meeting of Federal Open Market Committee. This action is expected to keep long-term interest rates low for the near-term. Although record low mortgage rates have failed to spur home sales, they do appear to have generated a strong wave of refinancings as homeowners strive to reduce their debt loads. That relief is also expected to support stronger consumption growth going forward, with real quarterly consumption growth expected to exceed 3 percent for most of 2011. The central bank's interest rate policy target is like to remain between zero and 0.25 percent until the third quarter of 2011.

While the current outlook calls for continued weak growth for the remainder of 2010, support from continued low interest rates, a gradually rising stock market, and continued global growth should bolster consumer spending going into 2011. Healthy corporate earnings, particularly for export oriented firms are expected to return equity markets to a modestly upward path, accompanied by slow but steady employment and income growth. However, there are significant risks to this forecast. Although credit markets have improved substantially since a year ago, households and small businesses continue to have difficulty borrowing and credit continues to contract. The banking system remains fragile and vulnerable to negative shocks. If the labor market recovery should stumble further, household spending growth could be even lower than projected. Although the recent weakening of the U.S. dollar should support continued growth in U.S. exports, threats of currency wars add to global instability. A portion of Federal stimulus spending remains in the pipeline and has supported some job creation in the nonresidential construction sector. But if Federal support for the economy should cease before the private sector has gathered sufficient strength, already struggling state and local governments would have to tighten their belts yet more.

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

| | 2009 (Actual) | 2010 (Forecast) | 2011 (Forecast) |
|---|---|---|---|
| Real U.S. Gross Domestic Product | (2.6) | 2.6 | 2.6 |
| Consumer Price Index (CPI) | (0.3) | 1.6 | 1.5 |
| Personal Income | (1.7) | 3.1 | 3.3 |
| Nonagricultural Employment | (4.3) | (0.6) | 1.1 |

Source: Moody's Economy.com; DOB staff estimates.

## New York State Economy

The New York State economy appears to have emerged from recession during the first quarter of 2010, and like the nation, experienced a solid first quarter. Strong finance and insurance sector profits for 2009 resulted in a pick-up in securities industry bonuses in the first quarter, with some spillover into the second quarter as well. However, as anticipated in the Enacted Budget forecast, the State was not immune from the loss of momentum that plagued the nation during the spring and summer. The State Labor Department estimates that private sector employment fell during three of the five months from May through September 2010. Since these losses were in line with expectations, DOB's forecast for a decline in State employment of 0.3 percent for 2010 remains virtually unchanged. Growth for 2011 has been revised down slightly to 0.8 percent. Private sector jobs are projected to fall 0.4 percent for 2010 and grow 1.2 percent in 2011, again virtually unchanged from the Enacted Budget forecast. With financial markets taking longer to recover from the spring and summer's volatility than anticipated, DOB has revised down its forecast for State wage growth to 4.5 percent for 2010 and 2.9 percent for 2011.

Under current law, the Federal income tax cuts implemented in 2001 and 2003 are scheduled to expire on December 31, 2010, at which point ordinary income tax rates and the rate on capital gains realizations are slated to rise, and dividend income is to return to being taxed as ordinary income. DOB's forecast is predicated on the assumption that high-income taxpayers will behave strategically and shift bonus, dividend, and capital gains realizations income into 2010 to take advantage of the lower rates. That behavior is estimated to result in a significant increase in taxable income for the current tax year.

Consequently, the possibility that the Congress may decide to extend the lower rates represents a risk to the forecast. For example, if marginal tax rates on ordinary income remain constant, and no shifting of bonus income occurs, then New York State wages are projected to rise only 3.6 percent in 2010 and 4.8 percent in 2011.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, credit and equity market volatility pose a particularly large degree of uncertainty for New York. The impact of the Federal financial reform package on the profitability of the State's finance industry is as yet unknown and consequently represents a major risk to DOB's forecast for bonuses and income going forward. Lower bonuses than projected reduce a major segment of income subject to tax as well as cut the level of economic activity generated by the spending of those wages. Similarly, should equity markets fail to grow as anticipated, both financial sector income and taxable capital gains realizations could be negatively affected. These effects would ripple through the State economy, depressing both employment and wage growth. An even weaker labor market than projected could also result in lower wages, which in turn could result in weaker household consumption. In contrast, stronger national and world economic growth, or a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

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

| | 2009 (Actual) | 2010 (Forecast) | 2011 (Forecast) |
|---|---|---|---|
| Personal Income | (3.1) | 4.4 | 3.3 |
| Wages | (7.2) | 4.5 | 2.9 |
| Nonagricultural Employment | (2.9) | (0.3) | 0.8 |

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

## All Funds Receipts Projections

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

### 2010-11 All Funds Receipts Overview

**TOTAL RECEIPTS**
**(millions of dollars)**

| | 2009-10 Actual | 2010-11 Mid-Year Update | Annual $ Change | Annual % Change |
|---|---|---|---|---|
| **General Fund** | 52,556 | 54,513 | 1,957 | 3.7% |
| **State Funds** | 81,141 | 84,609 | 3,468 | 4.3% |
| **All Funds** | 126,748 | 135,236 | 8,488 | 6.7% |

All Funds receipts are projected to total $135.2 billion for 2010-11, comprising tax receipts ($61.4 billion), Federal grants ($50.6 billion) and miscellaneous receipts ($23.2 billion). The following table summarizes the actual receipts for 2009-10 and the updated projections for 2010-11 and 2011-12.

**TOTAL RECEIPTS**
**(millions of dollars)**

| | 2009-10 Actual | 2010-11 Estimated | Annual $ Change | Annual % Change | 2011-12 Projected | Annual $ Change | Annual % Change |
|---|---|---|---|---|---|---|---|
| **General Fund** | **52,556** | **54,513** | **1,957** | **3.7%** | **57,056** | **2,543** | **4.7%** |
| Taxes | 36,997 | 39,699 | 2,702 | 7.3% | 42,515 | 2,816 | 7.1% |
| Miscellaneous Receipts | 3,888 | 2,861 | (1,027) | -26.4% | 2,821 | (40) | -1.4% |
| Federal Grants | 71 | 60 | (11) | -15.5% | 60 | 0 | 0.0% |
| Transfers | 11,600 | 11,893 | 293 | 2.5% | 11,660 | (233) | -2.0% |
| **State Funds** | **81,141** | **84,609** | **3,468** | **4.3%** | **88,387** | **3,778** | **4.5%** |
| Taxes | 57,668 | 61,453 | 3,785 | 6.6% | 65,516 | 4,063 | 6.6% |
| Miscellaneous Receipts | 23,389 | 23,031 | (358) | -1.5% | 22,734 | (297) | -1.3% |
| Federal Grants | 84 | 125 | 41 | 48.8% | 137 | 12 | 9.6% |
| **All Funds** | **126,748** | **135,236** | **8,488** | **6.7%** | **134,667** | **(569)** | **-0.4%** |
| Taxes | 57,668 | 61,453 | 3,785 | 6.6% | 65,516 | 4,063 | 6.6% |
| Miscellaneous Receipts | 23,557 | 23,218 | (339) | -1.4% | 22,871 | (347) | -1.5% |
| Federal Grants | 45,523 | 50,565 | 5,042 | 11.1% | 46,280 | (4,285) | -8.5% |

The total All Funds receipts estimate of $135.2 billion represents an increase of nearly $8.5 billion (6.7 percent) above 2009-10 results. This growth is comprised of increases in Federal grants of $5.0 billion (11.1 percent) and taxes of nearly $3.8 billion (6.6 percent), which is slightly offset by decreases in miscellaneous receipts of $339 million (1.4 percent).

Total State Funds receipts are estimated at $84.6 billion, an expected increase of $3.5 billion (4.3 percent) from 2009-10 actual results. State Funds taxes are estimated to increase by nearly $3.8 billion (6.6 percent).

Total General Fund receipts, including transfers, are estimated at nearly $54.5 billion, an increase of nearly $2.0 billion (3.7 percent) from 2009-10 results. The annual increase in General Fund tax receipts is estimated at 7.3 percent. General Fund miscellaneous receipts are estimated to decrease by 26.4 percent from 2009-10 results, primarily due to the loss of one-time revenues such as payments from the Power Authority of the State of New York ("PASNY"), and the timing of payments from public utility companies made pursuant to § 18a of the Public Service Law.

After controlling for the impact of Tax Law changes, base tax revenue is estimated to increase by 2.3 percent for fiscal year 2010-11.

### Fiscal Year 2011-12 Overview

Total All Funds receipts are expected to reach nearly $134.7 billion, a decrease of $569 million (0.4 percent) from 2010-11 estimated receipts. All Funds tax receipts are projected to increase by nearly $4.1 billion (6.6 percent). All Funds Federal grants are expected to decrease by nearly $4.3 billion (8.5 percent). All Funds miscellaneous receipts are projected to decrease by $347 million (1.5 percent) over the prior year.

Total State Funds receipts are projected to be nearly $88.4 billion, an increase of close to $3.8 billion (4.5 percent) from 2010-11 estimated receipts.

Total General Fund receipts (including transfers from other funds) are projected to be nearly $57.1 billion, an increase of over $2.5 billion (4.7 percent) from 2010-11 estimated receipts. General Fund tax receipts are projected to increase by 7.1 percent from 2010-11 estimates, and General Fund miscellaneous receipts are projected to decrease by 1.4 percent.

After controlling for the impact of policy changes, base tax revenue is expected to grow by 8.1 percent for fiscal year 2011-12.

## Change from Enacted Budget Financial Plan

**CHANGE FROM ENACTED BUDGET FORECAST**
**(millions of dollars)**

| | 2010-11 | | | | 2011-12 | | | |
|---|---|---|---|---|---|---|---|---|
| | Enacted Budget | Mid-Year Update | $ Change | % Change | Enacted Budget | Mid-Year Update | $ Change | % Change |
| **General Fund[1]** | **42,887** | **42,620** | **(267)** | **-0.6%** | **45,483** | **45,396** | **(87)** | **-0.2%** |
| Taxes | 39,931 | 39,699 | (232) | -0.6% | 42,564 | 42,515 | (49) | -0.1% |
| Miscellaneous Receipts | 2,896 | 2,861 | (35) | -1.2% | 2,859 | 2,821 | (38) | -1.3% |
| Federal Grants | 60 | 60 | 0 | 0.0% | 60 | 60 | 0 | 0.0% |
| **State Funds** | **84,783** | **84,609** | **(174)** | **-0.2%** | **88,784** | **88,387** | **(397)** | **-0.4%** |
| Taxes | 61,796 | 61,453 | (343) | -0.6% | 65,573 | 65,516 | (57) | -0.1% |
| Miscellaneous Receipts | 22,870 | 23,031 | 161 | 0.7% | 23,091 | 22,734 | (357) | -1.5% |
| Federal Grants | 117 | 125 | 8 | 6.8% | 120 | 137 | 17 | 14.2% |
| **All Funds** | **134,296** | **135,236** | **940** | **0.7%** | **133,706** | **134,667** | **961** | **0.7%** |
| Taxes | 61,796 | 61,453 | (343) | -0.6% | 65,573 | 65,516 | (57) | -0.1% |
| Miscellaneous Receipts | 23,014 | 23,218 | 204 | 0.9% | 23,229 | 22,871 | (358) | -1.5% |
| Federal Grants | 49,486 | 50,565 | 1,079 | 2.2% | 44,904 | 46,280 | 1,376 | 3.1% |

[1] Excludes Transfers

All Funds receipts estimates for the current fiscal year have been revised upward slightly from the Enacted Budget Financial Plan. Current year All Funds tax receipt estimates have been lowered by $343 million since the Enacted Budget Financial Plan due to reductions in personal income and user taxes partially offset by increases in business and other taxes. The decrease in personal income and user taxes represent lower expected estimated payments and consumer spending, respectively, than previously anticipated. The increase in business and other taxes is the result of better than expected estimated payments from banks, and real estate sector performance, respectively. Miscellaneous receipts have been revised upward by $204 million, while Federal grants have been revised up by nearly $1.1 billion.

General Fund receipts for fiscal year 2010-11 have been revised down by $267 million from the Enacted Budget Financial Plan, reflecting a $232 million reduction in taxes and a $35 million reduction in miscellaneous receipts.

## Multi-Year Receipts

| TOTAL RECEIPTS (millions of dollars) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2010-11 Estimated | 2011-12 Projected | Annual $ Change | 2012-13 Projected | Annual $ Change | 2013-14 Projected | Annual $ Change |
| **General Fund** | **54,513** | **57,056** | **2,543** | **57,066** | **10** | **59,871** | **2,805** |
| Taxes | 39,699 | 42,515 | 2,816 | 42,823 | 308 | 45,022 | 2,199 |
| **State Funds** | **84,609** | **88,387** | **3,778** | **89,023** | **636** | **92,451** | **3,428** |
| Taxes | 61,453 | 65,516 | 4,063 | 66,354 | 838 | 69,654 | 3,300 |
| **All Funds** | **135,236** | **134,667** | **(569)** | **133,391** | **(1,276)** | **139,790** | **6,399** |
| Taxes | 61,453 | 65,516 | 4,063 | 66,354 | 838 | 69,654 | 3,300 |

The economic forecast calls for a gradual acceleration of the recovery in employment and wages that commenced earlier in the current fiscal year. This increases the economic base on which the outyear revenue forecast is built. Overall, receipts growth in the three fiscal years following 2011-12 is expected to grow consistently with the projected moderate growth in both the U.S. and New York economies.

All Funds tax receipts in 2012-13 are projected to reach nearly $66.4 billion, an increase of $838 million (1.3 percent) from 2011-12. All Funds tax receipts in 2013-14 are expected to increase by $3.3 billion (5.0 percent) over the prior year. General Fund tax receipts are projected to reach $42.8 billion in 2012-13 and $45.0 billion in 2013-14.

## Revenue Risks

- DOB's forecast calls for the continuation of New York's economic recovery. Should the speed or magnitude of this recovery be inconsistent with the current forecast, revenue collections could be affected.

- Although real estate transfer tax receipts outperformed the year-to-date Enacted Budget Financial Plan estimate, recent disclosures concerning foreclosure practices by certain banks and stricter lending policies provide risk to the estimate.

- Personal income tax estimated payments grew 9.2 percent during the first half of 2010-11 from the same period one year ago, but fell $100 million short of the Enacted Budget Financial Plan for this period. This represents a risk for the remainder of the fiscal year as a significant portion of estimated payments is due during December and January.

- Personal income tax receipts will be affected by how employers and high-income taxpayers respond to the scheduled expiration of lower Federal tax rates on high incomes, capital gains, and dividends at the end of tax year 2010.

- New York's statute to enforce the cigarette tax on Native American sales to non-tribal members is now in litigation in Federal court, preventing the State from collecting the tax. Absent a favorable decision, $130 million in annual outyear collections are at risk.

- A disproportionately large share of audit and compliance receipts is expected during the second half of the current fiscal year. This represents a risk to the Updated Financial Plan during this period.

## GAAP-Basis Financial Plans/GASB Statement 45

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The pro forma GAAP-basis plans model, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided later in this AIS Update.

In 2010-11, the General Fund GAAP Financial Plan shows total revenues of $46.2 billion, total expenditures of $55.8 billion, and net other financing sources of $9.5 billion, resulting in an operating deficit of $80 million, which increases the projected accumulated deficit to $3.6 billion. These results reflect the net impact of the Enacted Budget Financial Plan gap-closing actions, and the carry-forward of the cash shortfall into 2010-11.

### Other Post-Employment Benefits

Substantially all of the State's employees may become eligible for post retirement benefits if they reach retirement while working for the State. In accordance with GASB Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in note 13 of the Basic Financial Statements for fiscal year 2009-10, the annual required contribution ("ARC") represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities of the plan over a period not to exceed thirty years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for 2009-10, 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), 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 2009-10 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 2009-10. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2009-10 by $2.1 billion.

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs. The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for fiscal year 2010-11. The updated calculation shows the present value of the actuarial accrued total liability for benefits at $60.2 billion ($50.1 billion for the State and $10.1 billion for SUNY).

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 in the Updated Financial Plan.

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

| | Health Insurance | | |
|---|---|---|---|
| **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 (Projected)** | 1,838 | 1,223 | 3,061 |
| **2011-12 (Projected)** | 2,034 | 1,355 | 3,389 |
| **2012-13 (Projected)** | 2,244 | 1,493 | 3,737 |
| **2013-14 (Projected)** | 2,470 | 1,643 | 4,113 |

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

DOB's detailed GAAP Financial Plans for 2010-11 through 2013-14 are provided in the Financial Plan tables at the end of this Update.

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

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## Special Considerations

The Updated Financial Plan forecast 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 Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from the Updated Financial Plan projections. In recent fiscal years, actual receipts collections have fallen substantially below the levels forecast in the Financial Plan. In response, the State has, among other things, made substantial reductions in planned spending. In 2009-10, the Enacted Budget Financial Plan authorized over $6 billion in reductions from planned spending. In 2010-11, the Enacted Budget Financial Plan includes over $6.3 billion in reductions from planned spending. In addition, the State has imposed substantial reductions in planned spending by State agencies during each of the last three fiscal years. However, large budget gaps are still projected for future years.

The Updated Financial Plan is based on numerous assumptions, including the performance of the national and State economies and the concomitant receipt of economically sensitive tax revenues in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecast include the impact of Federal statutory and regulatory changes concerning financial sector activities; the impact of Federal tax law changes; the impact of behavioral changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; the impact of an anticipated shift in monetary policy actions on interest rates and the financial markets; the impact of financial and real estate market developments on bonus income and capital gains realizations; and the impact of household deleveraging on consumer spending and the impact of that activity on State tax collections.

Other risks include increased demand in entitlement-based and claims-based programs such as Medicaid, public assistance and general public health, above the levels anticipated in the Updated Financial Plan; potential disruptions in the municipal bond market that could affect the timing of State bond sales; and litigation against the State, including, but not limited to, potential challenges to the constitutionality of actions authorized in the budget and the outcome of a class action suit alleging discrimination in the administration of a civil service test between 1996 and 2006.

The Updated 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. Most recently, the Federal CMS requested additional information pertaining to claims for services provided to individuals in developmental centers operated by OPWDD. Among other information, CMS requested that the State provide a detailed description of how these daily rates are developed as well as the current upper payment limit demonstration. Although no official audit has commenced and the rates paid for these services are established in 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 Medicaid program.

There can be no assurance that the budget gaps in the current year or future years will not increase materially from current projections. If this were to occur, the State would be required to take additional gap-closing actions beyond those described in this update. These may include, but are not limited to, additional reductions in State agency operations; 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 Executive.

The Updated 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 Updated Financial Plan; and the achievement of cost-saving measures including, but not limited to, administrative savings in State agencies, including workforce management initiatives, and the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Updated Financial Plan in the current year.

An additional risk is the cost of potential collective bargaining agreements and salary increases for judges (and possibly other elected officials) that may occur in 2010-11 and beyond, for the period covering 2007-08 through 2010-11. The current round of collective bargaining agreements expire at the end of 2010-11. The Updated Financial Plan does not include any costs for potential wage increases beyond that point.

For the first time, the Updated Financial Plan includes an initial estimate of potential effects resulting from Federal Health Care Reform Legislation enacted in 2010. Starting in 2010-11 and annually thereafter, these include the loss of State pharmacy rebate revenues resulting from a Federal increase in its share of rebates on drug manufactures. In 2013-14, the State estimates a net benefit associated with expanded Medicaid benefits to newly eligible populations and an enhanced Federal matching rate for certain existing populations beginning January 2014.

## Recent Operating Results and Cash Position

The State's cash position continues to be a substantial concern. General Fund operating results through September 2010 were marginally unfavorable compared to the Enacted Budget Financial Plan projections, and DOB now estimates a potential budget gap of $315 million in the current fiscal year. (See "Year-to-Date Operating Results" herein.)

The 2009-10 Enacted Budget provided permanent authorization for the General Fund to borrow resources temporarily from other funds in the State's STIP for a period not to exceed four months or to the end of the fiscal year, whichever is shorter. Through the first six months of 2010-11, the General Fund used this authorization to meet payment obligations at times in May, June, July, and September 2010, and ended the month of June 2010 with a negative $87 million balance. During certain months of the fiscal year, there may be substantial swings in the level of the General Fund's daily balance due to the timing of when the State's General Fund realizes receipts, and when the State's payment obligations are required to be met. For example, while the State ended the month of June with a temporary STIP loan balance of $87 million, the State's General Fund had temporarily borrowed $1.1 billion from STIP at its lowest point during that month. Similarly, while the State ended the month of September with a positive General Fund balance of $2.4 billion, the State's General Fund temporarily borrowed $1.5 billion from STIP at its lowest point during September.

DOB expects that the General Fund will continue to rely on this temporary borrowing authority at times during the remainder of the fiscal year, with low balances expected during November and December 2010. However, the current cashflow forecast projects that the General Fund will end each month with a positive balance.

| ACTUAL/PROJECTED MONTHLY CASH FLOW BALANCES FISCAL YEAR 2010-11 (millions of dollars) | | | |
|---|---|---|---|
| | General Fund | Other Funds | All Funds |
| **April** | 4,274 | 3,048 | 7,322 |
| **May** | 1,648 | 3,767 | 5,415 |
| **June** | (87) | 3,719 | 3,632 |
| **July** | 590 | 4,354 | 4,944 |
| **August** | 528 | 4,462 | 4,990 |
| **September** | 2,381 | 2,649 | 5,030 |
| **October (prelim.)** | 2,071 | 3,700 | 5,771 |
| **November (est.)** | 803 | 3,318 | 4,121 |
| **December (est.)** | 864 | 1,575 | 2,439 |
| **January (est.)** | 5,545 | 2,424 | 7,969 |
| **February (est.)** | 5,794 | 2,350 | 8,144 |
| **March (est.)** | 1,385 | 2,191 | 3,576 |

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, as well as certain other money). The available balances on hand in STIP have declined compared to recent years.

DOB will continue to closely monitor and manage the State's liquidity position during the fiscal year, which may include temporarily reducing planned payments, and will continue to reserve money in advance of the upcoming quarter of 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.

## Debt Reform Cap

Based on the revised forecasts in the Updated Financial Plan, debt outstanding and debt service costs over the plan period are expected to remain below the limits imposed by the Debt Reform Act. However, the available room under the outstanding debt cap is expected to decline from $4.2 billion in 2010-11 to $1.8 billion in 2012-13. The current projections represent a decline in projected debt capacity as compared to the Enacted Budget Financial Plan, which estimated that about $2.3 billion in capacity would be available in 2012-13. In part, declines in debt capacity are a product of reduced forecasts for personal income levels. The changes to the debt reform projections over the past two years demonstrate the sensitivity of the cap calculations to volatility in State personal income levels and other economic factors. Measures to further adjust capital spending and debt financing practices are expected to be taken as needed to stay within the statutory limitations.

## Secured Hospital Program

The financial position of certain hospitals that are part of the State's Secured Hospitals Revenue Bond Program has continued to deteriorate. Currently, there are nine hospitals in the program with a total of $628 million in bonds outstanding as of October 31, 2010 and required debt service of $56.7 million due during the balance of State fiscal year 2010-11. In this program, the State is responsible for making debt

service payments to bondholders if there are insufficient monies available therefor. The secured hospitals are contractually obligated to fund these payments in the first instance under their loan agreements with the Dormitory Authority. However, three hospitals are delinquent on their payment obligations, including one hospital (North General Hospital) that closed in July 2010 and is not expected to make further payments under its loan agreement to meet its debt service payments on $117 million of debt outstanding. Funds held by the Dormitory Authority in a fund not pledged to bondholders have been used to fund shortfalls to date by those hospitals that have failed to make the necessary debt service payments under their respective loan agreements. However, the resources in this fund are expected to be depleted by fiscal year 2011-12. Therefore, based upon existing circumstances, it may be necessary to use pledged reserve funds and, ultimately, for the State to make payments in the future under a contingent contractual appropriation. The annual debt service payment for the North General Hospital is $12 million annually until fiscal year 2025. Any debt service costs not covered by these delinquent hospitals, will be incorporated into the 2011-12 Executive Budget.

## Future Budget Gaps

The incremental increases in the General Fund budget gaps identified in recent quarterly updates are largely due to deviations in projected receipts from forecast. The profitability of the financial services sector has traditionally represented a significant driver of General Fund tax receipts for the State. Accordingly, uncertainties surrounding the performance of the financial services sector represent an ongoing risk to the State's Financial Plan.

However, sustained growth in spending commitments in major programs and activities over the four-year Financial Plan period is a principal contributor to the State’s long-term budget gaps. The State-financed portion of the budget has grown faster than both personal income and inflation over the past ten years, and is projected to do so over the next four years, absent measures to control spending. The following table summarizes the growth in State spending for 1999-00 through 2009-10.

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**TEN-YEAR DRIVERS OF SPENDING GROWTH (ADJUSTED)**
**(millions of dollars)**

| | 10-Year Growth | | |
|---|---|---|---|
| | **1999-00** | **2009-10 [1, 2]** | **Compound Annual Growth** |
| **Local Assistance** | **30,775** | **53,938** | **5.8%** |
| School Aid | 11,962 | 20,373 | 5.5% |
| School Aid Without ARRA Funding | 11,962 | 20,919 | 5.7% |
| ARRA Funding | n/ap | (546) | n/ap |
| Medicaid (incl. administration): | 6,740 | 11,458 | 5.4% |
| Medicaid Without ARRA Funding | 6,740 | 14,498 | 8.0% |
| ARRA Funding | n/ap | (3,040) | n/ap |
| Transportation | 1,628 | 3,823 | 8.9% |
| School Tax Relief Program | 1,195 | 3,414 | 11.1% |
| Mental Hygiene | 1,448 | 3,199 | 8.2% |
| Higher Education | 1,649 | 2,817 | 5.5% |
| Public Health/Aging/Insurance | 893 | 2,431 | 10.5% |
| Special/Other Education | 1,201 | 1,534 | 2.5% |
| Local Government Assistance | 906 | 1,080 | 1.8% |
| All Other | 3,153 | 3,809 | 1.9% |
| **State Operations** | **12,678** | **20,035** | **4.7%** |
| **Wages/Fringe Benefits** | **8,987** | **15,150** | **5.4%** |
| **Personal Service** | **6,716** | **10,874** | **4.9%** |
| Executive Agencies | 3,740 | 4,875 | 2.7% |
| SUNY | 1,806 | 3,243 | 6.0% |
| Judiciary | 894 | 1,537 | 5.6% |
| Legislature | 140 | 178 | 2.4% |
| Department of Law | 72 | 124 | 5.6% |
| Audit & Control | 64 | 115 | 6.0% |
| ARRA Funding (Mental Hygiene Agencies) | 0 | 532 | n/ap |
| Retro Settlements (All Agencies) [3] | 0 | 270 | n/ap |
| **Fringe Benefits** | **2,271** | **4,276** | **6.5%** |
| Pensions | 215 | 1,155 | 18.3% |
| Health Insurance | 1,243 | 2,681 | 8.0% |
| Health Insurance (Active Employees) | 777 | 1,609 | 7.6% |
| Health Insurance (Retired Employees) | 466 | 1,072 | 8.7% |
| Fringe Benefit Escrow | (430) | (2,236) | 17.9% |
| All Other Fringe Benefits | 1,243 | 2,676 | 8.0% |
| **Non-Personal Service/Fixed Costs** | **3,691** | **4,885** | **2.8%** |
| **Debt Service** | **3,577** | **4,961** | **3.3%** |
| **Total State Operating Funds Spending** | **47,030** | **78,934** | **5.3%** |
| Capital Projects (State Funded) | 2,811 | 5,160 | 6.3% |
| **Total State Funds Spending** | **49,841** | **84,094** | **5.4%** |
| Federal Aid (Including Capital Grants) | 23,472 | 46,843 | 7.2% |
| **Total All Governmental Funds Spending** | **73,313** | **130,937** | **6.0%** |
| | | **Personal Income Growth (10-Year)** | **3.7%** |
| | | **Inflation (CPI) Growth (10-Year)** | **2.5%** |

1 Spending is adjusted to exclude the impact of paying the end-of-year school aid payment ($2.06 billion) scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute. This was done to carry forward the 2009-10 budget shortfall into 2010-11. See Financial Plan tables for 2009-10 actual results.

2 2009-10 Federal and All Funds disbursements and receipts have been adjusted to include $2.0 billion in Federal aid that passes through the State's All Funds Financial Plan under the ARRA. This "pass-through" money, which provides no gap-closing benefit and is subject to a range of factors that make the timing of disbursements highly uncertain, was expected to total approximately $4.4 billion in 2009-10. Actual disbursements, however, totaled only $2.4 billion. Thus, 2009-10 results have been adjusted for the difference. See Financial Plan tables for 2009-10 actual results.

3 Reflects payment of retroactive salary increases pursuant to collective bargaining settlements with unions (for NYSCOPBA, PBA and BCI) that have been excluded from agency totals above.

From 2010-11 through 2013-14, General Fund disbursements are projected to increase at an average annual rate of approximately 8.7 percent; State Operating Funds disbursements, which capture activity in State special revenue funds and debt service funds, as well as the General Fund, are projected to increase at 6.9 percent annually.[4] In comparison, State tax receipts over the plan period are projected to grow at 4.3 percent annually, consistent with DOB's economic forecast for the recession and recovery. Accordingly, it is expected that the 2011-12 Executive Budget will propose substantial reductions in State spending commitments. (See "Outyear Financial Plan Projections" herein.)

## State Workforce

The State workforce directly subject to Executive control is expected to total 126,493 at the end of 2010-11, a decline of 5,248 from 2009-10 levels. This projected decline mainly reflects the continuation of statewide hiring controls, a Retirement Incentive Program, and layoffs.

In 2011-12, the workforce is expected to increase to 127,032 by year-end and is primarily due to actions impacting institutional programs. Specifically, increasing census for the SOMTA program, which results in more individuals being civilly confined in OMH-operated facilities, is expected to add 224 positions; the multi-year closure plan to convert all of the State's OPWDD Developmental Centers to community-based settings by 2014 will add 215 positions; and the planned opening of a second Residential Mental Health Unit in July 2011, expanding mental health programs associated with a private settlement agreement and staffing the new central pharmacy located in Oneida county, will add 100 positions for DOCS.

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[4] Adjusted to exclude the impact of Federal stimulus funding that provides direct State aid. The unadjusted growth rates are approximately 12.8 percent in the General Fund and 9.8 percent in State Operating Funds.

# Litigation and Arbitration

## Real Property Claims

In *Oneida Indian Nation of New York v. State of New York*, 74-CV-187 (NDNY), the alleged successors-in-interest to the historic Oneida Indian Nation seek a declaration that they hold a current possessory interest in approximately 250,000 acres of lands that the tribe sold to the State in a series of transactions that took place beginning in 1795 and ending in 1846, and ejectment of the State and Madison and Oneida Counties from all publicly-held lands in the claim area. This case remained dormant while the Oneidas pursued an earlier action which sought limited relief relating to a single 1795 transaction and the parties engaged in intermittent, but unsuccessful, efforts to reach a settlement. In 1998, the United States filed a complaint in intervention in *Oneida Indian Nation of New York*. In December 1998, both the United States and the tribal plaintiffs moved for leave to amend their complaints to assert claims for 250,000 acres, including both monetary damages and ejectment, to add the State as a defendant, and to certify a class made up of all individuals who currently purport to hold title within the affected 250,000 acre area. On September 25, 2000, the District Court granted the motion to amend the complaint to the extent that it sought to add the State as a defendant and to assert money damages with respect to the 250,000 acres and denied the motion to certify a class of individual landowners and to seek the remedy of ejectment.

In a decision dated March 29, 2002, the District Court granted, in part, plaintiffs' motion to strike the State's defenses and counterclaims. The District Court also denied the State's motion to dismiss for failure to join indispensable parties.

Further efforts at settlement of this action failed to reach a successful outcome. While such discussions were underway, two significant decisions were rendered by the Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York*, 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki*, 413 F.3d 266 (2d Cir. 2005), *cert. denied*, 126 S.Ct. 2021, 2022 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims. These decisions prompted the District Court to reassess its 2002 decision, which in part had struck such defenses, and to permit the filing of a motion for summary judgment predicated on the *Sherrill* and *Cayuga* holdings. On August 11, 2006, the defendants moved for summary judgment dismissing the action, based on the defenses of laches, acquiescence, and impossibility. By order dated May 21, 2007, the District Court dismissed plaintiffs' claims to the extent that they asserted a possessory interest, but permitted plaintiffs to pursue a claim seeking the difference between the amount paid and the fair market value of the lands at the time of the transaction. The District Court certified the May 21, 2007 order for interlocutory appeal and, on July 13, 2007, the Second Circuit granted motions by both sides seeking leave to pursue interlocutory appeals of that order. On August 9, 2010, the Circuit Court rendered a decision which affirmed the summary judgment order insofar as it dismissed the *Oneida* land claim and reversed it insofar as it would have allowed plaintiffs to pursue a fair compensation claim against the State. *Oneida Indian Nation et al v. County of Oneida et al*, 617 F.3d 114 (2d Cir. 2010). This decision mandates dismissal of the *Oneida* land claim. The U.S. and the Oneidas filed an application for *en banc* review before the Second Circuit on October 21, 2010, which awaits a decision at this time.

Other Indian land claims include *Canadian St. Regis Band of Mohawk Indians, et al., v. State of New York, et al.*, and *The Onondaga Nation v. The State of New York, et al.* both in the United States District Court for the Northern District of New York.

In the *Canadian St. Regis Band of Mohawk Indians* case, plaintiffs seek ejectment and monetary damages with respect to their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. By decision dated July 28, 2003, the District Court granted, in most respects, a motion by plaintiffs to strike defenses and dismiss counterclaims contained in defendants' answers. By decision dated October 20, 2003, the District Court denied the State's motion for reconsideration of that portion of the July 28, 2003 decision which struck a counterclaim against the United States for contribution. On February 10, 2006, after renewed efforts at settlement failed to resolve this action, and recognizing the potential significance of the *Sherrill* and *Cayuga* appeals, the District Court stayed all further proceedings in this case until 45 days after the United States Supreme Court issued a final decision in the *Cayuga Indian Nation of New York* Case. On November 6, 2006, after certiorari was denied in *Cayuga*, the defendants moved for judgment on the pleadings. Although the motion is fully briefed and awaiting decision, on April 16, 2008, the District Court issued an order staying the case until a decision is rendered with respect to the appeal in the *Oneida* case. The court has requested that the parties consult and seek agreement by November 2010 on the issue of lifting the stay and supplemental briefing schedules.

In *The Onondaga Nation v. The State of New York, et al*., plaintiff seeks a judgment declaring that certain lands allegedly constituting the aboriginal territory of the Onondaga Nation within the State are the property of the Onondaga Nation and the Haudenosaunee, or "Six Nations Iroquois Confederacy," and that conveyances of portions of that land pursuant to treaties during the period 1788 to 1822 are null and void. The "aboriginal territory" described in the complaint consists of an area or strip of land running generally north and south from the St. Lawrence River in the north, along the east side of Lake Ontario, and south as far as the Pennsylvania border, varying in width from about 10 miles to more than 40 miles, including the area constituting the City of Syracuse. On August 15, 2006, based on *Sherrill* and *Cayuga*, the defendants moved for an order dismissing this action, based on laches. The motion is now fully briefed and awaiting decision.

*Cayuga Indian Nation of New York, et al. v Pataki, et al.*, USDC, NDNY, 80-CV-930 (McCurn, DJ) (2d Cir. [02-6111]) involved approximately 64,000 acres in Seneca and Cayuga Counties surrounding the northern portion of Cayuga Lake that the historic Cayuga Nation sold to the State in 1795 and 1807 in alleged violation of the Nonintercourse Act ("NIA") (first enacted in 1790 and now codified at 25 U.S.C. § 177) because the transactions were not held under federal supervision, and were not formally ratified by the United States Senate and proclaimed by the President. After two lengthy trials, in 2001 the District Court denied ejectment as a remedy, and rendered a judgment against the State for damages and prejudgment interest in the net amount of $250 million. The State appealed. The tribal plaintiffs (but not the U.S.) cross-appealed, seeking ejectment of all of the present day occupants of the land in the 64,000 acre claim area and approximately $1.5 billion in additional prejudgment interest.

On June 28, 2005, the Second Circuit reversed and entered judgment dismissing the Cayuga action, based upon the intervening Supreme Court decision in *Oneida Indian Nation v. City of Sherrill*, 544 U.S. 197 (2005) which held (in the context of a property tax dispute involving a parcel that the tribe had purchased in fee within the Oneida claim area) that disruptive claims of Indian sovereignty could be barred by equitable defenses, including laches, acquiescence and impossibility. *Cayuga Indian Nation v. Pataki*, 413 F.3d 266 (2d Cir. 2005). The Second Circuit concluded that the same equitable considerations that the Supreme Court relied on in *City of Sherrill* applied to the Cayugas' possessory claim and required dismissal of the entire lawsuit, including plaintiffs' claim for money damages and their claim for ejectment. The Court also held that the United States' complaint-in-intervention was barred by laches. The Supreme Court denied certiorari in *Cayuga* on May 15, 2006. 126 S. Ct. 2021, 2022.

This case was closed but recently became active when the Cayuga plaintiffs filed a FRCP 60(b)(6) motion to have the judgment vacated. Along with this motion a letter was sent to Judge McCurn's chamber seeking a stay of the 60 (b)(6) motion until after the Second Circuit decides the appeal in the *Oneida* Land Claim case. The motion is premised on Judge Kahn's ruling in *Oneida*, discussed above, that in spite of the Second Circuit decision in *Cayuga*, the tribe may proceed to prove a non-possessory claim for unjust compensation against the State defendant. By stipulation of the parties, so-ordered by Judge McCurn, further briefing on the Cayugas' motion for relief from judgment was suspended, pending the outcome of the Oneida appeal. That stay was recently lifted in light of the August 9, 2010 *Oneida* decision, and further briefing regarding the pending Rule 60(b) motion was filed on September 10, 2010.

## Metropolitan Transportation Authority

In *Hampton Transportation Ventures, Inc. et al. v. Silver et al. (Sup. Ct, Suffolk Co.), and other similar cases, including William Floyd Union Free School District v. State (Sup. Ct., Suffolk Co.), Town of Brookhaven v. Silver, et al (Sup. Ct., Suffolk Co.), Town of Southampton and Town of Southold v. Silver (Sup. Ct. Suffolk Co.), Town of Huntington v. Silver (Sup. Ct. Suffolk Co.), Town of Smithtown v. Silver (Sup. Ct. Suffolk Co.), Mangano v. Silver (Sup. Ct. Nassau Co) and Vanderhoef v. Silver (now in Sup. Ct. Albany Co),* plaintiffs challenge the constitutionality of 2009 Laws of New York chapter 25, which imposed certain taxes and fees, including a regional payroll tax, in the Metropolitan Commuter Transportation District, the revenue from which is directed to the Metropolitan Transportation Authority. Plaintiffs seek a judgment declaring that 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 bills, and liability for the debts of public authorities. Plaintiffs also seek a judgment declaring that enactment of chapter 25 violated provisions of the Public Authority Law § 1266 requiring that the Metropolitan Transportation Authority be self-sustaining.

With the consent of the plaintiff (the County Executive of Rockland County), the Vanderhoef case was transferred to Albany County from Rockland County and the defendants intend to move for judgment in their favor. Defendants in each of the other cases have moved to change the venue of their respective cases to Albany County or New York County. A number of additional towns and a village in various counties, Suffolk County and the Orange County Chamber of Commerce have joined the Mangano case as plaintiffs.

## 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 have been 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-direct schedule, following defendants' answer, plaintiffs moved for summary judgment on March 5, 2010. Defendants cross-moved for summary judgment on April 15, 2010. The plaintiffs replied on May 7, 2010 and defendants filed their sur-reply on May 21, 2010. The motions were argued on June 24, 2010 and the parties await decision.

In a second case involving the parties (Becker et al. v. Paterson [Sup. Ct., Albany Co.]),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 have also been 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. The plaintiffs waived their right to reply on their motion and submitted no opposition to the cross-motion. The parties waived oral argument and await decision.

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. In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. The State has appealed this denial to the Appellate Division, Third Department. The appeal will be argued in November, 2010.

## 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. On March 18, 2010, claimants filed a notice of appeal.

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. The State's summary judgment motion is *sub judice*. 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. The time in which claimants may appeal from this decision and order has not yet expired.

## Sales Tax

In *Seneca Nation of Indians v. Paterson et al. (USDC WDNY), St. Regis Mohawk Tribe v. Paterson, et al. (USDC WDNY),, Unkechauge Indian Nation v Paterson, et al. (USDC WDNY),* and *Oneida Indian Nation of New York v Paterson, et al. (USDC NDNY)*, 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. On August 26, 2010, in *Seneca*, the District Court granted a motion to intervene brought by the Cayuga Indian Nation of New York. In *Seneca*, in an order dated August 31, 2010, the District Court ordered that defendants are temporarily restrained from implementing, administering and enforcing the challenged provisions of the Tax Law and the implementing regulations as applied to the Seneca Nation of Indians and the Cayuga Indian Nation of New York pending further order of the Court. On October 15, 2010 the District Court granted a similar temporary restraining order in the *St. Regis* and *Unkechauge* cases.

On October 14, 2010, the District Court in *Seneca* denied plaintiffs' motion for a preliminary injunction but granted a stay of enforcement of the Tax Law amendments pending plaintiffs' appeal. The Cayuga Indian Nation moved in the District Court for reconsideration of the denial of the preliminary injunction and to refer the case to mediation. On October 14, 2010, the District Court in *Oneida* granted plaintiff's motion for a preliminary injunction and also referred the case to mediation. Defendants appealed to the Second Circuit from the stay pending appeal in *Seneca* and the preliminary injunction in *Oneida*, and the Seneca Nation of Indians appealed from the denial of the preliminary injunction in *Seneca*. Defendants moved in the Second Circuit in *Seneca* and in *Oneida* to vacate pending appeal the orders that defendants appealed in those cases. Those motions have been referred to a motions panel of the Second Circuit which is scheduled to consider them on November 9, 2010.

On October 26, 2010, the District Court heard argument on the plaintiffs' motions for a preliminary injunction in *St. Regis* and *Unkechauge*. It also extended the temporary restraining order in those cases until November 12, 2010.

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.

## Bottle Bill Litigation

In *International Bottled Water Association, et al. v. Paterson, et al.*, plaintiffs seek declaratory and injunctive relief declaring that certain amendments to the State's Bottle Bill enacted on April 7, 2009 as part of the 2009-2010 budget violate the due process clause, the equal protection clause and the commerce clause of the United States Constitution. On May 27, 2009, the United States District Court for the Southern District of New York issued a preliminary injunction staying the June 1, 2009 effective date of the amendments to the Bottle Bill and declared that the section of the amendments which requires that the plaintiffs and other beverage manufacturers and distributors place a unique New York-exclusive universal product code on all bottles covered by the law that are offered for sale in the State violates the commerce clause of the United States Constitution. By order entered May 29, 2009 that superseded the above-referenced May 27, 2009 preliminary injunction, the district court granted a preliminary injunction that (1) enjoined the State from implementing or enforcing the New-York exclusive universal product code provision of the Bottle Bill and (2) enjoined the State from implementing or enforcing any and all other amendments to the Bottle Bill signed into law on April 7, 2009, until April 1, 2010, to allow persons subject to the amendments sufficient time to comply with the law's requirements.

The State defendants moved to modify the preliminary injunction. On August 13, 2009 the Court modified the injunction so that its provisions applied only to water bottles, stating that the injunction would dissolve by October 22, 2009 unless the bottlers showed cause that due process required that the injunction should continue. On October 23, 2009, after reviewing the parties' submissions, the Court lifted the injunction, allowing most parts of the State law requiring a five cent deposit on water bottles to take effect October 31, 2009. The Court’s decision, however, permanently enjoined the State from implementing a provision that required water bottles to bear a New York-exclusive universal product code on each bottle.

On March 22, 2010, the Court endorsed stipulated final judgments making final the permanent injunction on the New York-exclusive UPC provisions and lifting the preliminary injunctions in the August 13, 2009 and October 23, 2009 orders. On March 23, 2010, the Court endorsed plaintiffs' voluntary dismissal of all remaining claims, including their challenge to the Sugar Water Exemption. An interlocutory appeal by a non-party to the Second Circuit challenging a September 14, 2009 clarification order that the August 13, 2009 order lifting the preliminary injunction as to all non-bottled water products was not intended to be retroactive remains pending. Negotiations over plaintiffs' attorney fees have been completed.

## Public Finance

In *Bordeleau et al. v. State of New York, et al.*, a group of 50 individuals filed a complaint in the Supreme Court, Albany County, asking the court to enjoin certain expenditures of State funds and declare them to be illegal under the New York State Constitution. In particular, the plaintiffs claim that the State budget appropriates funds for grants to private corporations, allegedly in violation of Article VII, § 8, paragraph 1 of the Constitution, which provides that "money of the state shall not be given or loaned to or in aid of any private corporation or association, or private undertaking," except for certain specified exceptions. The plaintiffs also claim that because the State budget provides, in part, that some appropriated funds will be used "in accordance with a memorandum of understanding entered into between the governor, majority leader of the senate and the speaker of the assembly, or their designees," the Senate and Assembly have "improperly delegated their legislative powers" in violation of Article VII, § 7, which provides that every law making an appropriation "shall distinctly specify the sum appropriated, and the object or purpose to which it is to be applied."

In addition to the State defendants, the complaint names as defendants certain public authorities and private corporations that are claimed to be recipients of the allegedly illegal appropriations. The State defendants and several other defendants moved to dismiss the complaint for failure to state a cause of action, for failure to join certain necessary parties, and for lack of a justiciable controversy. In a decision and order dated February 27, 2009, Supreme Court, Albany County, granted the motion to dismiss the complaint, finding no violation of either Article VII, § 7, or Article VII, § 8. The court concluded that the challenged appropriations were valid expenditures for public purposes and not "gifts" prohibited under Article VII, § 8. The court also rejected the appellant's challenge to the reference in the budget to a memorandum of understanding, relying on that Court's holding in *Saxton v. Carey*, 44 N.Y.2d 545 (1978), that the degree of itemization required under Article VII, § 7 is to be determined by the Legislature, not the courts.

Plaintiffs appealed from the dismissal of their complaint. The appeal was argued in the Appellate Division, Third Department, on April 26, 2010. On June 24, 2010, the Appellate Division reversed the dismissal of the case and remanded the matter back to the lower court. The Appellate Division order directed the defendants to answer the complaint thirty days after the date of the decision. On September 13, 2010, the Appellate Division granted the defendants' motion for leave to appeal to the Court of Appeals.

## Eminent Domain

In *Gyrodine v. State of New York* (Court of Claims), claimant seeks compensation under the Eminent Domain Procedures Law in connection with the appropriation by the State of 245 acres of land in connection with the expansion of SUNY Stony Brook. By decision dated June 21, 2010, the Court of Claims awarded claimant $125 million as compensation for the appropriation. On September 13, 2010, the State appealed from the decision.

## 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. Plaintiffs have filed a motion for permission to conduct discovery prior to responding to the State's motion for summary judgment. Plaintiffs' motion is returnable on December 13, 2010, but plaintiffs have indicated that they intend to file an amended complaint prior to that time.

## Tobacco Master Settlement Agreement (MSA)

In *Freedom Holdings Inc. et al. v. Spitzer et ano*., two cigarette importers brought an action in 2002 challenging portions of laws enacted by the State under the 1998 Tobacco Master Settlement Agreement (MSA) that New York and many other states entered into with the major tobacco manufacturers. The initial complaint alleged: (1) violations of the Commerce Clause of the United States Constitution; (2) the establishment of an "output cartel" in conflict with the Sherman Act; and (3) selective nonenforcement of the laws on Native American reservations in violation of the Equal Protection Clause of the United States Constitution. The United States District Court for the Southern District of New York granted defendants' motion to dismiss the complaint for failure to state a cause of action. Plaintiffs appealed from this dismissal. In an opinion dated January 6, 2004, the United States Court of Appeals for the Second Circuit (1) affirmed the dismissal of the Commerce Clause claim; (2) reversed the dismissal of the Sherman Act claim; and (3) remanded the selective enforcement claim to the District Court for further proceedings. Plaintiffs have filed an amended complaint that also challenges the MSA itself (as well as other related State statutes) primarily on preemption grounds. On September 14, 2004, the District Court denied all aspects of plaintiffs' motion for a preliminary injunction, except that portion of the motion relating to the ability of tobacco manufacturers to obtain the release of certain funds from escrow. Plaintiffs have appealed from the denial of the remainder of the motion to the United States Court of Appeals for the Second Circuit. In May 2005, the Second Circuit affirmed the denial of the preliminary injunction. In December 2006, the motions and cross-motions of the parties for summary judgment were fully submitted to the District Court. By order dated July 7, 2008, the District Court requested updated statistical information and other information needed to resolve certain material questions. Following an evidentiary hearing, by December 15, 2008 order summarizing a preliminary decision, the District Court dismissed all of plaintiff's claims. On January 12, 2009, the Court issued its opinion and order granting judgment dismissing the complaint. Plaintiff has appealed and the appeal is pending before the Second Circuit.

In Grand *River Ent. v. King*, a cigarette importer raises the same claims as those brought by the plaintiffs in *Freedom Holdings*, in a suit against the attorneys general of thirty states, including New York. The parties have cross-moved for summary judgment in the United States District Court for the Southern District of New York; oral argument was held on April 27, 2010 and the parties are awaiting the decision from Judge Keenan.

## MSA Arbitration

Each year in perpetuity, under the MSA between tobacco manufacturers who are party to the MSA ("PMs") and 46 settling states, plus some territories and the District of Columbia, (collectively the "Settling States") the PMs pay the Settling States a base payment to compensate for financial harm to the Settling States for smoking-related illness. New York's allocable share of the total payment is approximately 12.8% of the total, or approximately $800 million annually. In order to keep the base payment under the MSA, each Settling State must pass and diligently enforce a statute that requires tobacco manufacturers who are not party to the MSA ("NPMs") to deposit in escrow an amount roughly equal to the amount that the PMs pay per pack sold. The PMs have brought a nationwide arbitration against the Settling States (minus Montana) asserting that those States failed to diligently enforce their respective escrow statutes in 2003. Any such claim for the years prior to 2003 were settled in 2003. The PMs are making the same claim for years 2004-2006, but none of those years are yet in arbitration. The full panel of arbitrators, all of whom are retired Art. III federal judges, has been selected. An Administrative Conference was held on July 20, 2010; the Initial Conference took place in Chicago on October 5, 2010; the next hearing on several preliminary legal issues will be held in Chicago on December 6-7, 2010.

# Glossary of Acronyms

(ADAP) ..... Aids Drug Assistance Program
(AFSCME) ..... American Federation of State, County, and Municipal Employees
(AHC) ..... Affordable Housing Corporation
(AIG) ..... American International Group
(AIM) ..... Aid and Incentive for Municipalities
(AP/DV) ..... Adult Protective/Domestic Violence
(ARC) ..... Annual Required Contribution
(ARRA) ..... American Recovery and Reinvestment Act of 2009
(ARS) ..... Auction Rate Securities
(ATC) ..... Addiction Treatment Center
(AWP) ..... Average Wholesale Price
(BABs) ..... Build America Bonds
(BANS) ..... Bond Anticipation Notes
(BCI) ..... Bureau of Criminal Investigation
(BIC) ..... Bond Issuance Change
(BMA) ..... Bond Market Association
(BOCES) ..... Board of Cooperative Education Services
(BPCA) ..... Battery Park City Authority
(CAFR) ..... Comprehensive Annual Financial Report
(CAP) ..... Comprehensive Attendance Program
(CDT) ..... Continuing Day Treatment Clinic
(CEFAP) ..... Community Enhancement Facilities Assistance Program
(CFE) ..... Campaign for Fiscal Equity
(CFIA) ..... Court Facilities Incentive Aid
(CHCCDP) ..... Community Health Care Conversion Demonstration Project
(CHIPs) ..... Consolidated Highway Improvement Programs
(CHIPRA) ..... Children's Health Insurance Program Reauthorization Act
(CHP) ..... Child Health Plus
(CMS) ..... Centers for Medicare and Medicaid Services
(CLCs) ..... 21st Century Community Learning Centers
(CLRN) ..... Community Legal Resources Network
(COLA) ..... Cost-of-Living Adjustment
(COPS) ..... Community Optional Preventative Services
(CPFs) ..... Community Projects Funds
(CPI) ..... Consumer Price Index
(CPSE) ..... Committee on Preschool Special Education
(CQCAPD) ..... Commission on Quality Care and Advocacy for Persons with Disabilities
(CRF) ..... Contingency Reserve Fund
(CSEA) ..... Civil Service Employees Association
(CSTEP) ..... Collegiate Science and Technology Entry Program
(CUNY) ..... City University of New York
(CVB) ..... Crime Victims Board
(CW/CA) ..... Clean Water/Clean Air

(CWSRF) .....Clean Water State Revolving Fund
(CEFAP) ..... Community Enhancement Facilities Assistance Program
(DANY) .....Doctors Across New York
(DASNY) .....Dormitory Authority of the State of New York
(DBE) ..... Disadvantaged Business Enterprise
(DCJS).....Division of Criminal Justice Services
(DDPC) .....Developmental Disabilities Planning Council
(DEC) ..... Department of Environmental Conservation
(DHBTF)..... Dedicated Highway and Bridge Trust Fund
(DHCR)..... Division of Housing and Community Renewal
(DMNA).....Department of Military and Naval Affairs
(DMV)..... Department of Motor Vehicles
(DOB) .....Division of the Budget
(DOCS) .....Department of Correctional Services
(DOH) .....Department of Health
(DOS)..... Department of State
(DOT).....Department of Transportation
(DPCA) .....Division of Probation and Correctional Alternatives
(DRRF) ..... Debt Reduction Reserve Fund
(DRP) .....Deficit Reduction Plan
(DSFs) .....Debt Service Funds
(DSH).....Disproportionate Share Hospital
(DSP)..... Division of State Police
(DTF) .....Department of Tax and Finance
(DWSRF) ..... Drinking Water Revolving Fund
(EFC).....Environmental Facilities Corporation
(EI) ..... Early Intervention
(EITC) .....Earned Income Tax Credit
(EMSC) .....Elementary, Middle, Secondary and Continuing Education
(EOCs) .....Educational Opportunity Centers
(EOP) ..... Educational Opportunity Program
(EPF) ..... Environmental Protection Fund
(EPIC) ..... Elderly Pharmaceutical Insurance Coverage
(ERDA) ..... Energy Research and Development Authority
(ERS).....Employees' Retirement System
(ESDC).....Empire State Development Corporation
(ESCO).....Energy Service Companies
(EXCEL) .....Expanding our Children's Education and Learning
(FCB) .....Financial Control Board
(FHP).....Family Health Plus
(FMAP) .....Federal Medical Assistance Percentage
(FMP) .....Fiscal Management Plan
(FSA).....Financial Security Assurance
(GAAP) .....Generally Accepted Accounting Principles
(GASB) ..... Governmental Accounting Standards Board
(GASB 45) ..... Governmental Accounting Standards Board Statement 45

(GDP) ..... Gross Domestic Product
(GHI) ..... Group Health Insurance
(GME) ..... Graduate Medical Education
(GOER) ..... Governor's Office of Employee Relations
(GPHW) ..... General Public Health Works
(GRT) ..... Gross Receipts Tax
(GSCs) ..... General State Charges
(GSEW) ..... Graduate Student Employees Union
(HAF) ..... Housing Assistance Fund
(HCA-EIA) ..... Home Care Association Efficiency and Improvement Act
(HCBS) ..... Home and Community Based Services
(HCRA) ..... Health Care Reform Act
(HEAL NY) ..... Health Care Equity and Affordability Law for New Yorkers
(HEAP) ..... Home Energy Assistance Program
(HELP) ..... Higher Education Loan Program
(HESC) ..... Higher Education Services Corporation
(HFA) ..... Housing Finance Agency
(HHC) ..... Health and Hospital Corporation
(HHAC) ..... Homeless Housing Assistance Corporation
(HHAP) ..... Homeless Housing Assistance Program
(HIP) ..... Health Insurance Plan
(HMO) ..... Health Maintenance Organization
(HRPT) ..... Hudson River Park Trust
(HTFC) ..... Housing Trust Fund Corporation
(IDEA) ..... Individuals with Disabilities Education Act
(IFP) ..... Industrial Finance Program
(IGT/DSH) ..... Intergovernmental Disproportionate Share
(IME) ..... Indirect Medical Expense
(IPO) ..... Initial Public Offering
(IT) ..... Information Technology
(ITC) ..... Investment Tax Credit
(JDA) ..... Job Development Authority
(LGAC) ..... Local Government Assistance Corporation
(LIBOR) ..... London Inter Bank Offered Rates
(LIPA) ..... Long Island Power Authority
(LLC) ..... Limited Liability Company
(MAC) ..... Municipal Assistance Corporation
(MCFFA) ..... Medical Care Facilities Finance Agency
(MCTD) ..... Metropolitan Commuter Transportation District
(MMTOA) ..... Metropolitan Mass Transportation Operating Assistance Fund
(MOU) ..... Memorandum of Understanding
(MSC) ..... Medicaid Service Coordination
(MTA) ..... Metropolitan Transportation Authority
(MTASP) ..... Metropolitan Transport Authority Support Program
(MTOA) ..... Mass Transportation Operating Assistance Fund
(M/WBE) ..... Minority/Women-Owned Business Enterprises

(NAICS)..... North American Industry Classification System
(NBER) .....National Bureau of Economic Research
(NPS).....Non-Personal Service
(NTI) ..... New York State Net Taxable Income
(NYCOMB) ..... New York City Office of Management and Budget
(NYHELPS)..... New York Higher Education Loan Program
(NYRA).....New York Racing Authority
(NYSCOPBA).....New York State Correctional Officers and Police Benevolent Association
(NYSHIP) ..... New York State Health Insurance Plan
(NYSTAR).....Office of Science, Technology and Academic Research
(NYS-OPTS)..... New York State Options for People Through Services
(OASAS).....Office of Alcoholism and Substance Abuse Services
(OCA) .....Office of Court Administration
(OCFS)..... Office of Children and Family Services
(OCR).....Department of Transportation's Office of Civil Rights
(OFT) .....Office for Technology
(OGS).....Office of General Services
(OHS).....Office of Homeland Security
(OMH).....Office of Mental Health
(OMIG) ..... Office of the Medicaid Inspector General
(OPDV)..... Office for the Prevention of Domestic Violence
(OPEB)..... Other Post-Employment Benefits
(OPWDD) .....Office for People with Developmental Disabilities
(ORPS)..... Office of Real Property Services
(OSC) .....Office of the State Comptroller
(OTDA).....Office of Temporary and Disability Assistance
(PACB) ..... Public Authorities Control Board
(PAID).....Penalty and Interest Discount Program
(PASNY)..... Power Authority of the State of New York
(PAYGO) ..... Pay-as-you-go
(PBA) ..... Police Benevolent Association
(PBT).....Petroleum Business Tax
(PEF)..... Public Employees Federation
(PEP)..... Professional Education Pool
(PFJ).....Power for Jobs
(PFM).....Public Financial Management
(PFRS).....Police and Fire Retirement System
(PIA) .....Patient Income Account
(PILOT)..... Payment in Lieu of Taxes
(PIT).....Personal Income Tax
(PPA).....Permanent Place of Abode
(PPI) .....Petroleum Price Index
(PRAG) .....Public Resources Advisory Group
(PSYCKES) .....Psychiatric Services and Clinical Knowledge Enhancement System
(PYCs)..... Prior Year Claims

(QCEW) ..... Quarterly Census of Employment and Wages
(QPAI) ..... Qualified Production Activity Income
(RBTF) ..... Revenue Bond Tax Fund
(REIT) ..... Real Estate Investment Fund
(RESCUE) ..... Rebuilding Schools to Uphold Education
(RGGI) ..... Regional Greenhouse Gas Initiative
(RIC) ..... Regulated Investment Company
(SAFETEA-LU) ..... Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
(SBE) ..... Sound Basic Education
(SED) ..... State Education Department
(SEIP) ..... Supplemental Education Improvement Program
(SEMO) ..... State Emergency Management Office
(SFSF) ..... State Fiscal Stabilization Fund
(SFY) ..... State Fiscal Year
(SHU) ..... Special Housing Unit
(SIP) ..... Strategic Investment Program
(SOMTA) ..... Sex Offenders Management Treatment Act
(SPIF) ..... State Parks Infrastructure Fund
(SRFs) ..... Special Revenue Funds
(SSHS) ..... School Supportive Health Services
(SSI) ..... Supplemental Security Income
(STAR) ..... School Tax Relief
(STARC) ..... State Tax Asset Receivable Corporation
(STEP) ..... Science and Technology Entry Programs
(ST&I) ..... Science, Technology, and Innovation
(STIP) ..... Short-Term Investment Pool
(SWN) ..... Statewide Wireless Network
(SONYMA) ..... State of New York Mortgage Agency
(SUNY) ..... State University of New York
(TA) ..... Thruway Authority
(TAG) ..... Technical Assistance Grant
(TANF) ..... Temporary Assistance for Needy Families
(TAP) ..... Tuition Assistance Program
(TARP) ..... Troubled Asset Relief Plan
(TAS) ..... Technical Advisory Service
(TFA) ..... Transitional Finance Authority
(TMT) ..... Truck Mileage Tax
(TRANs) ..... Tax and Revenue Anticipation Notes
(TSA) ..... Teacher Support Aid
(TSFC) ..... Tobacco Settlement Financing Corporation
(TSRF) ..... Tax Stabilization Reserve Fund
(UDC) ..... Urban Development Corporation
(UPK) ..... Universal Pre-Kindergarten
(UUP) ..... United University Professions
(VCI) ..... Voluntary Compliance Initiative

(VESID) .....Vocational and Educational Services for Individuals with Disabilities
(VLT) ..... Video Lottery Terminal
(VOIRA) ..... Voluntary-Operated Individualized Residential Alternative
(VRDBs) ..... Variable-Rate Demand Bonds
(VRWS) .....Voluntary Reduction in Work Schedule
(WHTI) .....Western Hemisphere Travel Initiative
(WMS) .....Welfare Management System
(WRP) .....Workforce Reduction Plan

**CASH FINANCIAL PLAN**
**GENERAL FUND**
**2009-2010 and 2010-2011**
**(millions of dollars)**

| | 2009-2010 Actuals | 2010-2011 Projected | Annual $ Change | Annual % Change |
|---|---|---|---|---|
| **Opening fund balance** | 1,948 | 2,302 | 354 | 18.2% |
| **Receipts:** | | | | |
| Taxes: | | | | |
| Personal income tax | 22,655 | 24,148 | 1,493 | 6.6% |
| User taxes and fees | 8,086 | 8,736 | 650 | 8.0% |
| Business taxes | 5,371 | 5,783 | 412 | 7.7% |
| Other taxes | 885 | 1,034 | 149 | 16.8% |
| Miscellaneous receipts | 3,888 | 2,861 | (1,027) | -26.4% |
| Federal grants | 71 | 60 | (11) | -15.5% |
| Transfers from other funds: | | | | |
| PIT in excess of Revenue Bond debt service | 7,641 | 7,771 | 130 | 1.7% |
| Sales tax in excess of LGAC debt service | 2,123 | 2,298 | 175 | 8.2% |
| Real estate taxes in excess of CW/CA debt service | 182 | 332 | 150 | 82.4% |
| All other transfers | 1,654 | 1,491 | (163) | -9.9% |
| **Total receipts** | 52,556 | 54,514 | 1,958 | 3.7% |
| **Disbursements:** | | | | |
| Grants to local governments | 34,234 | 37,748 | 3,514 | 10.3% |
| State operations: | | | | |
| Personal service | 6,610 | 6,189 | (421) | -6.4% |
| Non-personal service | 1,977 | 1,949 | (28) | -1.4% |
| General State charges | 3,594 | 4,119 | 525 | 14.6% |
| Transfers to other funds: | | | | |
| Debt service | 1,844 | 1,650 | (194) | -10.5% |
| Capital projects | 565 | 878 | 313 | 55.4% |
| State Share Medicaid | 2,401 | 2,435 | 34 | 1.4% |
| Other purposes | 977 | 778 | (199) | -20.4% |
| **Total disbursements** | 52,202 | 55,746 | 3,544 | 6.8% |
| **Change in fund balance** | 354 | (1,232) | (1,586) | -448.0% |
| **Closing fund balance** | 2,302 | 1,070 | (1,232) | -53.5% |
| **Net Proposed Reductions** | | 315 | | |
| **ProposedClosing fund balance** | 2,302 | 1,385 | (917) | -39.8% |
| **Reserves** | | | | |
| Tax Stabilization Reserve Fund | 1,031 | 1,031 | 0 | |
| Rainy Day Reserve Fund | 175 | 175 | 0 | |
| Contingency Reserve Fund | 21 | 21 | 0 | |
| Community Projects Fund | 96 | 85 | (11) | |
| Reserved for Debt Reduction | 73 | 73 | 0 | |
| Reserve for Fiscal Uncertainties | 906 | 0 | (906) | |

Source: NYS DOB

**CASH FINANCIAL PLAN**
**GENERAL FUND**
**2010-2011 through 2013-2014**
**(millions of dollars)**

| | 2010-2011 Projected | 2011-2012 Projected | 2012-2013 Projected | 2013-2014 Projected |
|---|---|---|---|---|
| **Receipts:** | | | | |
| Taxes: | | | | |
| Personal income tax | 24,148 | 26,040 | 25,881 | 27,356 |
| User taxes and fees | 8,736 | 9,035 | 9,255 | 9,687 |
| Business taxes | 5,783 | 6,452 | 6,658 | 6,895 |
| Other taxes | 1,034 | 989 | 1,029 | 1,084 |
| Miscellaneous receipts | 2,861 | 2,821 | 2,786 | 2,734 |
| Federal grants | 60 | 60 | 60 | 60 |
| Transfers from other funds: | | | | |
| PIT in excess of Revenue Bond debt service | 7,771 | 8,151 | 7,974 | 8,406 |
| Sales tax in excess of LGAC debt service | 2,298 | 2,363 | 2,439 | 2,590 |
| Real estate taxes in excess of CW/CA debt service | 332 | 354 | 464 | 539 |
| All other transfers | 1,491 | 792 | 520 | 520 |
| **Total receipts** | 54,514 | 57,057 | 57,066 | 59,871 |
| **Disbursements:** | | | | |
| Grants to local governments | 37,748 | 46,012 | 50,697 | 54,896 |
| State operations: | | | | |
| Personal service | 6,189 | 6,659 | 6,556 | 6,663 |
| Non-personal service | 1,949 | 2,090 | 2,242 | 2,363 |
| General State charges | 4,119 | 4,583 | 4,989 | 5,437 |
| Transfers to other funds: | | | | |
| Debt service | 1,650 | 1,766 | 1,757 | 1,686 |
| Capital projects | 878 | 1,197 | 1,310 | 1,462 |
| State Share Medicaid | 2,435 | 3,013 | 3,110 | 3,073 |
| Other purposes | 778 | 811 | 1,120 | 1,548 |
| **Total disbursements** | 55,746 | 66,131 | 71,781 | 77,128 |
| **Deposit to/(use of) Community Projects Fund** | (11) | (48) | (71) | (25) |
| **Reserves** | (906) | 0 | 0 | 0 |
| **HCRA Operating Surplus/(Gap)** | 0 | 0 | 0 | 0 |
| **Cash Surplus/(Gap)** | (315) | (9,026) | (14,644) | (17,232) |
| **Net Proposed Reductions** | 315 | | | |
| **Proposed Cash Surplus/(Gap)** | 0 | | | |

Source: NYS DOB

**CASH RECEIPTS**
**CURRENT STATE RECEIPTS**
**GENERAL FUND**
**2010-2011 THROUGH 2013-2014**
**(millions of dollars)**

| | 2010-2011 Projected | 2011-2012 Projected | 2012-2013 Projected | 2013-2014 Projected |
|---|---|---|---|---|
| **Taxes:** | | | | |
| Withholdings | 31,301 | 32,302 | 32,756 | 34,835 |
| Estimated Payments | 10,351 | 11,225 | 11,178 | 11,510 |
| Final Payments | 1,973 | 2,303 | 2,106 | 2,154 |
| Other Payments | 1,161 | 1,199 | 1,239 | 1,316 |
| **Gross Collections** | 44,786 | 47,029 | 47,279 | 49,815 |
| State/City Offset | (297) | (298) | (298) | (298) |
| Refunds | (7,891) | (7,454) | (7,694) | (8,012) |
| **Reported Tax Collections** | 36,598 | 39,277 | 39,287 | 41,505 |
| STAR (dedicated deposits) | (3,300) | (3,418) | (3,584) | (3,772) |
| RBTF (dedicated transfers) | (9,150) | (9,819) | (9,822) | (10,377) |
| **Personal income tax** | 24,148 | 26,040 | 25,881 | 27,356 |
| Sales and use tax | 10,696 | 11,040 | 11,336 | 11,916 |
| Cigarette and tobacco taxes | 485 | 522 | 515 | 508 |
| Motor fuel tax | 0 | 0 | 0 | 0 |
| Alcoholic beverage control license fees | 228 | 233 | 238 | 242 |
| Highway Use tax | 0 | 0 | 0 | 0 |
| Auto rental tax | 0 | 0 | 0 | 0 |
| Taxicab Surcharge | 0 | 0 | 0 | 0 |
| **Gross Utility Taxes and fees** | 11,409 | 11,795 | 12,089 | 12,666 |
| LGAC Sales Tax (dedicated transfers) | (2,673) | (2,760) | (2,834) | (2,979) |
| **User Taxes and fees** | 8,736 | 9,035 | 9,255 | 9,687 |
| Corporation franchise tax | 2,886 | 3,234 | 3,293 | 3,381 |
| Corporation and utilities tax | 665 | 743 | 766 | 790 |
| Insurance taxes | 1,278 | 1,335 | 1,393 | 1,454 |
| Bank tax | 954 | 1,140 | 1,206 | 1,270 |
| Petroleum business tax | 0 | 0 | 0 | 0 |
| **Business taxes** | 5,783 | 6,452 | 6,658 | 6,895 |
| Estate tax | 1,015 | 970 | 1,010 | 1,065 |
| Real estate transfer tax | 566 | 581 | 686 | 754 |
| Gift tax | 0 | 0 | 0 | 0 |
| Real property gains tax | 0 | 0 | 0 | 0 |
| Pari-mutuel taxes | 18 | 18 | 18 | 18 |
| Other taxes | 1 | 1 | 1 | 1 |
| **Gross Other taxes** | 1,600 | 1,570 | 1,715 | 1,838 |
| Real estate transfer tax (dedicated) | (566) | (581) | (686) | (754) |
| **Other taxes** | 1,034 | 989 | 1,029 | 1,084 |
| **Payroll tax** | 0 | 0 | 0 | 0 |
| **Total Taxes** | 39,701 | 42,516 | 42,823 | 45,022 |
| Licenses, fees, etc. | 667 | 587 | 583 | 569 |
| Abandoned property | 650 | 645 | 610 | 600 |
| Motor vehicle fees | 42 | 54 | 31 | (42) |
| ABC License Fee | 46 | 49 | 51 | 50 |
| Reimbursements | 222 | 222 | 222 | 222 |
| Investment income | 10 | 10 | 30 | 50 |
| Other transactions | 1,224 | 1,254 | 1,259 | 1,285 |
| **Miscellaneous receipts** | 2,861 | 2,821 | 2,786 | 2,734 |
| **Federal grants** | 60 | 60 | 60 | 60 |
| **Total** | 42,622 | 45,397 | 45,669 | 47,816 |

Source: NYS DOB

**CASH FINANCIAL PLAN**
**STATE OPERATING FUNDS BUDGET**
**2010-2011**
**(millions of dollars)**

| | General Fund | Special Revenue Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|
| **Opening fund balance** | 2,302 | 1,957 | 410 | 4,669 |
| **Receipts:** | | | | |
| Taxes | 39,701 | 8,151 | 12,272 | 60,124 |
| Miscellaneous receipts | 2,861 | 14,987 | 790 | 18,638 |
| Federal grants | 60 | 1 | 58 | 119 |
| **Total receipts** | 42,622 | 23,139 | 13,120 | 78,881 |
| **Disbursements:** | | | | |
| Grants to local governments | 37,748 | 18,011 | 0 | 55,759 |
| State operations: | | | | |
| Personal service | 6,189 | 4,081 | 0 | 10,270 |
| Non-personal service | 1,949 | 2,572 | 92 | 4,613 |
| General State charges | 4,119 | 1,027 | 0 | 5,146 |
| Debt service | 0 | 0 | 5,471 | 5,471 |
| Capital projects | 0 | 2 | 0 | 2 |
| **Total disbursements** | 50,005 | 25,693 | 5,563 | 81,261 |
| **Other financing sources (uses):** | | | | |
| Transfers from other funds | 11,892 | 3,968 | 7,024 | 22,884 |
| Transfers to other funds | (5,741) | (1,691) | (14,627) | (22,059) |
| Bond and note proceeds | 0 | 0 | 0 | 0 |
| **Net other financing sources (uses)** | 6,151 | 2,277 | (7,603) | 825 |
| **Change in fund balance** | (1,232) | (277) | (46) | (1,555) |
| **Closing fund balance** | 1,070 | 1,680 | 364 | 3,114 |
| **Net Proposed Reductions** | 315 | | | 315 |
| **Proposed Closing fund balance** | 1,385 | 1,680 | 364 | 3,429 |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|
| **Opening fund balance** | n/ap | 1,680 | 364 | 2,044 |
| **Receipts:** | | | | |
| Taxes | 42,516 | 8,606 | 13,041 | 64,163 |
| Miscellaneous receipts | 2,821 | 14,856 | 809 | 18,486 |
| Federal grants | 60 | 1 | 71 | 132 |
| **Total receipts** | 45,397 | 23,463 | 13,921 | 82,781 |
| **Disbursements:** | | | | |
| Grants to local governments | 46,012 | 18,463 | 0 | 64,475 |
| State operations: | | | | |
| Personal service | 6,659 | 4,601 | 0 | 11,260 |
| Non-personal service | 2,090 | 2,608 | 92 | 4,790 |
| General State charges | 4,583 | 1,166 | 0 | 5,749 |
| Debt service | 0 | 0 | 6,039 | 6,039 |
| Capital projects | 0 | 2 | 0 | 2 |
| **Total disbursements** | 59,344 | 26,840 | 6,131 | 92,315 |
| **Other financing sources (uses):** | | | | |
| Transfers from other funds | 11,660 | 4,505 | 6,717 | 22,882 |
| Transfers to other funds | (6,787) | (1,183) | (14,518) | (22,488) |
| Bond and note proceeds | 0 | 0 | 0 | 0 |
| **Net other financing sources (uses)** | 4,873 | 3,322 | (7,801) | 394 |
| **Deposit to/(use of) Reserves** | (48) | 0 | 0 | (48) |
| **Change in fund balance** | (9,026) | (55) | (11) | (9,092) |
| **Closing fund balance** | (9,026) | 1,625 | 353 | (7,048) |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|
| **Opening fund balance** | n/ap | 1,625 | 353 | 1,978 |
| **Receipts:** | | | | |
| Taxes | 42,823 | 8,943 | 13,223 | 64,989 |
| Miscellaneous receipts | 2,786 | 15,307 | 833 | 18,926 |
| Federal grants | 60 | 1 | 71 | 132 |
| **Total receipts** | 45,669 | 24,251 | 14,127 | 84,047 |
| **Disbursements:** | | | | |
| Grants to local governments | 50,697 | 19,488 | 0 | 70,185 |
| State operations: | | | | |
| Personal service | 6,556 | 4,567 | 0 | 11,123 |
| Non-personal service | 2,242 | 2,555 | 92 | 4,889 |
| General State charges | 4,989 | 1,332 | 0 | 6,321 |
| Debt service | 0 | 0 | 6,354 | 6,354 |
| Capital projects | 0 | 2 | 0 | 2 |
| **Total disbursements** | 64,484 | 27,944 | 6,446 | 98,874 |
| **Other financing sources (uses):** | | | | |
| Transfers from other funds | 11,397 | 4,881 | 6,692 | 22,970 |
| Transfers to other funds | (7,297) | (620) | (14,414) | (22,331) |
| Bond and note proceeds | 0 | 0 | 0 | 0 |
| **Net other financing sources (uses)** | 4,100 | 4,261 | (7,722) | 639 |
| **Deposit to/(use of) Reserves** | (71) | 0 | 0 | (71) |
| **Change in fund balance** | (14,644) | 568 | (41) | (14,117) |
| **Closing fund balance** | (14,644) | 2,193 | 312 | (12,139) |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|
| **Opening fund balance** | n/ap | 2,193 | 312 | 2,505 |
| **Receipts:** | | | | |
| Taxes | 45,022 | 9,276 | 13,990 | 68,288 |
| Miscellaneous receipts | 2,734 | 15,578 | 855 | 19,167 |
| Federal grants | 60 | 1 | 71 | 132 |
| **Total receipts** | 47,816 | 24,855 | 14,916 | 87,587 |
| **Disbursements:** | | | | |
| Grants to local governments | 54,896 | 20,088 | 0 | 74,984 |
| State operations: | | | | |
| Personal service | 6,663 | 4,610 | 0 | 11,273 |
| Non-personal service | 2,363 | 2,620 | 92 | 5,075 |
| General State charges | 5,437 | 1,423 | 0 | 6,860 |
| Debt service | 0 | 0 | 6,515 | 6,515 |
| Capital projects | 0 | 2 | 0 | 2 |
| **Total disbursements** | 69,359 | 28,743 | 6,607 | 104,709 |
| **Other financing sources (uses):** | | | | |
| Transfers from other funds | 12,055 | 5,098 | 6,620 | 23,773 |
| Transfers to other funds | (7,769) | (548) | (14,980) | (23,297) |
| Bond and note proceeds | 0 | 0 | 0 | 0 |
| **Net other financing sources (uses)** | 4,286 | 4,550 | (8,360) | 476 |
| **Deposit to/(use of) Community Projects Fund** | (25) | 0 | 0 | (25) |
| **Change in fund balance** | (17,232) | 662 | (51) | (16,621) |
| **Closing fund balance** | (17,232) | 2,855 | 261 | (14,116) |

Source: NYS DOB

**CASH FINANCIAL PLAN**
**ALL FUNDS**
**2010-2011**
**(millions of dollars)**

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | 2,302 | 2,400 | (253) | 410 | 4,859 |
| **Receipts:** | | | | | |
| Taxes | 39,701 | 8,151 | 1,329 | 12,272 | 61,453 |
| Miscellaneous receipts | 2,861 | 15,174 | 4,393 | 790 | 23,218 |
| Federal grants | 60 | 47,986 | 2,461 | 58 | 50,565 |
| **Total receipts** | 42,622 | 71,311 | 8,183 | 13,120 | 135,236 |
| **Disbursements:** | | | | | |
| Grants to local governments | 37,748 | 59,855 | 1,308 | 0 | 98,911 |
| State operations: | | | | | |
| Personal service | 6,189 | 6,846 | 0 | 0 | 13,035 |
| Non-personal service | 1,949 | 4,417 | 0 | 92 | 6,458 |
| General State charges | 4,119 | 2,201 | 0 | 0 | 6,320 |
| Debt service | 0 | 0 | 0 | 5,471 | 5,471 |
| Capital projects | 0 | 2 | 7,200 | 0 | 7,202 |
| **Total disbursements** | 50,005 | 73,321 | 8,508 | 5,563 | 137,397 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 11,892 | 7,292 | 1,144 | 7,024 | 27,352 |
| Transfers to other funds | (5,741) | (5,580) | (1,419) | (14,627) | (27,367) |
| Bond and note proceeds | 0 | 0 | 578 | 0 | 578 |
| **Net other financing sources (uses)** | 6,151 | 1,712 | 303 | (7,603) | 563 |
| **Change in fund balance** | (1,232) | (298) | (22) | (46) | (1,598) |
| **Closing fund balance** | 1,070 | 2,102 | (275) | 364 | 3,261 |
| **Net Proposed Reductions** | 315 | | | | 315 |
| **Proposed Closing fund balance** | 1,385 | 2,102 | (275) | 364 | 3,576 |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | n/ap | 2,102 | (275) | 364 | 2,191 |
| **Receipts:** | | | | | |
| Taxes | 42,516 | 8,606 | 1,353 | 13,041 | 65,516 |
| Miscellaneous receipts | 2,821 | 14,993 | 4,248 | 809 | 22,871 |
| Federal grants | 60 | 43,840 | 2,309 | 71 | 46,280 |
| **Total receipts** | 45,397 | 67,439 | 7,910 | 13,921 | 134,667 |
| **Disbursements:** | | | | | |
| Grants to local governments | 46,012 | 56,742 | 1,421 | 0 | 104,175 |
| State operations: | | | | | |
| Personal service | 6,659 | 6,899 | 0 | 0 | 13,558 |
| Non-personal service | 2,090 | 4,328 | 0 | 92 | 6,510 |
| General State charges | 4,583 | 2,254 | 0 | 0 | 6,837 |
| Debt service | 0 | 0 | 0 | 6,039 | 6,039 |
| Capital projects | 0 | 2 | 7,195 | 0 | 7,197 |
| **Total disbursements** | 59,344 | 70,225 | 8,616 | 6,131 | 144,316 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 11,660 | 7,342 | 1,652 | 6,717 | 27,371 |
| Transfers to other funds | (6,787) | (4,607) | (1,463) | (14,518) | (27,375) |
| Bond and note proceeds | 0 | 0 | 488 | 0 | 488 |
| **Net other financing sources (uses)** | 4,873 | 2,735 | 677 | (7,801) | 484 |
| **Deposit to/(use of) Reserves** | (48) | 0 | 0 | 0 | (48) |
| **Change in fund balance** | (9,026) | (51) | (29) | (11) | (9,117) |
| **Closing fund balance** | (9,026) | 2,051 | (304) | 353 | (6,926) |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | n/ap | 2,051 | (304) | 353 | 2,100 |
| **Receipts:** | | | | | |
| Taxes | 42,823 | 8,943 | 1,365 | 13,223 | 66,354 |
| Miscellaneous receipts | 2,786 | 15,443 | 3,606 | 833 | 22,668 |
| Federal grants | 60 | 42,375 | 1,863 | 71 | 44,369 |
| **Total receipts** | 45,669 | 66,761 | 6,834 | 14,127 | 133,391 |
| **Disbursements:** | | | | | |
| Grants to local governments | 50,697 | 56,447 | 1,306 | 0 | 108,450 |
| State operations: | | | | | |
| Personal service | 6,556 | 6,813 | 0 | 0 | 13,369 |
| Non-personal service | 2,242 | 4,189 | 0 | 92 | 6,523 |
| General State charges | 4,989 | 2,442 | 0 | 0 | 7,431 |
| Debt service | 0 | 0 | 0 | 6,354 | 6,354 |
| Capital projects | 0 | 2 | 5,936 | 0 | 5,938 |
| **Total disbursements** | 64,484 | 69,893 | 7,242 | 6,446 | 148,065 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 11,397 | 7,634 | 1,451 | 6,692 | 27,174 |
| Transfers to other funds | (7,297) | (3,935) | (1,502) | (14,414) | (27,148) |
| Bond and note proceeds | 0 | 0 | 425 | 0 | 425 |
| **Net other financing sources (uses)** | 4,100 | 3,699 | 374 | (7,722) | 451 |
| **Deposit to/(use of) Reserves** | (71) | 0 | 0 | 0 | (71) |
| **Change in fund balance** | (14,644) | 567 | (34) | (41) | (14,152) |
| **Closing fund balance** | (14,644) | 2,618 | (338) | 312 | (12,052) |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | n/ap | 2,618 | (338) | 312 | 2,592 |
| **Receipts:** | | | | | |
| Taxes | 45,022 | 9,276 | 1,366 | 13,990 | 69,654 |
| Miscellaneous receipts | 2,734 | 15,715 | 3,493 | 855 | 22,797 |
| Federal grants | 60 | 45,384 | 1,824 | 71 | 47,339 |
| **Total receipts** | 47,816 | 70,375 | 6,683 | 14,916 | 139,790 |
| **Disbursements:** | | | | | |
| Grants to local governments | 54,896 | 60,144 | 1,275 | 0 | 116,315 |
| State operations: | | | | | |
| Personal service | 6,663 | 6,860 | 0 | 0 | 13,523 |
| Non-personal service | 2,363 | 4,253 | 0 | 92 | 6,708 |
| General State charges | 5,437 | 2,600 | 0 | 0 | 8,037 |
| Debt service | 0 | 0 | 0 | 6,515 | 6,515 |
| Capital projects | 0 | 2 | 5,710 | 0 | 5,712 |
| **Total disbursements** | 69,359 | 73,859 | 6,985 | 6,607 | 156,810 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 12,055 | 7,934 | 1,516 | 6,620 | 28,125 |
| Transfers to other funds | (7,769) | (3,788) | (1,549) | (14,980) | (28,086) |
| Bond and note proceeds | 0 | 0 | 341 | 0 | 341 |
| **Net other financing sources (uses)** | 4,286 | 4,146 | 308 | (8,360) | 380 |
| **Deposit to/(use of) Community Projects Fund** | (25) | 0 | 0 | 0 | (25) |
| **Change in fund balance** | (17,232) | 662 | 6 | (51) | (16,615) |
| **Closing fund balance** | (17,232) | 3,280 | (332) | 261 | (14,023) |

Source: NYS DOB

**CASHFLOW**
**GENERAL FUND**
**2010-2011**
**(dollars in millions)**

| | 2010 April Acutals | May Actuals | June Actuals | July Actuals | August Actuals | September Actuals | October Actuals* | November Projected | December Projected | 2011 January Projected | February Projected | March Projected | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **OPENING BALANCE** | 2,302 | 4,274 | 1,648 | (87) | 590 | 528 | 2,381 | 2,071 | 803 | 864 | 5,545 | 5,794 | 2,302 |
| **RECEIPTS:** | | | | | | | | | | | | | |
| Personal Income Tax | 3,069 | 783 | 2,164 | 1,575 | 1,669 | 2,571 | 1,526 | 1,344 | 523 | 5,260 | 2,016 | 1,648 | 24,148 |
| User Taxes and Fees | 669 | 589 | 858 | 666 | 666 | 863 | 696 | 684 | 880 | 753 | 628 | 784 | 8,736 |
| Business Taxes | 60 | 2 | 915 | 80 | 21 | 990 | (7) | 131 | 1,431 | 43 | 70 | 2,047 | 5,783 |
| Other Taxes | 93 | 83 | 103 | 155 | 81 | 116 | 67 | 67 | 67 | 67 | 67 | 68 | 1,034 |
| Total Taxes | 3,891 | 1,457 | 4,040 | 2,476 | 2,437 | 4,540 | 2,282 | 2,226 | 2,901 | 6,123 | 2,781 | 4,547 | 39,701 |
| Licenses, Fees, etc. | 47 | 56 | 55 | 77 | 53 | 69 | 50 | 50 | 50 | 45 | 65 | 50 | 667 |
| Abandoned Property | 0 | (4) | 77 | 3 | 28 | 43 | 16 | 120 | 40 | 70 | 60 | 197 | 650 |
| ABC License Fee | 9 | 1 | 6 | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 46 |
| Motor vehicle fees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 42 | 42 |
| Reimbursements | 7 | 13 | 35 | 13 | 6 | 47 | 6 | 11 | 36 | 6 | 11 | 31 | 222 |
| Investment Income | 1 | 0 | 0 | 1 | 0 | 0 | (3) | 1 | 1 | 2 | 4 | 3 | 10 |
| Other Transactions | 26 | 33 | 80 | 41 | 69 | 423 | 54 | 49 | 99 | 73 | 77 | 200 | 1,224 |
| Total Miscellaneous Receipts | 90 | 99 | 253 | 139 | 160 | 586 | 126 | 234 | 229 | 199 | 220 | 526 | 2,861 |
| Federal Grants | 1 | 13 | 0 | 0 | 0 | 0 | 14 | 0 | 14 | 0 | 0 | 18 | 60 |
| PIT in Excess of Revenue Bond Debt Service | 1,022 | 108 | 887 | 509 | 232 | 964 | 348 | 165 | 1,080 | 1,331 | 303 | 822 | 7,771 |
| Sales Tax in Excess of LGAC Debt Service | 180 | 100 | 350 | 202 | 132 | 267 | 210 | 206 | 264 | 227 | 2 | 158 | 2,298 |
| Real Estate Taxes in Excess of CW/CA Debt Service | 32 | 34 | 33 | 39 | 33 | 28 | 22 | 22 | 22 | 22 | 22 | 23 | 332 |
| All Other | 4 | 1 | 62 | 87 | 20 | 11 | 15 | 39 | 190 | 144 | 185 | 733 | 1,491 |
| Total Transfers from Other Funds | 1,238 | 243 | 1,332 | 837 | 417 | 1,270 | 595 | 432 | 1,556 | 1,724 | 512 | 1,736 | 11,892 |
| TOTAL RECEIPTS | 5,220 | 1,812 | 5,625 | 3,452 | 3,014 | 6,396 | 3,017 | 2,892 | 4,700 | 8,046 | 3,513 | 6,827 | 54,514 |
| **DISBURSEMENTS:** | | | | | | | | | | | | | |
| School Aid | 491 | 2,616 | 3,767 | 100 | 574 | 1,063 | 397 | 1,004 | 1,560 | 300 | 514 | 6,379 | 18,765 |
| Higher Education | 16 | 16 | 379 | 198 | 14 | 314 | 58 | 361 | 149 | 50 | 420 | 473 | 2,448 |
| All Other Education | 17 | 14 | 17 | 24 | 88 | 523 | 25 | 420 | 38 | 94 | 151 | 77 | 1,488 |
| Medicaid - DOH | 1,085 | 633 | 668 | 516 | 590 | 389 | 259 | 785 | 538 | 714 | 927 | 321 | 7,425 |
| Public Health | 40 | 30 | 122 | 16 | 65 | 117 | 17 | 46 | 129 | 30 | 30 | 144 | 786 |
| Mental Hygiene | 10 | 5 | 362 | 50 | 130 | 392 | 164 | 21 | 401 | 128 | 127 | 428 | 2,218 |
| Children and Families | 9 | 15 | 14 | 66 | 274 | 74 | 338 | 139 | 214 | 165 | 88 | 301 | 1,697 |
| Temporary & Disability Assistance | 61 | 140 | 61 | 62 | 114 | 83 | 152 | 110 | 153 | 62 | 6 | 148 | 1,152 |
| Transportation | 0 | 0 | 0 | 11 | 9 | 18 | 0 | 24 | 9 | 0 | 25 | 2 | 98 |
| Unrestricted Aid | 3 | 12 | 274 | 1 | 1 | 96 | 9 | 2 | 212 | 2 | 2 | 166 | 780 |
| All Other | 19 | 16 | 189 | (27) | 45 | 48 | (46) | 73 | 52 | 39 | 40 | 443 | 891 |
| Total Local Assistance Grants | 1,751 | 3,497 | 5,853 | 1,017 | 1,904 | 3,117 | 1,373 | 2,985 | 3,455 | 1,584 | 2,330 | 8,882 | 37,748 |
| Personal Service | 514 | 547 | 586 | 619 | 465 | 622 | 403 | 459 | 593 | 409 | 379 | 593 | 6,189 |
| Non-Personal Service | 143 | 108 | 151 | 171 | 180 | 175 | 122 | 166 | 180 | 212 | 169 | 172 | 1,949 |
| Total State Operations | 657 | 655 | 737 | 790 | 645 | 797 | 525 | 625 | 773 | 621 | 548 | 765 | 8,138 |
| General State Charges | 122 | 30 | 485 | 112 | 348 | 298 | 441 | 293 | 104 | 385 | 165 | 1,336 | 4,119 |
| Debt Service | 414 | 38 | 3 | 470 | (5) | (133) | 599 | 0 | (1) | 457 | (15) | (177) | 1,650 |
| Capital Projects | 14 | 21 | 4 | 121 | (42) | 63 | 88 | 59 | 63 | 127 | 120 | 240 | 878 |
| State Share Medicaid | 180 | 162 | 244 | 185 | 184 | 363 | 179 | 144 | 229 | 172 | 181 | 212 | 2,435 |
| Other Purposes | 110 | 35 | 34 | 80 | 42 | 38 | 122 | 54 | 46 | 49 | (15) | 183 | 778 |
| Total Transfers to Other Funds | 718 | 256 | 285 | 856 | 179 | 331 | 988 | 257 | 337 | 805 | 271 | 458 | 5,741 |
| TOTAL DISBURSEMENTS | 3,248 | 4,438 | 7,360 | 2,775 | 3,076 | 4,543 | 3,327 | 4,160 | 4,669 | 3,395 | 3,314 | 11,441 | 55,746 |
| Excess/(Deficiency) of Receipts over Disbursements | 1,972 | (2,626) | (1,735) | 677 | (62) | 1,853 | (310) | (1,268) | 31 | 4,651 | 199 | (4,614) | (1,232) |
| **CLOSING BALANCE** | 4,274 | 1,648 | (87) | 590 | 528 | 2,381 | 2,071 | 803 | 834 | 5,515 | 5,744 | 1,180 | 1,070 |
| **Net Proposed Reductions** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 30 | 30 | 50 | 205 | 315 |
| **Closing Fund Balance After Proposed Reductions** | 4,274 | 1,648 | (87) | 590 | 528 | 2,381 | 2,071 | 803 | 864 | 5,545 | 5,794 | 1,385 | 1,385 |

**Preliminary Results*

Source: NYS DOB

**CASH DISBURSEMENTS BY FUNCTION**
**ALL FUNDS**
**(thousands of dollars)**

| | 2009-2010 Actuals | 2010-2011 Projected | 2011-2012 Projected | 2012-2013 Projected | 2013-2014 Projected |
|---|---|---|---|---|---|
| **ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT** | | | | | |
| Agriculture and Markets, Department of | 109,449 | 100,822 | 111,324 | 126,235 | 105,146 |
| Alcoholic Beverage Control | 17,012 | 17,774 | 19,658 | 20,176 | 20,993 |
| Banking Department | 87,166 | 90,845 | 93,975 | 97,677 | 100,817 |
| Developmental Authority North | 36 | 200 | 162 | 162 | 162 |
| Consumer Protection Board | 2,295 | 2,684 | 2,748 | 2,633 | 2,657 |
| Economic Development Capital Programs | 18,306 | 6,500 | 2,500 | 2,500 | 2,500 |
| Economic Development, Department of | 76,889 | 92,189 | 64,915 | 66,420 | 81,105 |
| Energy Research and Development Authority | 29,380 | 34,858 | 31,307 | 30,158 | 31,178 |
| Insurance Department | 657,937 | 464,700 | 463,468 | 471,900 | 479,183 |
| Empire State Development Corporation | 606,568 | 1,012,595 | 760,671 | 291,301 | 382,996 |
| Olympic Regional Development Authority | 7,966 | 4,815 | 5,025 | 5,025 | 5,152 |
| Public Service, Department of | 77,313 | 75,266 | 78,822 | 82,617 | 85,830 |
| Racing and Wagering Board, State | 22,575 | 23,733 | 24,638 | 22,625 | 23,405 |
| Science, Technology and Innovation, Foundation for | 29,083 | 31,024 | 29,111 | 26,827 | 23,387 |
| Strategic Investment | 8,827 | 10,000 | 4,000 | 5,000 | 5,000 |
| **Functional Total** | 1,750,802 | 1,968,005 | 1,692,324 | 1,251,256 | 1,349,511 |
| **PARKS AND THE ENVIRONMENT** | | | | | |
| Adirondack Park Agency | 5,292 | 5,118 | 4,667 | 4,669 | 4,669 |
| Environmental Conservation, Department of | 864,001 | 1,038,671 | 991,615 | 787,219 | 757,919 |
| Environmental Facilities Corporation | 10,025 | 9,067 | 9,249 | 9,433 | 9,433 |
| Hudson River Park Trust | 11,977 | 10,000 | 0 | 0 | 0 |
| Parks, Recreation and Historic Preservation, Office of | 305,485 | 238,211 | 218,789 | 220,456 | 221,198 |
| **Functional Total** | 1,196,780 | 1,301,067 | 1,224,320 | 1,021,777 | 993,219 |
| **TRANSPORTATION** | | | | | |
| Motor Vehicles, Department of | 320,230 | 326,441 | 310,740 | 319,237 | 325,565 |
| Thruway Authority | 1,403 | 1,800 | 1,800 | 1,800 | 1,800 |
| Metropolitan Transportation Authority | 184,681 | 217,100 | 194,500 | 183,600 | 183,600 |
| Transportation, Department of | 7,376,584 | 8,171,039 | 8,156,431 | 8,001,729 | 7,999,715 |
| **Functional Total** | 7,882,898 | 8,716,380 | 8,663,471 | 8,506,366 | 8,510,680 |
| **HEALTH** | | | | | |
| Aging, Office for the | 229,966 | 226,863 | 219,285 | 219,338 | 219,381 |
| Health, Department of | 42,156,549 | 44,707,035 | 49,012,901 | 50,810,999 | 55,398,469 |
| *Medical Assistance* | 37,025,209 | 39,146,472 | 43,028,745 | 45,049,303 | 49,581,347 |
| *Medicaid Administration* | 939,296 | 1,098,413 | 1,147,500 | 1,193,500 | 1,241,300 |
| *Public Health* | 4,192,044 | 4,462,150 | 4,836,656 | 4,568,196 | 4,575,822 |
| *Health - Medicaid Assistance* | 0 | 0 | 0 | 0 | 0 |
| Medicaid Inspector General, Office of | 64,868 | 73,770 | 87,434 | 90,014 | 91,724 |
| Stem Cell and Innovation | 17,676 | 44,700 | 50,000 | 61,373 | 63,673 |
| **Functional Total** | 42,469,059 | 45,052,368 | 49,369,620 | 51,181,724 | 55,773,247 |
| **SOCIAL WELFARE** | | | | | |
| Children and Family Services, Office of | 3,189,020 | 3,241,227 | 3,327,980 | 3,511,844 | 3,733,849 |
| *OCFS* | 3,139,542 | 3,134,526 | 3,196,618 | 3,376,657 | 3,594,824 |
| *OCFS - Medicaid* | 49,478 | 106,701 | 131,362 | 135,187 | 139,025 |
| Human Rights, Division of | 20,300 | 19,339 | 18,990 | 19,596 | 19,881 |
| Labor, Department of | 728,721 | 797,210 | 738,445 | 733,468 | 716,357 |
| Housing and Community Renewal, Division of | 417,003 | 467,490 | 403,257 | 263,395 | 280,349 |
| National Commission Services | 16,862 | 20,732 | 14,627 | 14,629 | 14,715 |
| Prevention of Domestic Violence, Office for | 2,167 | 1,947 | 1,962 | 1,983 | 1,983 |

**CASH DISBURSEMENTS BY FUNCTION**
**ALL FUNDS**
**(thousands of dollars)**

| | 2009-2010 Actuals | 2010-2011 Projected | 2011-2012 Projected | 2012-2013 Projected | 2013-2014 Projected |
|---|---|---|---|---|---|
| Temporary and Disability Assistance, Office of | 5,275,993 | 5,247,194 | 5,287,681 | 5,273,384 | 5,312,525 |
| *Welfare Assistance* | 3,857,439 | 3,829,675 | 3,882,371 | 3,855,288 | 3,895,942 |
| *Welfare Administration* | 51,263 | 0 | 0 | 0 | 0 |
| *All Other* | 1,367,291 | 1,417,519 | 1,405,310 | 1,418,096 | 1,416,583 |
| Welfare Inspector General, Office of | 727 | 1,432 | 1,456 | 1,472 | 1,492 |
| Workers' Compensation Board | 190,135 | 208,012 | 206,237 | 211,570 | 218,476 |
| **Functional Total** | 9,840,928 | 10,004,583 | 10,000,635 | 10,031,341 | 10,299,627 |
| | | | | | |
| **MENTAL HYGIENE** | | | | | |
| Mental Health, Office of | 3,121,486 | 3,415,756 | 3,581,211 | 3,806,640 | 3,982,475 |
| *OMH* | 1,423,971 | 1,611,503 | 1,665,765 | 1,807,086 | 1,904,465 |
| *OMH - Medicaid* | 1,697,515 | 1,804,253 | 1,915,446 | 1,999,554 | 2,078,010 |
| Mental Hygiene, Department of | 175 | 0 | 0 | 0 | 0 |
| People with Developmental Disabilities, Office for | 4,397,581 | 4,468,924 | 4,635,169 | 4,851,926 | 5,119,400 |
| *OPWDD* | 522,032 | 577,017 | 596,218 | 619,559 | 646,529 |
| *OPWDD - Medicaid* | 3,875,549 | 3,891,907 | 4,038,951 | 4,232,367 | 4,472,871 |
| Alcoholism and Substance Abuse Services, Office of | 550,090 | 584,052 | 656,628 | 752,668 | 767,089 |
| *OASAS* | 456,695 | 479,620 | 546,034 | 638,730 | 650,476 |
| *OASAS - Medicaid* | 93,395 | 104,432 | 110,594 | 113,938 | 116,613 |
| Developmental Disabilities Planning Council | 3,397 | 4,200 | 4,200 | 4,200 | 4,200 |
| Quality of Care and Advocacy for Persons with Disabilities, Commission | 15,508 | 16,155 | 16,305 | 16,707 | 17,159 |
| **Functional Total** | 8,088,237 | 8,489,087 | 8,893,513 | 9,432,141 | 9,890,323 |
| | | | | | |
| **PUBLIC PROTECTION/CRIMINAL JUSTICE** | | | | | |
| Capital Defenders Office | 21 | 0 | 0 | 0 | 0 |
| Correction, Commission of | 2,628 | 2,701 | 2,740 | 2,792 | 2,824 |
| Correctional Services, Department of | 2,909,312 | 2,702,173 | 2,779,192 | 2,842,665 | 2,914,440 |
| Criminal Justice Services, Division of | 241,767 | 343,785 | 326,406 | 311,301 | 306,727 |
| Office of Victim Services | 67,342 | 67,372 | 64,910 | 65,310 | 65,447 |
| Statewide Financial System | 0 | 30,643 | 40,072 | 49,656 | 49,756 |
| Homeland Security and Emergency Services | 296,589 | 383,650 | 403,890 | 411,478 | 374,077 |
| Homeland Security | 800 | 34,298 | 34,710 | 35,125 | 35,547 |
| Office of Indigent Legal Services | 0 | 73,691 | 79,997 | 80,125 | 80,237 |
| Investigation, Temporary State Commission of | 395 | 0 | 0 | 0 | 0 |
| Judicial Commissions | 5,145 | 5,292 | 5,542 | 5,616 | 5,696 |
| Military and Naval Affairs, Division of | 276,622 | 218,975 | 194,775 | 189,822 | 189,034 |
| Parole, Division of | 188,383 | 179,398 | 174,844 | 177,540 | 182,735 |
| Probation and Correctional Alternatives, Division of | 74,852 | 0 | 0 | 0 | 1,468 |
| State Emergency Management Office | 0 | 0 | 0 | 0 | 0 |
| State Police, Division of | 776,340 | 717,985 | 728,556 | 715,148 | 719,889 |
| Wireless Network | 6,672 | 3,586 | 1,786 | 1,786 | 786 |
| **Functional Total** | 4,846,868 | 4,763,549 | 4,837,420 | 4,888,364 | 4,928,663 |

**CASH DISBURSEMENTS BY FUNCTION**
**ALL FUNDS**
**(thousands of dollars)**

| | 2009-2010 Actuals | 2010-2011 Projected | 2011-2012 Projected | 2012-2013 Projected | 2013-2014 Projected |
|---|---|---|---|---|---|
| **HIGHER EDUCATION** | | | | | |
| City University of New York | 1,655,773 | 1,360,973 | 1,433,517 | 1,532,689 | 1,625,290 |
| Higher Education Services Corporation | 1,022,235 | 970,402 | 1,026,434 | 1,092,691 | 1,098,598 |
| Higher Education Capital Grants | 37,320 | 28,000 | 48,000 | 29,000 | 0 |
| Higher Education Miscellaneous | 378 | 355 | 355 | 355 | 355 |
| State University Construction Fund | 18,595 | 25,678 | 26,172 | 27,074 | 27,854 |
| State University of New York | 6,989,582 | 7,391,075 | 7,493,950 | 7,272,786 | 7,352,953 |
| **Functional Total** | 9,723,883 | 9,776,483 | 10,028,428 | 9,954,595 | 10,105,050 |
| **EDUCATION** | | | | | |
| Arts, Council on the | 43,436 | 44,768 | 40,466 | 40,503 | 40,563 |
| Education, Department of | 27,725,560 | 33,023,723 | 33,460,206 | 35,179,591 | 37,803,074 |
| *School Aid* | 21,484,784 | 26,209,910 | 26,554,814 | 28,217,163 | 30,529,973 |
| *School Aid - Medicaid Assistance* | 63,757 | 125,820 | 0 | 0 | 0 |
| *STAR Property Tax Relief* | 3,413,542 | 3,269,866 | 3,417,620 | 3,584,167 | 3,772,475 |
| *Special Education Categorical Programs* | 1,680,004 | 2,303,888 | 2,282,245 | 2,133,136 | 2,265,616 |
| *All Other* | 1,083,473 | 1,114,239 | 1,205,527 | 1,245,125 | 1,235,010 |
| **Functional Total** | 27,768,996 | 33,068,491 | 33,500,672 | 35,220,094 | 37,843,637 |
| **GENERAL GOVERNMENT** | | | | | |
| Budget, Division of the | 40,775 | 39,212 | 40,751 | 41,825 | 42,755 |
| Civil Service, Department of | 21,384 | 17,406 | 17,561 | 17,820 | 18,113 |
| Deferred Compensation | 673 | 826 | 774 | 796 | 823 |
| Elections, State Board of | 50,405 | 101,615 | 56,577 | 36,154 | 6,099 |
| Employee Relations, Office of | 3,204 | 3,202 | 3,223 | 3,257 | 3,297 |
| Financial Plan Control Board | 2,630 | 3,190 | 3,330 | 3,494 | 3,638 |
| General Services, Office of | 197,766 | 196,027 | 201,742 | 213,048 | 215,935 |
| Inspector General, Office of | 6,079 | 6,024 | 6,187 | 6,272 | 6,359 |
| Labor Management Committee | 33,609 | 45,300 | 50,300 | 56,918 | 25,765 |
| Lottery, Division of | 185,777 | 173,408 | 176,790 | 177,280 | 181,544 |
| Public Employment Relations Board | 3,785 | 4,208 | 4,164 | 4,216 | 4,268 |
| Public Integrity, Commission on | 4,209 | 4,054 | 4,463 | 4,643 | 4,720 |
| Real Property Services, Office of | 42,806 | 0 | 0 | 0 | 0 |
| Regulatory Reform, Governor's Office of | 2,449 | 1,625 | 1,543 | 1,561 | 1,579 |
| State, Department of | 176,349 | 203,585 | 137,587 | 135,217 | 136,871 |
| Tax Appeals, Division of | 3,458 | 2,952 | 2,787 | 2,787 | 2,825 |
| Taxation and Finance, Department of | 417,898 | 457,613 | 439,812 | 442,768 | 449,534 |
| Technology, Office for | 23,549 | 27,598 | 79,091 | 83,294 | 42,817 |
| Lobbying, Temporary State Commission on | 0 | 0 | 0 | 0 | 0 |
| Veterans' Affairs, Division of | 16,072 | 17,000 | 16,859 | 16,860 | 16,982 |
| **Functional Total** | 1,232,877 | 1,304,845 | 1,243,541 | 1,248,210 | 1,163,924 |

**CASH DISBURSEMENTS BY FUNCTION**
**ALL FUNDS**
**(thousands of dollars)**

| | 2009-2010 Actuals | 2010-2011 Projected | 2011-2012 Projected | 2012-2013 Projected | 2013-2014 Projected |
|---|---|---|---|---|---|
| **ELECTED OFFICIALS** | | | | | |
| Legislature | 226,089 | 218,795 | 223,196 | 227,685 | 232,263 |
| Judiciary | 2,520,040 | 2,608,663 | 2,843,604 | 2,962,976 | 3,088,947 |
| Audit and Control, Department of | 242,702 | 178,908 | 185,420 | 193,444 | 195,966 |
| Law , Department of | 220,152 | 206,266 | 216,686 | 221,210 | 225,132 |
| Executive Chamber | 17,056 | 15,473 | 16,097 | 16,374 | 16,632 |
| Lieutenant Governor, Office of the | 0 | 516 | 1,051 | 1,066 | 1,066 |
| **Functional Total** | 3,226,039 | 3,228,621 | 3,486,054 | 3,622,755 | 3,760,006 |
| **LOCAL GOVERNMENT ASSISTANCE** | | | | | |
| Aid and Incentives for Municipalities | 1,039,488 | 740,716 | 1,030,259 | 1,030,300 | 1,030,468 |
| Efficiency Incentive Grants Program | 3,293 | 7,595 | 7,632 | 7,533 | 0 |
| Miscellaneous Financial Assistance | 8,920 | 3,920 | 3,920 | 3,920 | 3,920 |
| Municipalities w ith VLT Facilities | 26,489 | 25,801 | 25,801 | 25,801 | 25,801 |
| Small Government Assistance | 2,089 | 2,065 | 2,088 | 2,088 | 2,088 |
| **Functional Total** | 1,080,279 | 780,097 | 1,069,700 | 1,069,642 | 1,062,277 |
| **ALL OTHER CATEGORIES** | | | | | |
| Long-Term Debt Service | 5,012,102 | 5,562,704 | 6,131,145 | 6,445,769 | 6,606,424 |
| Capital Projects | 0 | 0 | 0 | 0 | 0 |
| General State Charges | 2,920,603 | 3,371,678 | 3,791,365 | 4,146,112 | 4,532,588 |
| Miscellaneous | (162,872) | 8,871 | 384,472 | 44,085 | (11,037) |
| **Functional Total** | 7,769,833 | 8,943,253 | 10,306,982 | 10,635,966 | 11,127,975 |
| **TOTAL ALL FUNDS SPENDING** | 126,877,479 | 137,396,829 | 144,316,680 | 148,064,231 | 156,808,139 |

*GSC: Agency disbursements include grants to local governments, state operations and general state charges, which is a departure from prior Financial plan publications. In prior reports, general state charges were excluded from agency spending totals.*

Source: NYS DOB

**GAAP FINANCIAL PLAN**
**GENERAL FUND**
**2010-11**
**(millions of dollars)**

| | Enacted | Change | Mid-Year |
|---|---|---|---|
| **Revenues:** | | | |
| Taxes: | | | |
| Personal income tax | 24,794 | (675) | 24,119 |
| User taxes and fees | 8,893 | (78) | 8,815 |
| Business taxes | 5,631 | 69 | 5,700 |
| Other taxes | 914 | 0 | 914 |
| Miscellaneous revenues | 6,632 | (53) | 6,579 |
| Federal grants | 60 | 1 | 61 |
| **Total revenues** | 46,924 | (736) | 46,188 |
| **Expenditures:** | | | |
| Grants to local governments | 38,406 | 381 | 38,787 |
| State operations | 11,875 | 38 | 11,913 |
| General State charges | 5,148 | (37) | 5,111 |
| Debt service | 0 | 0 | 0 |
| Capital projects | 0 | 0 | 0 |
| **Total expenditures** | 55,429 | 382 | 55,811 |
| **Other financing sources (uses):** | | | |
| Transfers from other funds | 15,380 | 1 | 15,381 |
| Transfers to other funds | (6,504) | 263 | (6,241) |
| Proceeds from financing arrangements/ advance refundings | 403 | 0 | 403 |
| **Net other financing sources (uses)** | 9,279 | 264 | 9,543 |
| **Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses** | 774 | (854) | (80) |
| **Accumulated Surplus/(Deficit)** | (2,764) | (854) | (3,618) |

Source: NYS DOB

**GAAP FINANCIAL PLAN**
**GENERAL FUND**
**2010-2011 THROUGH 2013-2014**
**(millions of dollars)**

| | 2010-11 Mid-Year | 2011-12 Projected | 2012-13 Projected | 2013-14 Projected |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes: | | | | |
| Personal income tax | 24,119 | 25,170 | 25,494 | 27,147 |
| User taxes and fees | 8,815 | 9,053 | 9,268 | 9,714 |
| Business taxes | 5,700 | 6,469 | 6,661 | 6,899 |
| Other taxes | 914 | 1,017 | 1,067 | 1,122 |
| Miscellaneous revenues | 6,579 | 6,387 | 6,383 | 6,388 |
| Federal grants | 61 | 60 | 60 | 60 |
| **Total revenues** | 46,188 | 48,156 | 48,933 | 51,330 |
| **Expenditures:** | | | | |
| Grants to local governments | 38,787 | 49,146 | 53,916 | 58,092 |
| State operations | 11,913 | 12,499 | 12,491 | 12,846 |
| General State charges | 5,111 | 5,389 | 5,992 | 6,499 |
| Debt service | 0 | 0 | 0 | 0 |
| Capital projects | 0 | 0 | 0 | 0 |
| **Total expenditures** | 55,811 | 67,034 | 72,399 | 77,437 |
| **Other financing sources (uses):** | | | | |
| Transfers from other funds | 15,381 | 15,235 | 14,857 | 14,857 |
| Transfers to other funds | (6,241) | (6,902) | (7,110) | (7,121) |
| Proceeds from financing arrangements/ advance refundings | 403 | 400 | 400 | 400 |
| **Net other financing sources (uses)** | 9,543 | 8,733 | 8,147 | 8,136 |
| **Operating Surplus/(Deficit)** | (80) | (10,145) | (15,319) | (17,971) |

Source: NYS DOB

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# Annual Information Statement

# State of New York

# September 7, 2010

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# Annual Information Statement
# State of New York

*Dated: September 7, 2010*

Table of Contents

Annual Information Statement ..... 1
Introduction ..... 1
Usage Notice ..... 2
2010-11 Enacted Budget Gap-Closing Plan ..... 6

Current Fiscal Year ..... 7
2010-11 Disbursements Forecast ..... 22
2010-11 Financial Plan and OutYear Projections ..... 24
2010-11 All Funds Financial Plan Forecast ..... 33
GAAP-Basis Financial Plans/GASB Statement 45 ..... 79
Special Considerations ..... 80

THE FOLLOWING SECTIONS ARE INCLUDED BY CROSS-REFERENCE

Prior Fiscal Years

Economics and Demographics

Debt and Other Financing Activities

Selected State Government Summary
State Government Organization
Appropriations and Fiscal Controls
Investment of State Moneys
Accounting Practices, Financial Reporting and Budgeting
State Government Employment
State Retirement Systems

Authorities and Localities

Litigation and Arbitration

Exhibit A to Annual Information Statement
Glossary of Financial Terms

Exhibit B to Annual Information Statement
Principal State Taxes and Fees

Exhibit C to Annual Information Statement
State-Related Debt by Function

Exhibit D to Annual Information Statement
Glossary of Acronyms

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# Annual Information Statement
of the State of New York

## Introduction

This Annual Information Statement ("AIS") is dated September 7, 2010 and contains information only through that date. This AIS constitutes the official disclosure information regarding the financial condition of the State of New York (the "State") and replaces the Annual Information Statement dated May 15, 2009 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in November 2010 and February 2011) and may be supplemented from time to time as developments may 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. A section entitled the "Current Fiscal Year" that contains (a) extracts from the 2010-11 Enacted Budget Financial Plan, dated August 20, 2010 (the "Updated Financial Plan"), prepared by the Division of the Budget ("DOB"), including the State's official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State's current fiscal year under the heading "Special Considerations." The first part of the section entitled "Current Fiscal Year" summarizes the major components of the 2010-11 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State's governmental funds in 2010-11.

2. Information on other subjects relevant to the State's fiscal condition, including: (a) operating results for the three prior fiscal years, (b) the State's revised economic forecast and a profile of the State economy, (c) debt and other financing activities, (d) selected State government summary, and (e) activities of public authorities and localities.

3. 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 utilized significant portions of the Updated Financial Plan, but has also relied on information drawn from other sources, including the Office of the State Comptroller ("OSC"), that DOB believes to be reliable. Information contained in the section entitled "State Retirement Systems" is furnished by the Office of the State Comptroller. Information relating to matters described in the section entitled "Litigation and Arbitration" is furnished by the State Office of the Attorney General.

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 condition, including potential operating results for the current fiscal year and projected baseline 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 condition of the State.

The economic and financial condition of the State may be affected by various financial, social, economic, environmental, and political factors. These factors can be very complex, may vary from fiscal year to fiscal year, and are frequently the result of actions taken or not taken, not only by the State and its agencies and instrumentalities, but also by entities, such as the federal government or other nations, that are not under the control of the State. Because of the uncertainty and unpredictability of these factors, their impact cannot, as a practical matter, be quantified or incorporated into the assumptions underlying the State's projections.

This Annual Information Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the State's financial results could cause actual results to differ materially from those stated in the forward-looking statements.

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 ("MSRB") 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 the 2009-10 fiscal year in July 2010. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and are available on its website at www.osc.state.ny.us.

# Usage Notice

The AIS has been supplied by the State pursuant to its contractual obligations under various continuing disclosure agreements (each, a "CDA") entered into by the State in connection with financings of 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.state.ny.us) 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 condition 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.**

# Overview

## 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 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 in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economy, as well as new actions taken by the Governor or the Legislature. As required by the State Finance Law, the Governor 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 in January as part of the Executive Budget. The Governor is required to submit these updates to the Legislature and explain any changes from the previous State Financial Plan.

Subject to approval by the Governor, the Legislature may enact additional 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 has authority to 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 near the end of any fiscal year to supplement inadequate appropriations or to provide new appropriations for purposes not covered by the regular and supplemental appropriations.

Recent budget process reforms passed by the Legislature accelerate consensus revenue forecasting, provide for the State Comptroller to issue binding revenue forecasts when the Executive and the Legislature cannot agree, require the use of budget conference committees, and require the adoption of a balanced budget by the Legislature.

During the 2010-11 budget process, the Governor introduced an Executive Budget Financial Plan to eliminate a budget gap for 2010-11 estimated at $7.4 billion, and in February 2010, revised the estimated budget gap upward to $8.2 billion based on an updated forecast of tax receipts and proposed additional gap-closing actions accordingly. In March 2010, the estimated budget gap for 2010-11 had increased to

$9.2 billion (requiring additional gap-closing actions) due to further downward revisions to tax receipts, combined with an expected budget shortfall from 2009-10 that would be carried into 2010-11. As the new fiscal year started on April 1, 2010, the State began enacting a series of interim appropriation bills to fund government operations on a short-term basis. While the State Legislature enacted the annual debt service appropriation bill for 2010-11 in March 2010, the Legislature did not complete action on all annual appropriation bills until late June 2010, and did not pass a revenue bill to complete the budget until August 3, 2010.

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# The 2010-11 Enacted Budget Overview

The following table provides indicators and measures of the 2010-11 Enacted Budget Financial Plan relative to the prior year and relative to the base budget for 2010-11 (before enacted budget actions).

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

| | 2009-10 Adjusted [1,2,3] | 2010-11 Adjusted [1,3] Before Actions | 2010-11 Adjusted [1,3] Enacted Budget |
|---|---|---|---|
| **State Operating Funds Budget** | | | |
| Size of Budget | $78,934 | $85,413 | $78,998 |
| Annual Growth | 1.0% | 8.2% | 0.1% |
| **Other Budget Measures (Annual Change)** | | | |
| General Fund (with transfers) | $54,262 | $60,152 | $53,533 |
| | -0.6% | 10.9% | -1.3% |
| State Funds (Including Capital) | $84,094 | $91,617 | $85,073 |
| | 1.1% | 8.9% | 1.2% |
| Capital Budget (Federal and State) | $7,112 | $8,568 | $8,454 |
| | 4.1% | 20.5% | 18.9% |
| Federal Operating | $44,891 | $45,739 | $46,375 |
| | 22.7% | 1.9% | 3.3% |
| All Funds | $130,937 | $139,720 | $133,827 |
| | 7.7% | 6.7% | 2.2% |
| All Funds (Including "Off-Budget" Capital) | $132,614 | $141,371 | $135,478 |
| | 7.1% | 6.6% | 2.2% |
| **Inflation (CPI) (Annual Change)** | 0.3% | 1.1% | 1.1% |
| **Personal Income (Annual Change)** | -0.4% | 4.3% | 4.3% |
| **All Funds Receipts (Annual Change)** | | | |
| Taxes | $57,668 | $61,509 | $61,796 |
| | -4.4% | 6.7% | 7.2% |
| Miscellaneous Receipts | $23,557 | $22,428 | $23,014 |
| | 17.4% | -4.8% | -2.3% |
| Federal Grants | $47,523 | $48,291 | $49,486 |
| | 22.4% | 1.6% | 4.1% |
| Total Receipts | $128,748 | $132,228 | $134,296 |
| | 8.0% | 2.7% | 4.3% |
| **Base Tax Growth/(Decline)** [4] | -12.3% | 2.2% | 2.2% |
| **General Fund/HCRA Outyear Gap Forecast** | | | |
| 2009-10 [5] | ($1,654) | N/A | N/A |
| 2010-11 [5] | N/A | ($9,188) | $0 |
| 2011-12 | N/A | ($15,851) | ($8,177) |
| 2012-13 | N/A | ($19,650) | ($13,461) |
| 2013-14 | N/A | ($21,584) | ($15,563) |
| **Total General Fund Reserves** | $2,302 | N/A | $1,385 |
| Rainy Day Reserves | $1,206 | N/A | $1,206 |
| Reserved for Deferred Payments[6] | $906 | N/A | $0 |
| All Other Reserves | $190 | N/A | $179 |
| **State Workforce (Subject to Executive Control)** | 131,741 | 131,906 | 128,165 |
| **Debt** | | | |
| State Related Debt Service as % of All Funds Receipts | 4.4% | 4.7% | 4.5% |
| State Related Debt Outstanding | $54,694 | $56,997 | $56,877 |

[1] Spending is adjusted to exclude the impact of paying the end-of-year school aid payment ($2.06 billion) scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute. This was done to carry forward the 2009-10 budget shortfall into 2010-11. See Financial Plan tables for 2009-10 actual results and 2010-11 unadjusted estimates.

[2] 2009-10 Federal and All Funds disbursements and receipts have been adjusted to include $2.0 billion in Federal aid that passes through the State's All Funds Financial Plan under the American Recovery and Reinvestment Act ("ARRA"). This "pass-through" money, which provides no gap-closing benefit and is subject to a range of factors that make the timing of disbursements highly uncertain, was expected to total approximately $4.4 billion in 2009-10. Actual disbursements, however, totaled only $2.4 billion. Thus, 2009-10 results have been adjusted for the difference. See Financial Plan tables for 2009-10 actual results.

[3] Beginning in 2009-10 the State began collecting the new Metropolitan Commuter Transportation taxes and fees on behalf of the MTA, which it then appropriates in its entirety to the MTA. This has added approximately $1.6 billion to special revenue fund receipts and disbursements.

[4] Reflects the estimated change in tax receipts excluding the impact of Tax Law changes since fiscal year 1986-87.

[5] The 2009-10 budget shortfall was carried forward into 2010-11 through the management of payments, including school aid and tax refunds, and addressed as part of the 2010-11 Enacted Budget.

[6] The State deferred more payments than were needed to carry forward the 2009-10 budget shortfall. This created a temporary increase in the year-end balance in 2009-10. The balance was used when the deferred payments were made in the first quarter of 2010-11.

# 2010-11 Enacted Budget Gap-Closing Plan

The following table provides information on how the State closed a $9.2 billion budget gap in 2010-11, and the impact these gap-closing actions are projected to have on the funding shortfall in upcoming fiscal years.

**COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11**
**(millions of dollars)**

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|
| **CURRENT-SERVICES GAP ESTIMATES (BEFORE ANY ACTIONS)[1]** | **(9,188)** | **(15,851)** | **(19,650)** | **(21,584)** |
| **December 2009 Deficit Reduction Actions[2]** | **692** | **811** | **876** | **854** |
| **Total Enacted Budget Gap-Closing Actions** | **8,496** | **6,863** | **5,313** | **5,167** |
| **Spending Control** | **5,627** | **3,972** | **3,432** | **3,542** |
| **Local Assistance (After Vetoes)** | **3,716** | **2,380** | **1,760** | **1,748** |
| School Aid/Lottery Aid | 1,677 | 680 | 129 | 122 |
| Health Care | 779 | 925 | 893 | 893 |
| School Tax Relief Program | 121 | 200 | 210 | 223 |
| Human Services/Labor/Housing | 214 | 165 | 175 | 176 |
| Higher Education | 224 | 174 | 152 | 152 |
| Mental Hygiene | 61 | 74 | 47 | 38 |
| Education/Special Education/Arts | 142 | 13 | 13 | 11 |
| Local Government Aid | 325 | 30 | 29 | 19 |
| All Other | 173 | 119 | 112 | 114 |
| **State Agency Operations/Fringe Benefits/Other** | **1,630** | **1,592** | **1,672** | **1,794** |
| Statewide Agency Operational Reductions | 1,233 | 1,061 | 838 | 815 |
| Fringe Benefits/Pension Amortization | 287 | 472 | 728 | 853 |
| Debt Management/Bonded Capital Savings | 110 | 59 | 106 | 126 |
| **FMAP Local Assistance Contingency Reductions[3]** | **281** | **0** | **0** | **0** |
| **Revenue Actions** | **1,034** | **1,867** | **1,460** | **1,204** |
| Tax Actions | 893 | 1,736 | 1,364 | 1,133 |
| Eliminate Clothing Exemption | 330 | 210 | 0 | 0 |
| Cigarette/Tobacco Products Tax | 290 | 318 | 312 | 307 |
| Temporarily Cap Business Related Tax Credit Claims | 100 | 970 | 970 | 870 |
| Charitable Contributions | 100 | 135 | 160 | 160 |
| Film Credit | 0 | 0 | (168) | (292) |
| Empire Zone Replacement Program | 0 | 0 | (50) | (100) |
| Other Tax Actions | 73 | 103 | 140 | 188 |
| Abandoned Property | 100 | 95 | 60 | 50 |
| Civil Court Filing Fees | 19 | 34 | 34 | 34 |
| All Other Revenue Actions | 22 | 2 | 2 | (13) |
| **Tax Audits/Recoveries/Enforcement** | **371** | **421** | **421** | **421** |
| **Non-Recurring Resources** | **660** | **0** | **0** | **0** |
| Federal TANF Resources | 261 | 0 | 0 | 0 |
| Physician Excess Medical Malpractice Payment Timing | 127 | 0 | 0 | 0 |
| Available Fund Balances/Resources | 121 | 0 | 0 | 0 |
| Additional New York City District Attorney Recoveries | 50 | 0 | 0 | 0 |
| Additional Department of Law Recoveries | 35 | 0 | 0 | 0 |
| School Aid Overpayment Recoveries | 32 | 0 | 0 | 0 |
| All Other | 34 | 0 | 0 | 0 |
| **Extension of Federal Aid** | **804** | **603** | **0** | **0** |
| Enhanced Federal FMAP [4] | 785 | 603 | 0 | 0 |
| Medicare Part D Federal Relief | 19 | 0 | 0 | 0 |
| **2010-11 ENACTED BUDGET SURPLUS/(GAP) ESTIMATE** | **0** | **(8,177)** | **(13,461)** | **(15,563)** |

[1] Includes the carry-forward of the 2009-10 budget shortfall of $1.6 billion into 2010-11.

[2] Recurring value of administrative and legislative actions approved in December 2009.

[3] State law provides for the uniform reduction of local assistance payments to cover the difference between the $1.085 billion in savings assumed in the gap-closing plan from the extension of enhanced FMAP and the $804 million in savings now expected under the legislation approved by the Federal Government.

[4] Estimate of State Financial Plan benefit of the six-month extension of FMAP (January 1, 2011 through June 30, 2011) approved by Congress and signed by the President in August 2010.

# Current Fiscal Year

*The 2010-11 Enacted Budget Financial Plan, extracts of which are set forth below, was prepared by the DOB and reflects the actions of the Legislature and Governor. The Updated Financial Plan contains estimates for the 2010-11 fiscal year and projections for the 2011-12 through 2013-14 fiscal years. As such, it contains estimates and projections of future results that should be construed as forward-looking statements and expectations, not statements of fact. These estimates and projections are based upon assumptions that may be affected by numerous factors, including future economic conditions in the State and the nation, and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.*

*The State Constitution requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund — the fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this 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 spending and revenues 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 Grants to Local Governments). The Financial Plan tables sort all State projections and results by fund and category. The State also reports disbursements and receipts activity by other broad measures: State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes capital project funds and Federal 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 (SRFs), which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal SRFs, which receive Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction and reconstruction of roads, bridges, prisons, and other infrastructure projects; and Debt Service Funds, which pay principal, interest and related expenses on long-term bonds issued by the State and its public authorities.*

*Please refer to the Glossary of Acronyms of this AIS for the definitions of acronyms, defined terms, and abbreviations that are used in this AIS.*

## Updated Financial Plan

Before enactment of the 2010-11 budget, the State faced a projected current-services budget gap of $9.2 billion for fiscal year 2010-11.[1] The gap included a budget shortfall of $1.65 billion from 2009-10 that was carried forward into 2010-11.[2] Over the course of the budget process, the estimated gap for 2010-11 increased from the level estimated in the Executive Budget Financial Plan, mainly due to downward revisions to projected tax receipts.[3] Over the four-year Financial Plan period (2010-11 through 2013-14), the current-service budget gaps totaled an estimated $66 billion.

DOB estimates that the Updated Financial Plan for 2010-11 is balanced on a budgetary (cash) basis of accounting. The budget gap for 2011-12 is projected at $8.2 billion, a decrease of $7.7 billion from the projected gap before enactment of the budget. The gaps for future years total $13.5 billion in 2012-13 and $15.6 billion in 2013-14. The total four-year gap has been reduced by $29 billion, reflecting recurring savings approved in the 2010-11 Enacted Budget. The table below summarizes the gap-closing plan for 2010-11 and the impact on future budget gaps.[4]

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

| | 2010-11[1] | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|
| **Current Services Surplus/(Gap) Estimates** | **(9,188)** | **(15,851)** | **(19,650)** | **(21,584)** |
| **2010-11 Enacted Budget Actions** | **9,188** | **7,674** | **6,189** | **6,021** |
| Spending Control | 6,319 | 4,783 | 4,308 | 4,396 |
| December 2009 Deficit Reduction Actions | 692 | 811 | 876 | 854 |
| Enacted Budget | 4,813 | 4,526 | 4,192 | 4,095 |
| Veto Benefit | 533 | (554) | (760) | (553) |
| FMAP Local Assistance Contingency | 281 | 0 | 0 | 0 |
| Revenue Actions | 1,034 | 1,867 | 1,460 | 1,204 |
| Tax Audits; Recoveries; Enforcement | 371 | 421 | 421 | 421 |
| Non-Recurring Actions | 660 | 0 | 0 | 0 |
| Extension of Enhanced FMAP | 804 | 603 | 0 | 0 |
| **ENACTED BUDGET SURPLUS/(GAP) ESTIMATES** | **0** | **(8,177)** | **(13,461)** | **(15,563)** |
| Four-Year Total Gap (2010-11 through 2013-14) | | | | (37,201) |

[1] Includes the carry-forward of the $1.65 billion budget shortfall from 2009-10.

[1] The current-services gap – the gap before reflecting the impact of the Enacted Budget gap-closing plan – represents (a) the difference between the projected level of General Fund disbursements, including transfers to other funds, needed to fund existing and scheduled commitments, adjusted for demand, and the level of resources available to pay for them, plus (b) the projected operating surplus or deficit in HCRA, which helps finance a number of State health care programs, including a share of the Medicaid program.

[2] In practice, the State carried forward the budget shortfall from 2009-10 by not making certain payments that were scheduled in 2009-10 but not due by law until 2010-11. The State did not make payments for school aid and tax refunds planned for the final quarter of 2009-10 until the first quarter of 2010-11.

[3] See "Summary of Changes to the Current-Services Gap" herein.

[4] The gap-closing plan includes the recurring value of the DRP approved in December 2009. For a summary of the DRP, see the Executive Budget Financial Plan dated February 9, 2010.

The Updated Financial Plan:

- Reduces spending from the current-services forecast by over $6.4 billion in 2010-11, in both the General Fund and in State Operating Funds;[5]
- Holds annual spending, as adjusted, at below the rate of inflation in both the General Fund (-1.3 percent) and State Operating Funds (0.1 percent)[6].Annual spending, as adjusted, for local assistance and agency operations[7] — the portion of the budget that can be controlled most effectively in the short-term — is reduced by a combined total of $1.1 billion;
- Mandates uniform reductions to remaining local assistance payments, with certain limited exceptions, to cover the estimated $280 million shortfall from the $1.1 billion in savings assumed in the gap-closing plan from enhanced FMAP; and
- Maintains the State's rainy day reserves at $1.2 billion.

The Updated Financial Plan does not include education aid authorized by the Federal government in August 2010, when the State was selected to receive approximately $700 million through Race to the Top grant awards and approximately $600 million from the Education Jobs Fund. The impact of this aid, which will pass through the State's budget, is expected to be reflected in the Mid-Year Update to the AIS. On September 2, 2010, OSC announced increases to the 2011-12 employer contribution rates for the New York State and Local Retirement System, and revised actuarial assumptions to be used in calculating employer contribution rates. The average contribution rate for the Employees' Retirement System will increase from 11.9 percent of salaries in 2010-11 to 16.3 percent in 2011-12, and the average contribution rate for the Police and Fire Retirement System will increase from 18.2 percent of salaries to 21.6 percent. The impact on official employer 2011-12 contribution rates will be reflected in the Mid-Year Update to the AIS.

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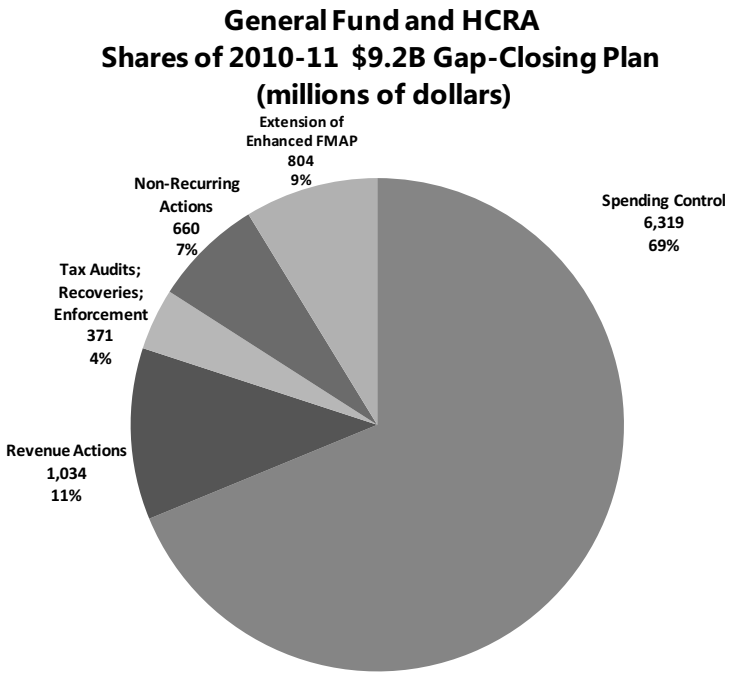
[5] State Operating Funds combines activity in the General Fund, State-financed special revenue funds, and debt service funds and is intended to measure the portion of the State budget that supports operations (as distinct from capital) and that is financed by State resources (as distinct from Federal aid).

[6] Unless otherwise noted, and except for the tables which appear on pages 61-76, all annual spending estimates have been adjusted to account for the impact of 2009-10 payment deferrals and, in the case of Federal Funds and All Funds, for the timing of ARRA pass-through funding. See "Impact on Spending" herein for a complete summary of the adjustments.

[7] Agency operations include fixed costs.

## Composition of the Gap-Closing Plan

Under the approved plan, the combined four-year gap (2010-11 through 2013-14) is cut almost in half, declining from $66 billion to $37 billion. The chart below summarizes the shares of the gap-closing plan by broad category.




Reductions to current-services spending total over $6.4 billion[8] in State Operating Funds and $6.6 billion in the General Fund, constituting nearly 70 percent of the gap-closing plan. The proposed reductions in spending affect nearly every activity financed by State government, ranging from aid to public schools to agency operations to capital expenditures.

The gap-closing plan includes $1.0 billion in new revenue, including $925 million from tax and fee increases. These tax and fee increases include the temporary suspension of the State sales tax exemption on clothing and footwear priced at less than $110 ($330 million), a $1.60 per pack increase in the cigarette tax, the revenues of which are earmarked to help pay for existing health care expenses ($290 million), a temporary cap on the aggregate tax credit claims for business-related tax credits at $2.0 million per taxpayer annually ($100 million), and a decrease in the percentage of allowable remaining itemized deductions from 50 percent to 25 percent for taxpayers with New York adjusted gross income above $10 million ($100 million). In addition, audit, compliance, and enforcement activities are expected to increase the tax base by approximately $371 million annually. This includes $150 million in cigarette enforcement activities on Native American Reservations, which is subject to litigation. See the section entitled "Litigation and Arbitration" herein.

Non-recurring resources, which comprise 7 percent of the gap-closing actions approved in the Updated Financial Plan, total $660 million. (See "2010-11 Gap-Closing Plan - Non-Recurring Resources" herein.)

[8] Includes value of the DRP. See "Explanation of the Deficit Reduction Plan" herein.

## Impact on Spending

The projections for annual spending growth are affected by both the management of payments at the end of 2009-10 and, in the case of Federal Funds and All Funds spending, by the uncertainties concerning the timing of Federal pass-through aid. The latter consists of ARRA stimulus money for a wide range of purposes that provides no gap-closing benefit, but by law must pass through the State's Financial Plan before it reaches its beneficiary. To avoid the distorting effect of these factors, DOB has adjusted spending to (a) exclude the impact of the deferral of the $2.06 billion end-of-year school aid payment from 2009-10 into 2010-11 and (b) include $2.0 billion in Federal ARRA pass-through spending that was initially expected in 2009-10, but is now expected to occur in future years. The table below displays these adjustments. See the Financial Plan tables herein for 2009-10 actual results and 2010-11 unadjusted estimates.

**TOTAL DISBURSEMENTS -- SUMMARY OF ADJUSTMENTS[1]**
**(millions of dollars)**

| | 2009-10 | | | 2010-11 | | |
|---|---|---|---|---|---|---|
| | Actual Results | Adjustment | Results Adjusted | 2010-11 Enacted | Adjustment | Enacted Adjusted |
| **State Operating Funds** | **76,874** | **2,060** | **78,934** | **81,058** | **(2,060)** | **78,998** |
| General Fund (Excludes Transfers) | 46,415 | 2,060 | 48,475 | 49,661 | (2,060) | 47,601 |
| Other State Funds | 25,447 | 0 | 25,447 | 25,789 | 0 | 25,789 |
| Debt Service Funds | 5,012 | 0 | 5,012 | 5,608 | 0 | 5,608 |
| **All Funds** | **126,877** | **4,060** | **130,937** | **135,887** | **(2,060)** | **133,827** |
| State Operating Funds | 76,874 | 2,060 | 78,934 | 81,058 | (2,060) | 78,998 |
| Capital Projects Funds | 7,112 | 0 | 7,112 | 8,454 | 0 | 8,454 |
| Federal Operating Funds | 42,891 | 2,000 | 44,891 | 46,375 | 0 | 46,375 |
| **General Fund, including Transfers** | **52,202** | **2,060** | **54,262** | **55,593** | **(2,060)** | **53,533** |
| **State Funds** | **82,034** | **2,060** | **84,094** | **87,133** | **(2,060)** | **85,073** |

[1] Adjusted to (a) exclude the impact of paying the $2.06 billion end-of-year school aid payment, scheduled for the last quarter of 2009-10, in the first quarter of 2010-11, as authorized in statute; and (b) include $2.0 billion in Federal ARRA pass-through aid in 2009-10. See Financial Plan tables for 2009-10 actual results and 2010-11 estimates.

Adjusted State Operating Funds spending is projected to total $79 billion in 2010-11, an increase of $64 million (0.1 percent) over 2009-10 results. This increase in spending is approximately $1.6 billion below the level that would be permitted under the Governor's proposed spending cap. Compared to the current-services forecast, adjusted State Operating Funds spending is reduced by $6.4 billion.

**TOTAL DISBURSEMENTS — ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH**
**(millions of dollars)**

| | | | Before Actions | | | After Actions | |
|---|---|---|---|---|---|---|---|
| | 2009-10 Adjusted | 2010-11 Base | Annual $ Change | Annual % Change | 2010-11 Adjusted | Annual $ Change | Annual % Change |
| **State Operating Funds** | **78,934** | **85,413** | **6,479** | **8.2%** | **78,998** | **64** | **0.1%** |
| General Fund (Excludes Transfers) | 48,475 | 54,094 | 5,619 | 11.6% | 47,601 | (874) | -1.8% |
| Other State Funds | 25,447 | 25,612 | 165 | 0.6% | 25,789 | 342 | 1.3% |
| Debt Service Funds | 5,012 | 5,707 | 695 | 13.9% | 5,608 | 596 | 11.9% |
| **All Funds** | **130,937** | **139,720** | **8,783** | **6.7%** | **133,827** | **2,890** | **2.2%** |
| State Operating Funds | 78,934 | 85,413 | 6,479 | 8.2% | 78,998 | 64 | 0.1% |
| Capital Projects Funds | 7,112 | 8,568 | 1,456 | 20.5% | 8,454 | 1,342 | 18.9% |
| Federal Operating Funds | 44,891 | 45,739 | 848 | 1.9% | 46,375 | 1,484 | 3.3% |
| **General Fund, including Transfers** | **54,262** | **60,152** | **5,890** | **10.9%** | **53,533** | **(729)** | **-1.3%** |
| **State Funds** | **84,094** | **91,617** | **7,523** | **8.9%** | **85,073** | **979** | **1.2%** |

The annual spending growth in State Operating Funds is affected by the rapid annual increase 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 a total of $1.2 billion in 2010-11.

Debt service on State-supported debt is projected to increase by $555 million (11.2 percent) in 2010-11, with approximately 35 percent of the growth due to the restructuring of certain transportation-related debt in 2005 that deferred substantial debt service costs until 2010-11. Overall spending from debt service funds, which includes certain non-personal service spending appropriated in the debt service budget is projected by DOB to increase by nearly $600 million.

Spending on fringe benefits is projected to increase by $603 million, an increase of 14.1 percent. Growth in fringe benefits is due principally 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 are expected to increase by $312 million (27 percent) in 2010-11. This increase is net of $242 million in amortization savings scheduled for 2010-11. The following table summarizes the growth in these spending categories.

**CAUSES OF ADJUSTED STATE OPERATING FUNDS SPENDING CHANGE [1]**
**(millions of dollars)**

| | 2009-10 | 2010-11 | Annual $ Change | Annual % Change |
|---|---|---|---|---|
| **Total** | **78,934** | **78,998** | **64** | **0.1%** |
| Debt Service | 4,961 | 5,516 | 555 | 11.2% |
| Fringe Benefits | 4,276 | 4,879 | 603 | 14.1% |
| Personal Service | 10,874 | 10,307 | (567) | -5.2% |
| Non-Personal Service/Fixed Costs | 4,885 | 4,663 | (222) | -4.5% |
| Local Assistance | 53,938 | 53,633 | (305) | -0.6% |

1 Adjusted to exclude the impact of paying the $2.06 billion end-of-year school aid payment, scheduled for the last quarter of 2009-10, in the first quarter of 2010-11, as authorized in statute.

In contrast, spending for local assistance and agency operations, two areas of the budget that are responsive to immediate cost reduction efforts, decline by $1.1 billion (-1.6 percent) from 2009-10 levels. Annual spending declines for personal service by $567 million (-5.2 percent), non-personal service by $222 million (-4.5 percent) and for local assistance by $305 million (-0.6 percent).

The following table summarizes the major sources of annual change.

**ADJUSTED STATE SPENDING MEASURES: BEFORE AND AFTER BUDGET ACTIONS [1]**
**(millions of dollars)**

| | 2009-10 Adjusted | 2010-11 Current-Services[2] | Before Actions Annual $ Change | Before Actions Annual % Change | 2010-11 Adjusted | After Actions Annual $ Change | After Actions Annual % Change |
|---|---|---|---|---|---|---|---|
| **Local Assistance:** | **53,938** | **58,580** | **4,642** | **8.6%** | **53,633** | **(305)** | **-0.6%** |
| School Aid [1,3] | 20,373 | 21,471 | 1,098 | 5.4% | 19,942 | (431) | -2.1% |
| STAR | 3,414 | 3,421 | 7 | 0.2% | 3,300 | (114) | -3.3% |
| Other Education Aid | 1,534 | 1,646 | 112 | 7.3% | 1,511 | (23) | -1.5% |
| Medicaid (incl. administration) [4] | 11,458 | 13,102 | 1,644 | 14.3% | 11,629 | 171 | 1.5% |
| Public Health/Aging/Insurance | 2,431 | 2,635 | 204 | 8.4% | 2,314 | (117) | -4.8% |
| Higher Education[5] | 2,817 | 2,755 | (62) | -2.2% | 2,517 | (300) | -10.6% |
| Mental Hygiene | 3,199 | 3,537 | 338 | 10.6% | 3,476 | 277 | 8.7% |
| Social Services | 3,054 | 3,419 | 365 | 12.0% | 3,018 | (36) | -1.2% |
| Local Government Assistance | 1,080 | 1,116 | 36 | 3.3% | 791 | (289) | -26.8% |
| Transportation | 3,823 | 4,354 | 531 | 13.9% | 4,304 | 481 | 12.6% |
| All Other | 755 | 1,124 | 369 | 48.9% | 831 | 76 | 10.1% |
| **State Operations:** | **20,035** | **21,218** | **1,183** | **5.9%** | **19,849** | **(186)** | **-0.9%** |
| Wages/Fringe Benefits | 15,150 | 15,959 | 809 | 5.3% | 15,186 | 36 | 0.2% |
| Personal Service: | 10,874 | 10,733 | (141) | -1.3% | 10,307 | (567) | -5.2% |
| Executive Agencies | 5,357 | 5,276 | (81) | -1.5% | 4,997 | (360) | -6.7% |
| Exec. Agencies - Retroactive Settlements [6] | 320 | 22 | (298) | -93.1% | 22 | (298) | -93.1% |
| SUNY | 3,243 | 3,256 | 13 | 0.4% | 3,124 | (119) | -3.7% |
| Judiciary | 1,537 | 1,547 | 10 | 0.7% | 1,537 | 0 | 0.0% |
| Legislature | 178 | 165 | (13) | -7.3% | 165 | (13) | -7.3% |
| Department of Law | 124 | 120 | (4) | -3.2% | 117 | (7) | -5.6% |
| Audit & Control | 115 | 118 | 3 | 2.6% | 116 | 1 | 0.9% |
| Potential Labor Settlements (Pattern) | 0 | 229 | 229 | 100.0% | 229 | 229 | 100.0% |
| Fringe Benefits: | 4,276 | 5,226 | 950 | 22.2% | 4,879 | 603 | 14.1% |
| Pensions | 1,155 | 1,707 | 552 | 47.8% | 1,467 | 312 | 27.0% |
| Health Insurance | 2,681 | 3,066 | 385 | 14.4% | 3,021 | 340 | 12.7% |
| All Other Fringe Benefits | 440 | 453 | 13 | 3.0% | 391 | (49) | -11.1% |
| Non-Personal Service/Fixed Costs | 4,885 | 5,259 | 374 | 7.7% | 4,663 | (222) | -4.5% |
| **Debt Service** | **4,961** | **5,615** | **654** | **13.2%** | **5,516** | **555** | **11.2%** |
| **TOTAL STATE OPERATING FUNDS** | **78,934** | **85,413** | **6,479** | **8.2%** | **78,998** | **64** | **0.1%** |
| **Capital Projects (State Funded)** | **5,160** | **6,203** | **1,043** | **20.2%** | **6,075** | **915** | **17.7%** |
| **TOTAL STATE FUNDS** | **84,094** | **91,616** | **7,522** | **8.9%** | **85,073** | **979** | **1.2%** |
| **Federal Aid (Including Capital Grants) [7]** | **46,843** | **48,104** | **1,261** | **2.7%** | **48,754** | **1,911** | **4.1%** |
| **TOTAL ALL FUNDS** | **130,937** | **139,720** | **8,783** | **6.7%** | **133,827** | **2,890** | **2.2%** |

[1] Spending is adjusted to exclude the impact of paying the end-of-year school aid payment ($2.06 billion), scheduled for the last quarter of 2009-10, in the first quarter of 2010-11, which was done to carry forward the 2009-10 budget shortfall into 2010-11. See Financial Plan tables for 2009-10 actual results and 2010-11 estimates.

[2] Includes the value of recurring savings from the December 2009 Deficit Reduction Plan.

[3] State fiscal year basis. ARRA funding temporarily reduces spending from State Operating Funds.

[4] Department of Health Medicaid spending only, excludes other State agency spending. ARRA funding temporarily reduces spending from State Operating Funds.

[5] 2009-10 affected by $300 million payment deferral from 2008-09.

[6] Retroactive payments for NYSCOPBA, PBA and BCI labor settlements ($258 million, $42 million and $20 million, respectively) for contract years 2007-08 and 2008-09, reflected in 2009-10 and retroactive payments for NYSCOBPA (Non-Arbitration) and Council 82 ($11 million each) for contract years 2007-08 and 2008-09.

[7] 2009-10 Federal and All Funds disbursements and receipts have been adjusted to include $2.0 billion in Federal aid that passes through the State's All Funds Financial Plan under ARRA. This "pass-through" money, which provides no gap-closing benefit and is subject to a range of factors that make the timing of disbursements highly uncertain, was expected to total approximately $4.4 billion in 2009-10. Actual disbursements, however, totaled only $2.4 billion. Thus, 2009-10 results have been adjusted for the difference. See Financial Plan tables for 2009-10 actual results.

## EXPLANATION OF GAP-CLOSING PLAN

The gap-closing plan consists of two parts, the Enacted Budget actions and the recurring impact of the DRP. This section describes the Enacted Budget gap-closing actions.

### 2010-11 Enacted Budget Actions

The 2010-11 gap-closing actions are organized into three general categories: (a) actions that reduce current-services spending in the General Fund on a recurring basis ("Spending Control"); (b) actions that increase revenues on a recurring basis ("Revenue Actions"); and (c) transactions that increase revenues or lower spending in 2010-11, but that cannot be relied on in the future ("Non-Recurring Resources").

### Spending Control

The Enacted Budget gap-closing plan for 2010-11 focuses foremost on actions that reduce the growth in State spending on a recurring basis. Actions to control spending account for nearly 70 percent of the gap-closing plan and will affect most activities funded by the State. The 2010-11 appropriation and Article VII "language" bills[9] passed by the Legislature, as well as the agency operating reductions, reduced spending by roughly $4.8 billion from current services levels. The Governor's vetoes further reduced General Fund spending in 2010-11 by $533 million.

In addition, the FMAP contingency bill is expected to reduce local assistance spending by approximately $280 million. This is equal to the difference between the benefit of enhanced FMAP assumed in the amended Executive Budget Financial Plan and the amount ultimately approved by Congress in August 2010. The following table summarizes the recurring spending actions in the General Fund by major function or activity.

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[9] Legislation, other than appropriation bills, submitted as part of the budget.

**COMBINED GENERAL FUND/HCRA GAP-CLOSING PLAN FOR 2010-11**
**SPENDING CONTROL (AFTER VETO BENEFIT)**
**SAVINGS/(COSTS)**
**(millions of dollars)**

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|
| **Spending Control**[1] | **5,627** | **3,972** | **3,432** | **3,542** |
| **Local Assistance** | **3,716** | **2,380** | **1,760** | **1,748** |
| School Aid/Lottery Aid | 1,677 | 680 | 129 | 122 |
| Gap Elimination Adjustment | 1,497 | 642 | 0 | 0 |
| Lottery Aid | 180 | 136 | 136 | 136 |
| Other | 0 | (98) | (7) | (14) |
| Health Care | 779 | 925 | 893 | 893 |
| Medicaid Fraud/Audit Recoveries | 300 | 300 | 300 | 300 |
| Eliminate Automatic Medicaid Rate Increases | 99 | 120 | 120 | 120 |
| Reduce Managed Care Premiums | 61 | 75 | 75 | 75 |
| Indigent Care Reduction | 72 | 57 | 47 | 47 |
| HCRA Financing | 103 | 131 | 131 | 131 |
| Public Health/Aging | 29 | 54 | 55 | 55 |
| Other | 115 | 188 | 165 | 165 |
| Higher Education | 224 | 174 | 152 | 152 |
| SUNY/CUNY Community College Base Aid | 106 | 76 | 76 | 76 |
| CUNY Senior College Operations | 48 | 64 | 64 | 64 |
| HESC (primarily TAP) | 70 | 34 | 12 | 12 |
| Local Government Aid | 325 | 30 | 29 | 19 |
| School Tax Relief Program | 121 | 200 | 210 | 223 |
| Human Services/Labor/Housing | 214 | 165 | 175 | 176 |
| Education/Special Education | 142 | 13 | 13 | 11 |
| Mental Hygiene | 61 | 74 | 47 | 38 |
| All Other Local Assistance | 173 | 119 | 112 | 114 |
| **FMAP Contingency Spending Reductions** | **281** | **0** | **0** | **0** |
| **State Operations/Other** | **1,520** | **1,533** | **1,566** | **1,668** |
| Statewide Agency Operational Reductions | 1,233 | 1,061 | 838 | 815 |
| Fringe Benefits/Pension Amortization | 287 | 472 | 728 | 853 |
| | **110** | **59** | **106** | **126** |
| **Debt Management** | 100 | 25 | 34 | 36 |
| **Bonded Capital Spending Reductions**[2] | 10 | 34 | 72 | 90 |

[1] Excludes savings from December 2009 DRP. Net of new funding initiatives. Includes the impact of Governor's vetoes.

[2] Estimated debt service savings from reducing planned capital spending financed with debt.

## Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. State Operating Funds spending for local assistance is estimated at $53.6 billion in 2010-11, a decrease of $305 million (-0.6 percent) from the prior year. The most significant gap-closing actions in local assistance include the following (reductions from the current-services estimate are in parentheses):

- **School aid/lottery aid ($1.7 billion on a State fiscal year basis)** by imposing a one-time adjustment to formula-based school aid on a wealth-equalized basis ($1.5 billion); enhancing the operation of the State's lottery games and VLT facilities (including increased advertising, the extension of operating hours at VLT facilities and the enhancement of the Quick Draw game) to increase lottery revenues for financing school aid, and recognizing an additional $80 million franchise payment for VLT development rights at Aqueduct for a total of $380 million ($180 million).
- **Health Care ($779 million)** through cost-containment measures in Medicaid, including eliminating inflation-based adjustments to rates; decreasing managed care premiums; heightening anti-fraud and audit efforts; implementing prior-approval for insurance rate changes; and financing a greater share of Medicaid spending through HCRA.

In other public health activities, savings result from modifying the payment rates, eligibility standards, and operation of the EI program; eliminating reimbursement for certain optional services provided through the GPHW, and eliminating or reducing General Fund support for programs that are not related to DOH's core mission.

- **Higher Education ($224 million)** by reducing State support for SUNY and CUNY senior and community colleges (which will be partially mitigated by the use of ARRA funding) and reducing TAP program spending by changing eligibility standards and reducing overall grant awards.
- **Local Government Aid ($325 million)** by eliminating AIM funding for New York City (2010-11 only) and Erie County, and by reducing AIM funding to other municipalities by 2 or 5 percent, depending on local reliance on this revenue.
- **STAR ($121 million)** by reducing the benefit for New York City taxpayers with incomes above $500,000.
- **Human Services ($214 million)** by reducing State reimbursement to counties from 63.7 percent to 62 percent for Child Welfare services; reducing or eliminating spending in non-core mission programs; and rightsizing youth facilities.
- **Education/Special Education/Arts ($142 million)** by managing payments for summer school special education costs; using available ARRA funding to help support preschool special education; reducing funding for grants provided by the Council on the Arts; and other measures.
- **Mental Hygiene ($61 million)** by reducing Medicaid rates; improving audit and recovery efforts; restructuring service coordination; and delaying community bed development for certain programs.
- **All Other Local Assistance ($173 million)** by eliminating subsidies to businesses that provide mental health coverage under Timothy's Law ($69 million); reducing a planned deposit to the member items fund ($60 million); and a wide range of program reductions in other areas, including criminal justice and economic development.

## Impact of Vetoes

DOB estimates the Governor's vetoes will save $533 million in 2010-11. The Governor's ability to veto changes in Article VII language bills is arguably limited, in most instances, to either approving or disapproving the entire bills. As a result, the veto of the entire Article VII language bill extended to provisions amending school aid funding formulas, school aid database updates, and higher education tuition assistance, which results in current-year savings, but additional potential costs in future years.

Specifically, the veto prevented the implementation of a 2010-11 Executive Budget recommendation to extend the foundation aid phase-in schedule from seven years to ten years. The Governor has submitted a bill to the Legislature that would restore the outyear savings in the original proposal. The following table summarizes the vetoes.

**SUMMARY OF 2010-11 BUDGET VETOES**
**SAVINGS/(COSTS)**
**(millions of dollars)**

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|
| **Savings/(Costs) from Vetoes** | **533** | **(554)** | **(760)** | **(553)** |
| School Aid | 419 | (652) | (833) | (625) |
| Legislative Restoration | 419 | 170 | 0 | 0 |
| Foundation Aid Phase-In Delay | 0 | (688) | (774) | (592) |
| All Other | 0 | (134) | (59) | (33) |
| Higher Education | 107 | 89 | 64 | 63 |
| SUNY/CUNY Community College Base Aid | 56 | 76 | 76 | 76 |
| HESC TAP Awards for Two-year Degree Programs | 10 | (5) | (13) | (13) |
| HESC TAP $75 Award Reduction | 17 | 7 | 0 | 0 |
| HESC TAP Academic Standards | 6 | 2 | 0 | 0 |
| HESC TAP for Non-SED Programs | 13 | 18 | 18 | 18 |
| HESC Scholarships and Loan Forgiveness | 0 | (5) | (8) | (9) |
| HESC TAP Award Schedules | 5 | (1) | (5) | (5) |
| HESC TAP Default Parity | 0 | (3) | (4) | (4) |
| Health Care | 4 | 5 | 5 | 5 |
| Arts | 2 | 2 | 2 | 2 |
| Housing | 1 | 1 | 1 | 1 |
| Capital Projects/Debt Service | 0 | 1 | 1 | 1 |

## FMAP Contingency Spending Reductions

The 2010-11 Enacted Budget mandates a uniform reduction to local assistance payments beginning September 16, 2010 in an amount up to the level of the shortfall between the actual amount of the six-month enhanced FMAP extension and the amount assumed in the Updated Financial Plan. Payments for public assistance, debt service, court judgments, and certain other purposes are exempt from the uniform reductions. The following table summarizes the change from the initial Financial Plan estimates of a six-month extension and the current estimate following the extension approved by Congress in August 2010.

| FEDERAL ENHANCED FMAP 6-MONTH EXTENSION (STATE SHARE)<br>SUMMARY OF ESTIMATED FINANCIAL PLAN IMPACT -- SAVINGS/(COSTS)<br>(millions of dollars) | | | |
|---|---|---|---|
| | 2010-11<br>Jan - Mar | 2011-12<br>Apr - Jun | Two-Year<br>Total |
| Estimated FMAP Extension (Apr 2010) | 1,085 | 1,060 | 2,145 |
| Approved Federal Extension (Aug 2010) | 804 | 603 | 1,407 |
| Difference | (281) | (457) | (738) |
| FMAP Local Assistance Contingency Reductions | 281 | 0 | 281 |
| **IMPACT ON BUDGET SURPLUS/(GAPS)** | **0** | **(457)** | **(457)** |

The State continues to receive ARRA funds. This aid can be classified into two categories: (1) direct aid that provides a Financial Plan benefit by paying for costs that must otherwise be paid with State resources and (2) pass-through aid that funds specific initiatives and by law must pass through the State's Financial Plan. The following table summarizes total ARRA spending in the State Financial Plan from 2008-09 through 2011-12, the last fiscal year in which substantial ARRA funding is expected.

| SUMMARY OF ESTIMATED FEDERAL ARRA SPENDING BY FISCAL YEAR<br>(millions of dollars) | | | | |
|---|---|---|---|---|
| | 2008-09* | 2009-10* | 2010-11 | 2011-12 |
| **TOTAL DIRECT STATE AID** | **1,299** | **4,227** | **5,908** | **712** |
| **Enhanced Federal FMAP (State Benefit)** | **1,299** | **3,572** | **4,054** | **203** |
| DOH Medicaid | 1,092 | 3,040 | 3,425 | 107 |
| Mental Hygiene Medicaid | 207 | 532 | 629 | 96 |
| **State Fiscal Stabilization Relief** | | **655** | **1,854** | **509** |
| School Aid | | 546 | 1,331 | 509 |
| Higher Education | | 103 | 166 | 0 |
| Special/Other Education | | 6 | 335 | 0 |
| All Other | | 0 | 22 | 0 |
| **TOTAL PASS-THROUGH AID** | **440** | **2,291** | **4,647** | **2,332** |
| Enhanced FMAP (Local Share - Subject to reconcil.) | 440 | 1,122 | 1,738 | 793 |
| Education | | 334 | 860 | 879 |
| Human Services | | 237 | 768 | 0 |
| Transportation | | 205 | 450 | 320 |
| Housing | | 61 | 131 | 120 |
| Labor | | 121 | 111 | 0 |
| Higher Education | | 91 | 102 | 0 |
| Environment | | 39 | 209 | 200 |
| Health Care | | 41 | 144 | 0 |
| Criminal Justice/Public Safety | | 8 | 55 | 20 |
| General Government/Other | | 32 | 79 | 0 |

*Estimated year-end results.

In 2010-11, DOB estimates that ARRA provides a direct benefit of approximately $4 billion through enhanced FMAP and $1.9 billion in aid for elementary and secondary, higher education and housing through SFSF, some of which applies to the 2009-10 school year, for expenses that would otherwise need to be paid for with State resources or eliminated.[10]

**State Operations**

The cost of operating State government includes (a) salaries, (b) pensions and other fringe benefits, and (c) non-personal service expenses, including utilities, rents, medical supplies, and other expenses.[11] State Operating Funds spending for these purposes is expected to total approximately $19.8 billion, a decrease of $186 million from 2009-10. After actions, personal service and non-personal service expenses are projected to decline by nearly $800 million. This is partially offset by growth in fringe benefit costs of $603 million.

The Enacted Budget includes $1.5 billion in savings from efficiency measures in State agencies, targeted workforce savings, and controls to slow the growth in fringe benefit costs.

- **Statewide Agency Operating Reductions ($1.2 billion):** Actions include across-the-board reductions in agency operating budgets, targeted personnel management initiatives, and statewide programs to leverage the State's purchasing power in energy, supplies, and materials. Personal service savings are expected from a combination of ERI savings, attrition and other measures. The Governor has rescinded, for the second consecutive year, the general salary increase for the State's non-unionized "management/confidential" employees ($28 million in 2010-11).
- **Pension Amortization/Fringe Benefits ($287 million):** Local governments and the State face substantial pension contribution increases over the next six years due to investment losses experienced by the Common Retirement Fund. The budget affords local governments and the State the option to amortize a portion of their pension costs beginning in 2010-11. Specifically, pension contribution costs in excess of the amortization thresholds, which are 9.5 percent for ERS and 17.5 percent for PFRS, may be amortized. 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 any amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. The assumed interest rate is 5 percent. For planning purposes, the Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The amounts assumed to be amortized over the Financial Plan period total $242 million in 2010-11, $504 million in 2011-12, $825 million in 2012-13, $1.1 billion in 2013-14, and $1.2 billion in 2014-15. This amortization is expected to result in savings (compared to the unamortized costs), then result in substantially higher costs over the following 10 years as the amortized amounts are repaid. In addition, employees and retirees are now required to pay a portion of Medicare Part B health premiums and the State is authorized to self-insure all or parts of the New York State Health Insurance Plan.

As of March 31, 2010, the State had approximately 195,792 full-time equivalent annual salaried employees funded from all funds including some part-time and temporary employees but excluding seasonal, legislative and judicial employees. The workforce is now 15 percent smaller than it was 20 years ago, when it peaked at 230,600 positions. The State expects to end the 2010-11 fiscal year with a total 191,997 filled positions, after implementation of workforce savings initiatives, which include

[10] This is separate from, and should not be confused with, Federal pass-through spending under ARRA that provides no gap-closing benefit.

[11] The Financial Plan tables presentation includes three separate Financial Plan categories: Personal Service, Non-Personal Service and General State Charges (Fringe Benefits).

workforce changes of certain youth facilities, agency consolidations, early retirement incentives, and the continuation of statewide hiring controls. The State workforce subject to Executive control is expected to total 128,165 full time equivalent positions at the end of 2010-11, a reduction of approximately 3,576 from 2009-10 levels.

The gap-closing plan reduces planned capital projects spending financed with State-supported debt by $1.6 billion over a five-year period, beginning in 2010-11. The reductions are expected to provide over $130 million in annual debt service savings when fully implemented. The capital reductions will help the State maintain sufficient debt capacity.[12] The plan also includes $100 million in debt management savings from refundings and other measures.

## Revenue Actions

The Updated Financial Plan includes $1.0 billion in revenue increases. Tax actions include an increase in the tax on cigarettes and tobacco products, a temporary elimination of the clothing exemption, a temporary cap on the aggregate tax credit claims for business related tax credits at $2 million per taxpayer per year, and a decrease in the percentage of allowable itemized deductions for taxpayers with income above $10 million. The following table summarizes the specific actions.

**COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11 - REVENUE ACTIONS**
**SAVINGS/(COSTS)**
**(millions of dollars)**

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|
| **Revenue Actions** | **1,034** | **1,867** | **1,460** | **1,204** |
| Tax Actions | 893 | 1,736 | 1,364 | 1,133 |
| Eliminate Clothing Exemption | 330 | 210 | 0 | 0 |
| Cigarette/Tobacco Products Tax | 290 | 318 | 312 | 307 |
| Temporarily Cap Business Tax Credit Claims | 100 | 970 | 970 | 870 |
| Charitable Contributions | 100 | 135 | 160 | 160 |
| Sales Tax Vendor Credit | 23 | 23 | 23 | 23 |
| Private Label Credit Cards | 17 | 23 | 23 | 23 |
| Bank Bad Debt Deductions | 15 | 15 | 15 | 15 |
| Clarify Room Remarketers Must Collect Sales Tax | 10 | 20 | 20 | 20 |
| Sales Tax Add-back | 0 | 20 | 20 | 20 |
| Informational Returns for Credit/Debit Cards | 0 | 0 | 35 | 83 |
| Film Credit | 0 | 0 | (168) | (292) |
| Empire Zone Replacement Program | 0 | 0 | (50) | (100) |
| Other Tax Actions | 8 | 2 | 4 | 4 |
| Abandoned Property | 100 | 95 | 60 | 50 |
| Civil Court Filing Fees | 19 | 34 | 34 | 34 |
| All Other Revenue Actions | 22 | 2 | 2 | (13) |
| **Tax Audits/Recoveries/Enforcement** | **371** | **421** | **421** | **421** |

Tax credits extended to the film industry and a restructured Empire Zone program result in additional costs to the Updated Financial Plan, beginning in 2012-13.

[12] Under the Debt Reform Act of 2000, State-supported debt outstanding issued after April 1, 2000 is limited to 4 percent of personal income, starting in 2010-11.

## Non-Recurring Resources

The Enacted Budget relies on $660 million in non-recurring resources in 2010-11. The largest item in this category is the use of the TANF Emergency Contingency Fund to pay for expenses that would otherwise be incurred by the General Fund in 2010-11. The Emergency Contingency Fund is a one-time ARRA authorization. Accordingly, it is not expected to be available in future years. The following table itemizes the non-recurring actions.

**COMBINED GENERAL FUND/HCRA GAP-CLOSING PLAN FOR 2010-11**
**NON-RECURRING RESOURCES SAVINGS/(COSTS)**
**(millions of dollars)**

| | 2010-11 |
|---|---|
| **Non-Recurring Resources** | **660** |
| Federal TANF Resources | 261 |
| Physician Excess Medical Malpractice Payment (Timing) | 127 |
| Additional New York County District Attorney Recoveries | 50 |
| Additional Department of Law Recoveries | 35 |
| School Aid Overpayment Recoveries | 32 |
| NYSHELPS Program Adjustment | 19 |
| Eliminate New Technology Seed Fund | 15 |
| Available Fund Balances/Resources | 121 |

Other non-recurring resources include altering the timing of a planned payment under the Physician's Excess Medical Malpractice program; additional recoveries from both the New York County District Attorney and the Department of Law; and recovering excess aid payments made to school districts in prior years.

## 2009-10 Deficit Reduction Plan

DOB estimates that the DRP approved on December 2, 2009 will generate recurring savings in the range of $700 million to $875 million in fiscal years 2010-11 through 2013-14. The following table summarizes the DRP.

**2009-10 DEFICIT REDUCTION PLAN SUMMARY**
**SAVINGS/(COSTS)**
**(millions of dollars)**

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|
| **Total Deficit Reduction Plan Savings** | **692** | **811** | **876** | **854** |
| **Agency Operational Reductions** | **360** | **385** | **385** | **385** |
| **Legislative Actions [1]** | **332** | **426** | **491** | **469** |
| Health Care | 177 | 161 | 201 | 201 |
| Mental Hygiene | 57 | 55 | 53 | 32 |
| Education/Arts | 39 | 42 | 43 | 43 |
| Higher Education Aid | 36 | 36 | 36 | 36 |
| Local Government Assistance | 32 | 32 | 32 | 32 |
| Tier V Pension | 6 | 20 | 40 | 60 |
| All Other | (15) | 80 | 86 | 65 |

[1] Includes spending reductions in other State Funds that reduce General Fund costs through transfers from the accounts where savings are realized.

## Projected Closing Balances

The State ended 2009-10 with a General Fund balance of $2.3 billion, including $1.2 billion in the rainy day reserves and $906 million resulting from the deferral of certain payments from 2009-10 into 2010-11. The latter amount was disbursed when the deferred payments were made in the first quarter of 2010-11.

After gap-closing actions, the year-end balance is expected to total $1.4 billion in 2010-11, an annual decrease of $917 million. The State's principal reserve funds are expected to remain unchanged, but the reserve created in 2009-10 would be utilized in its entirety. In addition, the balance in the Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor is expected to decline by $11 million from 2009-10. This is the result of $154 million in deposits authorized in prior years and scheduled for 2010-11, offset by $165 million in projected spending in 2010-11. The estimate for spending from the Community Projects Fund is based on historical patterns and may be lower in 2010-11 as a result of the Governor's vetoes of member-item reappropriations. Lower than planned spending would increase the fund balance in the Community Projects Fund. The following table summarizes the projected balances in the General Fund.

**GENERAL FUND CLOSING BALANCE**
**(millions of dollars)**

| | 2009-10 Results | Planned Deposit | Planned Uses | 2010-11 Estimated | Change |
|---|---|---|---|---|---|
| **Projected Year-End Fund Balance** | **2,302** | **154** | **(1,071)** | **1,385** | **(917)** |
| Tax Stabilization Reserve Fund | 1,031 | 0 | 0 | 1,031 | 0 |
| Rainy Day Reserve Fund | 175 | 0 | 0 | 175 | 0 |
| Contingency Reserve Fund | 21 | 0 | 0 | 21 | 0 |
| Community Projects Fund | 96 | 154 | (165) | 85 | (11) |
| Reserved for Debt Reduction | 73 | 0 | 0 | 73 | 0 |
| Reserved for Payment Deferrals | 906 | 0 | (906) | 0 | (906) |

## 2010-11 Disbursements Forecast

The following table displays estimated annual spending growth from 2009-10 to 2010-11, on an adjusted basis. DOB has made adjustments to the actual and planned disbursements to account for the impact of (a) paying the $2.06 billion end-of-year school aid payment scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute and (b) the timing of $2.0 billion in Federal ARRA "pass through" spending expected in 2009-10. The latter has no impact on the State's efforts to balance the budget but instead represents Federal stimulus money that must pass through the State's Financial Plan. Approximately $2 billion in Federal pass-through funding that was initially expected to be disbursed in 2009-10, is now expected to be disbursed in future years. Examples of pass-through spending include Title 1 education grants to school districts, neighborhood stabilization grants, and transportation aid.

**TOTAL DISBURSEMENTS - ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH**
**(millions of dollars)**

| | | | Before Actions | | | After Actions | |
|---|---|---|---|---|---|---|---|
| | 2009-10 Adjusted | 2010-11 Base | Annual $ Change | Annual % Change | 2010-11 Adjusted | Annual $ Change | Annual % Change |
| **State Operating Funds** | **78,934** | **85,413** | **6,479** | **8.2%** | **78,998** | **64** | **0.1%** |
| General Fund (Excludes Transfers) | 48,475 | 54,094 | 5,619 | 11.6% | 47,601 | (874) | -1.8% |
| Other State Funds | 25,447 | 25,612 | 165 | 0.6% | 25,789 | 342 | 1.3% |
| Debt Service Funds | 5,012 | 5,707 | 695 | 13.9% | 5,608 | 596 | 11.9% |
| **All Funds** | **130,937** | **139,720** | **8,783** | **6.7%** | **133,827** | **2,890** | **2.2%** |
| State Operating Funds | 78,934 | 85,413 | 6,479 | 8.2% | 78,998 | 64 | 0.1% |
| Capital Projects Funds | 7,112 | 8,568 | 1,456 | 20.5% | 8,454 | 1,342 | 18.9% |
| Federal Operating Funds | 44,891 | 45,739 | 848 | 1.9% | 46,375 | 1,484 | 3.3% |
| **General Fund, including Transfers** | **54,262** | **60,152** | **5,890** | **10.9%** | **53,533** | **(729)** | **-1.3%** |
| **State Funds** | **84,094** | **91,617** | **7,523** | **8.9%** | **85,073** | **979** | **1.2%** |

Adjusted State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total $79.0 billion in 2010-11. Adjusted All Funds spending, which includes capital spending and Federal aid in addition to State Operating Funds, is projected to total $133.8 billion in 2010-11. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agency) 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.

**ADJUSTED STATE OPERATING FUNDS [1] SPENDING PROJECTIONS**
**MAJOR SOURCES OF ANNUAL CHANGE**
**(millions of dollars)**

| | 2009-10 | 2010-11 | Change |
|---|---|---|---|
| **Major Functions (Annual Change)** | | | |
| Health Care: | | | |
| Medicaid | 11,479 | 11,675 | 196 |
| Public Health | 2,404 | 2,523 | 119 |
| K-12 Education: | | | |
| School Aid (State Fiscal Year) | 20,374 | 19,942 | (432) |
| All Other Education Aid | 1,693 | 1,663 | (30) |
| STAR | 3,414 | 3,300 | (114) |
| Higher Education | 8,447 | 8,092 | (355) |
| Social Services: | | | |
| Temporary and Disability Assistance | 1,360 | 1,222 | (138) |
| Children and Family Services | 2,006 | 2,148 | 142 |
| Mental Hygiene | 4,360 | 4,537 | 177 |
| Transportation | 3,941 | 4,433 | 492 |
| General State Charges [2] | 3,594 | 4,128 | 534 |
| Debt Service | 4,961 | 5,516 | 555 |
| **All Other (Annual Change)** | | | |
| Local Government Aid | 1,080 | 791 | (289) |
| Department of Insurance | 658 | 463 | (195) |
| Statewide Agency Operating Reductions [3] | 0 | (500) | (500) |
| All Other | 9,163 | 9,065 | (98) |
| **Total Adjusted State Operating Funds Spending** | **78,934** | **78,998** | **64** |

[1] Includes General Fund, State Special Revenue and Debt Service Funds.

[2] General Fund only. Fringe benefits are allocated to agency budgets outside of the General Fund.

[3] Reductions will be allocated by agency in the Mid-Year Financial Plan, following approval of early retirement and other savings plans.

# 2010-11 Financial Plan and OutYear Projections

This section presents the State's multi-year projections for receipts and disbursements based on the 2010-11 Enacted Budget. State Law requires the Governor to submit a balanced plan of receipts and disbursements on a cash-basis for the General Fund. However, approximately 40 percent of total State 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. Thus, the multi-year projections and growth rates are presented on both a General Fund and State Operating Funds basis.

The multi-year forecast reflects the impact of the 2010-11 Enacted Budget and updated assumptions concerning economic performance, revenue collections, spending patterns, and projections for the current-services costs of program activities.

In evaluating the State's outyear operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future fiscal condition is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, in terms of the outyear projections, 2011-12 is the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years. DOB will provide quarterly revisions to its multi-year estimates, as required pursuant to State Finance Law.

### Budget Gaps

In the General Fund, the projected budget gaps total approximately $8.2 billion in 2011-12, $13.5 billion in 2012-13, and $15.6 billion in 2013-14. The net operating deficits in State Operating Funds are projected at $8.2 billion in 2011-12, $13.1 billion in 2012-13, and $15.1 billion in 2013-14.

The imbalances projected for the General Fund and State Operating Funds in future years tend to be very similar. This is because the General Fund is typically the financing source of last resort for many State programs, and any imbalance in other funds that cannot be rectified by the use of existing balances is typically paid for by the General Fund.

The growth in the gaps between 2010-11 and 2011-12 is caused in large part by the expiration of Federal stimulus funding for Medicaid and education, which is expected to result in approximately $5.1 billion in costs reverting to the General Fund, starting in 2011-12. The annual growth in the gap is also affected by the sunset, at the end of calendar year 2011, of the temporary PIT increase enacted in 2009-10, which is expected to reduce 2011-12 receipts by approximately $1 billion from 2010-11 levels.

### Spending

General Fund spending is projected to grow at an average annual rate of 9.0 percent from 2009-10 through 2013-14 (as adjusted). Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting 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. Excluding these stimulus-related effects, which temporarily suppress General Fund costs in 2010-11 and the first quarter of 2011-12, General Fund spending grows at approximately 6.8 percent on a compound annual basis.

State Operating Funds spending is projected to grow at an average annual rate of 7.0 percent through 2013-14 (as adjusted). For both the General Fund and State Operating Funds, spending growth is driven by Medicaid, education, pension costs, employee and retiree health benefits, and child welfare programs.

Outyear spending projections do not incorporate any estimate of potential new actions to control spending in future years; any potential continuation of Federal stimulus aid beyond the first quarter of 2011-12; and any costs for future collective bargaining agreements beyond the April 1, 2011 expiration of the current four-year contracts for most unions. In addition, the forecast does not include any additional health care costs or savings that may materialize from the implementation of national health care reform at the Federal level of government.

## Receipts

General Fund receipts are projected to grow at an average annual rate of 3.8 percent from 2009-10 through 2013-14. Overall, State tax receipts growth in the three fiscal years following 2010-11 is expected to range from 1.7 percent to 6.2 percent. This is consistent with a projected return to modest economic growth in the New York economy in the second half of 2010. Receipts growth is affected by the tax changes approved in the Enacted Budget, as well as, in prior fiscal years, and tax compliance and anti-fraud efforts. These factors are expected to continue to enhance expected receipt growth through 2013-14. See "2010-11 All Funds Financial Plan" herein for a complete summary.

The following tables summarize the General Fund and State Operating Funds multi-year projections, adjusted for the school aid deferral from 2009-10 to 2010-11.

# General Fund

**OUTYEAR GENERAL FUND PROJECTIONS (ADJUSTED)**
**(millions of dollars)**

| | 2010-11 | 2011-12 | Annual $ Change | Annual % Change | 2012-13 | Annual $ Change | Annual % Change | 2013-14 | Annual $ Change | Annual % Change |
|---|---|---|---|---|---|---|---|---|---|---|
| **Receipts** | | | | | | | | | | |
| Taxes (After Debt Service) | 50,329 | 53,488 | 3,159 | 6.3% | 54,028 | 540 | 1.0% | 56,962 | 2,934 | 5.4% |
| Personal Income Tax | 32,168 | 34,492 | 2,324 | 7.2% | 34,167 | (325) | -0.9% | 36,085 | 1,918 | 5.6% |
| User Taxes and Fees | 11,128 | 11,318 | 190 | 1.7% | 11,694 | 376 | 3.3% | 12,277 | 583 | 5.0% |
| Business Taxes | 5,714 | 6,335 | 621 | 10.9% | 6,674 | 339 | 5.4% | 6,977 | 303 | 4.5% |
| Other Taxes | 1,319 | 1,343 | 24 | 1.8% | 1,493 | 150 | 11.2% | 1,623 | 130 | 8.7% |
| Miscellaneous Receipts/Federal Grants | 2,957 | 2,919 | (38) | -1.3% | 2,884 | (35) | -1.2% | 2,832 | (52) | -1.8% |
| Other Transfers | 1,390 | 1,400 | 10 | 0.7% | 1,137 | (263) | -18.8% | 1,146 | 9 | 0.8% |
| **Total Receipts** | **54,676** | **57,807** | **3,131** | **5.7%** | **58,049** | **242** | **0.4%** | **60,940** | **2,891** | **5.0%** |
| **Disbursements** | | | | | | | | | | |
| Grants to Local Governments: | **35,448** | **45,557** | **10,109** | **28.5%** | **50,003** | **4,446** | **9.8%** | **53,950** | **3,947** | **7.9%** |
| School Aid | 16,849 | 19,838 | 2,989 | 17.7% | 22,186 | 2,348 | 11.8% | 24,438 | 2,252 | 10.2% |
| Medicaid (incl. administration) | 7,069 | 12,439 | 5,370 | 76.0% | 13,805 | 1,366 | 11.0% | 15,048 | 1,243 | 9.0% |
| Higher Education | 2,495 | 2,760 | 265 | 10.6% | 2,873 | 113 | 4.1% | 2,961 | 88 | 3.1% |
| Mental Hygiene | 2,233 | 2,375 | 142 | 6.4% | 2,519 | 144 | 6.1% | 2,658 | 139 | 5.5% |
| Children and Family Services | 1,864 | 2,057 | 193 | 10.4% | 2,262 | 205 | 10.0% | 2,488 | 226 | 10.0% |
| Other Education Aid | 1,496 | 1,840 | 344 | 23.0% | 1,925 | 85 | 4.6% | 1,977 | 52 | 2.7% |
| Temporary and Disability Assistance | 1,153 | 1,505 | 352 | 30.5% | 1,632 | 127 | 8.4% | 1,682 | 50 | 3.1% |
| All Other | 2,289 | 2,743 | 454 | 19.8% | 2,801 | 58 | 2.1% | 2,698 | (103) | -3.7% |
| State Operations: | **8,025** | **8,601** | **576** | **7.2%** | **8,886** | **285** | **3.3%** | **9,019** | **133** | **1.5%** |
| Personal Service | 6,285 | 6,692 | 407 | 6.5% | 6,891 | 199 | 3.0% | 6,904 | 13 | 0.2% |
| Non-Personal Service | 1,740 | 1,909 | 169 | 9.7% | 1,995 | 86 | 4.5% | 2,115 | 120 | 6.0% |
| General State Charges | **4,128** | **4,482** | **354** | **8.6%** | **4,687** | **205** | **4.6%** | **5,080** | **393** | **8.4%** |
| Pensions | 1,467 | 1,620 | 153 | 10.4% | 1,842 | 222 | 13.7% | 2,118 | 276 | 15.0% |
| Health Insurance (Active Employees) | 1,826 | 1,992 | 166 | 9.1% | 2,171 | 179 | 9.0% | 2,119 | (52) | -2.4% |
| Health Insurance (Retired Employees) | 1,195 | 1,322 | 127 | 10.6% | 1,422 | 100 | 7.6% | 1,536 | 114 | 8.0% |
| Fringe Benefit Escrow | (2,319) | (2,534) | (215) | 9.3% | (2,731) | (197) | 7.8% | (2,817) | (86) | 3.1% |
| All Other | 1,959 | 2,082 | 123 | 6.3% | 1,983 | (99) | -4.8% | 2,124 | 141 | 7.1% |
| Transfers to Other Funds: | **5,932** | **7,392** | **1,460** | **24.6%** | **8,005** | **613** | **8.3%** | **8,479** | **474** | **5.9%** |
| State Share Medicaid | 2,450 | 3,022 | 572 | 23.3% | 3,120 | 98 | 3.2% | 3,083 | (37) | -1.2% |
| Debt Service | 1,642 | 1,766 | 124 | 7.6% | 1,755 | (11) | -0.6% | 1,686 | (69) | -3.9% |
| Capital Projects | 1,096 | 1,368 | 272 | 24.8% | 1,524 | 156 | 11.4% | 1,687 | 163 | 10.7% |
| All Other | 744 | 1,236 | 492 | 66.1% | 1,606 | 370 | 29.9% | 2,023 | 417 | 26.0% |
| **Total Disbursements** | **53,533** | **66,032** | **12,499** | **23.3%** | **71,581** | **5,549** | **8.4%** | **76,528** | **4,947** | **6.9%** |
| **Change in Reserves** | **(917)** | **(48)** | | | **(71)** | | | **(25)** | | |
| **School Aid Deferral** | **(2,060)** | **0** | | | **0** | | | **0** | | |
| **Budget Surplus/(Gap) Estimate** | **0** | **(8,177)** | | | **(13,461)** | | | **(15,563)** | | |

## State Operating Funds

| STATE OPERATING FUNDS PROJECTIONS (ADJUSTED) (millions of dollars) | 2010-11 | 2011-12 | Annual $ Change | Annual % Change | 2012-13 | Annual % Change | 2013-14 | Annual % Change |
|---|---|---|---|---|---|---|---|---|
| **Receipts:** | | | | | | | | |
| Taxes | 60,484 | 64,231 | 3,747 | 6.2% | 65,311 | 1.7% | 68,698 | 5.2% |
| Personal Income Tax | 36,897 | 39,579 | 2,682 | 7.3% | 39,609 | 0.1% | 41,827 | 5.6% |
| User Taxes and Fees | 13,697 | 13,965 | 268 | 2.0% | 14,369 | 2.9% | 14,948 | 4.0% |
| Business Taxes | 7,090 | 7,793 | 703 | 9.9% | 8,209 | 5.3% | 8,590 | 4.6% |
| Other Taxes | 2,800 | 2,894 | 94 | 3.4% | 3,124 | 7.9% | 3,333 | 6.7% |
| Miscellaneous Receipts/Federal Grants | 18,831 | 18,822 | (9) | 0.0% | 19,237 | 2.2% | 19,483 | 1.3% |
| **Total Receipts** | **79,315** | **83,053** | **3,738** | **4.7%** | **84,548** | **1.8%** | **88,181** | **4.3%** |
| **Disbursements:** | | | | | | | | |
| Grants to Local Governments: | 53,633 | 63,889 | 10,256 | 19.1% | 69,264 | 8.4% | 73,861 | 6.6% |
| School Aid | 19,942 | 22,586 | 2,644 | 13.3% | 25,144 | 11.3% | 27,469 | 9.2% |
| Medicaid (incl. administration) | 11,628 | 16,958 | 5,330 | 45.8% | 18,612 | 9.8% | 20,057 | 7.8% |
| STAR | 3,300 | 3,418 | 118 | 3.6% | 3,584 | 4.9% | 3,772 | 5.2% |
| Higher Education | 2,517 | 2,782 | 265 | 10.5% | 2,895 | 4.1% | 2,983 | 3.0% |
| Other Education Aid | 1,511 | 1,854 | 343 | 22.7% | 1,939 | 4.6% | 1,990 | 2.6% |
| Mental Hygiene | 3,474 | 3,757 | 283 | 8.1% | 3,993 | 6.3% | 4,234 | 6.0% |
| Public Health/Insurance/Aging | 2,315 | 2,453 | 138 | 6.0% | 2,580 | 5.2% | 2,589 | 0.3% |
| Social Services | 3,018 | 3,564 | 546 | 18.1% | 3,895 | 9.3% | 4,172 | 7.1% |
| Local Government Assistance | 791 | 1,066 | 275 | 34.8% | 1,077 | 1.0% | 1,077 | 0.0% |
| All Other | 5,137 | 5,451 | 314 | 6.1% | 5,545 | 1.7% | 5,518 | -0.5% |
| State Operations: | 14,642 | 15,697 | 1,055 | 7.2% | 16,195 | 3.2% | 16,355 | 1.0% |
| Personal Service | 10,307 | 11,197 | 890 | 8.6% | 11,488 | 2.6% | 11,534 | 0.4% |
| Non-Personal Service | 4,335 | 4,500 | 165 | 3.8% | 4,707 | 4.6% | 4,821 | 2.4% |
| General State Charges | 5,205 | 5,759 | 554 | 10.6% | 6,145 | 6.7% | 6,616 | 7.7% |
| Pensions | 1,467 | 1,620 | 153 | 10.4% | 1,842 | 13.7% | 2,118 | 15.0% |
| Health Insurance (Active Employees) | 1,826 | 1,992 | 166 | 9.1% | 2,171 | 9.0% | 2,119 | -2.4% |
| Health Insurance (Retired Employees) | 1,195 | 1,322 | 127 | 10.6% | 1,422 | 7.6% | 1,536 | 8.0% |
| All Other | 717 | 825 | 108 | 15.1% | 710 | -13.9% | 843 | 18.7% |
| Debt Service | 5,516 | 6,035 | 519 | 9.4% | 6,357 | 5.3% | 6,503 | 2.3% |
| Capital Projects | 2 | 2 | 0 | 0.0% | 2 | 0.0% | 2 | 0.0% |
| **Total Disbursements** | **78,998** | **91,382** | **12,384** | **15.7%** | **97,963** | **7.2%** | **103,337** | **5.5%** |
| **Net Other Financing Sources/(Uses)** | **663** | **175** | | | **291** | | **100** | |
| **School Aid Deferral** | **(2,060)** | **0** | | | **0** | | **0** | |
| **Net Operating Surplus/(Deficit)[1]** | **(1,080)** | **(8,154)** | | | **(13,124)** | | **(15,056)** | |

[1] Financed with the use of existing fund balances in 2010-11. See Financial Plan Tables.

The annual spending changes are affected by the expiration of Federal stimulus funding for Medicaid and education, which is expected to result in approximately $5.2 billion in costs reverting to the State, starting in 2011-12. The 2010-11 disbursements for school aid are further affected by the deferral of $2.1 billion in planned spending for 2009-10 to 2010-11. The table below displays the impact of the direct Federal aid as it applies to major programs (by adjusting the State spending to show the current service annual change without the benefit of ARRA), which temporarily lowered State costs. All amounts are shown on a State fiscal year basis.

**STATE OPERATING FUNDS SPENDING PROJECTIONS**
**MAJOR PROGRAM AREAS ADJUSTED FOR IMPACT OF ARRA DIRECT FEDERAL AID**
**(millions of dollars)**

| | 2010-11 | 2011-12 | Annual $ Change | Annual % Change |
|---|---|---|---|---|
| State Operating Funds (Adjusted): | 84,884 | 92,094 | 7,210 | 8.5% |
| Reported State Operating Funds With ARRA | 78,998 | 91,382 | 12,384 | 15.7% |
| Plus: Federal ARRA | 5,886 | 712 | (5,174) | -87.9% |
| School Aid (Adjusted) | 21,273 | 23,095 | 1,822 | 8.6% |
| Reported School Aid With ARRA | 19,942 | 22,586 | 2,644 | 13.3% |
| Plus: Federal ARRA (State Fiscal Stabilization) | 1,331 | 509 | (822) | -61.8% |
| DOH Medicaid (Adjusted) | 15,053 | 17,065 | 2,012 | 13.4% |
| Reported Medicaid With ARRA | 11,628 | 16,958 | 5,330 | 45.8% |
| Plus: Federal ARRA (Enhanced FMAP) | 3,425 | 107 | (3,318) | -96.9% |
| Higher Education (Adjusted) | 2,683 | 2,782 | 99 | 3.7% |
| Reported Higher Education With ARRA | 2,517 | 2,782 | 265 | 10.5% |
| Plus: Federal ARRA (State Fiscal Stabilization) | 166 | 0 | (166) | -100.0% |
| Other Education Aid (Adjusted) | 1,846 | 1,854 | 8 | 0.4% |
| Reported Other Education Aid With ARRA | 1,511 | 1,854 | 343 | 22.7% |
| Plus: Federal ARRA (State Fiscal Stabilization) | 335 | 0 | (335) | -100.0% |
| Personal Service (Adjusted) | 10,936 | 11,293 | 357 | 3.3% |
| Personal Service With ARRA | 10,307 | 11,197 | 890 | 8.6% |
| Plus: Federal ARRA (Enhanced FMAP - Mental Hygie | 629 | 96 | (533) | -84.7% |

## Grants to Local Governments

### Medicaid (Department of Health)

The State's share of Medicaid is financed with a combination of General Fund and HCRA resources, as well as a share required by local governments. The Federal government is financing an additional share of Medicaid costs for October 2008 through June 30, 2011, which temporarily lowers the State's costs for the program.

**MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID**
**(millions of dollars)**

| | 2010-11 | 2011-12 | Annual $ Change | Annual % Change | 2012-13 | Annual % Change | 2013-14 | Annual % Change |
|---|---|---|---|---|---|---|---|---|
| **State Operating Funds (Before FMAP)** | **15,053** | **17,065** | **2,012** | **13.4%** | **18,358** | **7.6%** | **20,057** | **9.3%** |
| **Enhanced FMAP -- State Share[1]** | **(3,425)** | **(107)** | **3,318** | **-96.9%** | **254** | **0.0%** | **0** | **0.0%** |
| **State Operating Funds (After FMAP)** | **11,628** | **16,958** | **5,330** | **45.8%** | **18,612** | **9.8%** | **20,057** | **7.8%** |
| **Other State Funds Support** | **(4,559)** | **(4,519)** | **40** | **-0.9%** | **(4,807)** | **6.4%** | **(5,009)** | **4.2%** |
| HCRA Financing | (2,938) | (2,981) | (43) | 1.5% | (3,269) | 9.7% | (3,471) | 6.2% |
| Provider Assessment Revenue | (750) | (750) | 0 | 0.0% | (750) | 0.0% | (750) | 0.0% |
| Indigent Care Revenue | (871) | (788) | 83 | -9.5% | (788) | 0.0% | (788) | 0.0% |
| **Total General Fund** | **7,069** | **12,439** | **5,370** | **76.0%** | **13,805** | **11.0%** | **15,048** | **9.0%** |

[1] Excludes Medicaid spending in other State agencies, including enhanced FMAP for other state agencies.

Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services, and higher levels of utilization, as well as the expiration of the temporarily enhanced levels of Federal aid. The average number of Medicaid recipients is expected to grow to 4.54 million in 2010-11, an increase of 10.3 percent from the estimated 2009-10 caseload of 4.12 million.

The expiration of the enhanced FMAP share substantially increases State-funded spending for Medicaid in 2011-12. However, even after adjusting for the impact of enhanced FMAP, State spending for Medicaid is expected to grow significantly over the multi-year Financial Plan, increasing at an average annual rate of 11.1 percent, from $15.1 billion in 2010-11 to $20.1 billion in 2013-14. Overall Medicaid growth results, in part, from the combination of projected increases in service utilization, and medical care cost inflation that affects nearly all categories of service (e.g., hospitals, nursing homes), as well as rising enrollment levels.

Other factors contributing to Medicaid spending growth include additional costs of approximately $331 million annually attributable to the State cap on local government Medicaid cost increases and the takeover of local FHP costs. Also, the payment of an extra weekly cycle to providers adds an estimated $400 million in 2011-12.

## School Aid

School aid spending includes foundation aid; UPK expansion; and expense-based aids such as building aid, transportation aid, and special education. School aid spending is supported by the General Fund and lottery revenues (including VLTs). On a school-year basis, school aid is projected to grow from $20.6 billion in 2010-11 to $28.1 billion in 2013-14, an average annual rate of approximately 11 percent.

**MULTI-YEAR SCHOOL AID PROJECTIONS - SCHOOL-YEAR BASIS**
**(millions of dollars)**

| | 2010-11 | 2011-12 | Annual $ Change | Annual % Change | 2012-13 | Annual % Change | 2013-14 | Annual % Change |
|---|---|---|---|---|---|---|---|---|
| Foundation Aid/Academic Achievement Grant | 14,894 | 15,889 | 995 | 6.7% | 17,390 | 9.4% | 19,073 | 9.7% |
| Universal Pre-kindergarten | 378 | 378 | 0 | 0.0% | 462 | 22.2% | 564 | 22.1% |
| Expense-Based Aids [1] | 5,890 | 6,390 | 500 | 8.5% | 6,940 | 8.6% | 7,520 | 8.4% |
| Other Aid Categories/Initiatives | 807 | 863 | 56 | 6.9% | 908 | 5.2% | 953 | 5.0% |
| Deficit Reduction Assessment | (1,412) | 0 | 1,412 | -100.0% | 0 | 0.0% | 0 | 0.0% |
| **Total School Aid** | **20,557** | **23,520** | **2,963** | **14.4%** | **25,700** | **9.3%** | **28,110** | **9.4%** |

[1] Includes building, transportation, high cost and private special education, and BOCES.

Growth in 2011-12 is primarily due to increases in expense-based aid and the phase-in of foundation aid over a seven-year period. Growth in 2012-13 projected and beyond is primarily due to increases in foundation aid; UPK expansion; and contractual increases in expense-based aids such as building aid and transportation aid.

On a State fiscal-year basis, school aid spending is projected to grow by $2.6 billion in 2011-12, $2.6 billion in 2012-13, and $2.3 billion in 2013-14.

Over the multi-year Financial Plan period, revenues available to finance school aid from core lottery sales are expected to increase nominally. Revenues from VLTs are expected to grow, augmented by the anticipated opening of a VLT facility at Aqueduct by April 2012.

The Financial Plan currently assumes a one-time franchise payment of $380 million from the sale of VLT development rights at Aqueduct in 2010-11.

## Mental Hygiene

Mental hygiene spending is projected to grow on average by $250 million annually to total $4.2 billion in 2013-14. Sources of growth include: increases in the projected State share of Medicaid costs; projected expansion of the various mental hygiene service systems, including increases primarily associated with the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline, as well as additional funds for supported housing beds and associated support services pursuant to a Federal district court decision; and several chemical dependence treatment and prevention initiatives in OASAS, including treatment costs associated with recent reforms to Rockefeller drug laws.

## Social Services

Children and Family Services spending is expected to grow by approximately $200 million annually through 2013-14 primarily driven by growth in local claims-based programs, including child welfare. TADA spending is projected to increase by $529 million from $1.2 billion in 2010-11 to $1.7 billion by 2013-14, due to the loss of one-time TANF Emergency Contingency Fund grants that were used to support public assistance costs and the projected increase in the public assistance caseload. Based on the

latest economic forecast and updated program data, the total public assistance caseload has increased in all years from 2010-11 to 2013-14 in the Enacted Budget compared to the Executive Budget.

## State Operations

State Operations spending growth over the multi-year Financial Plan is concentrated in agencies with large operational facility-based budgets such as SUNY, Corrections, and the mental hygiene agencies, as well as the Judiciary. The main causes of growth include expiration of the enhanced FMAP that lowers State costs for portions of mental hygiene spending, inflationary increases in operating costs, and ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections.

**STATE OPERATING FUNDS - STATE OPERATIONS**
**(millions of dollars)**

| | 2010-11 | 2011-12 | Annual $ Change | 2012-13 | Annual $ Change | 2013-14 | Annual $ Change |
|---|---|---|---|---|---|---|---|
| **Personal Service** | **10,307** | **11,197** | **890** | **11,488** | **291** | **11,534** | **46** |
| State University | 3,124 | 3,155 | 31 | 3,189 | 34 | 3,214 | 25 |
| Correctional Services | 1,922 | 1,939 | 17 | 1,957 | 18 | 1,951 | (6) |
| Judiciary | 1,537 | 1,838 | 301 | 1,846 | 8 | 1,847 | 1 |
| State Police | 601 | 601 | 0 | 601 | 0 | 601 | 0 |
| Mental Hygiene | 548 | 993 | 445 | 1,062 | 69 | 1,072 | 10 |
| Tax and Finance | 349 | 349 | 0 | 350 | 1 | 353 | 3 |
| Publich Health | 261 | 264 | 3 | 266 | 2 | 267 | 1 |
| Environmental Conservation | 189 | 186 | (3) | 187 | 1 | 187 | 0 |
| Children and Family Services | 179 | 200 | 21 | 219 | 19 | 216 | (3) |
| Legislature | 165 | 168 | 3 | 172 | 4 | 175 | 3 |
| Statewide Agency Operations Savings | (250) | (125) | 125 | 0 | 125 | 0 | 0 |
| All Other | 1,682 | 1,629 | (53) | 1,639 | 10 | 1,651 | 12 |
| **Non-Personal Service** | **4,335** | **4,500** | **165** | **4,707** | **207** | **4,821** | **114** |
| State University | 1,693 | 1,687 | (6) | 1,740 | 53 | 1,795 | 55 |
| Correctional Services | 552 | 589 | 37 | 624 | 35 | 666 | 42 |
| Judiciary | 366 | 366 | 0 | 373 | 7 | 373 | 0 |
| Publich Health | 261 | 260 | (1) | 257 | (3) | 259 | 2 |
| Mental Hygiene | 217 | 243 | 26 | 293 | 50 | 302 | 9 |
| Lottery | 145 | 148 | 3 | 147 | (1) | 150 | 3 |
| Children and Family Services | 102 | 114 | 12 | 120 | 6 | 124 | 4 |
| Tax and Finance | 96 | 96 | 0 | 96 | 0 | 98 | 2 |
| Debt Service | 92 | 92 | 0 | 92 | 0 | 92 | 0 |
| Insurance | 82 | 87 | 5 | 87 | 0 | 87 | 0 |
| Statewide Agency Operations Savings | (250) | (250) | 0 | (250) | 0 | (250) | 0 |
| All Other | 979 | 1,068 | 89 | 1,128 | 60 | 1,125 | (3) |

## Personal Service

Personal service spending includes wages and compensations for overtime, holiday and temporary services. It does not include fringe benefits that are accounted for under General State Charges. Personal service spending increases reflect the impact of settled labor contracts, salary adjustments for performance advances, longevity payments and promotions. Growth in personal service is affected by the expiration of enhanced FMAP, which temporarily reduced the State-share costs of operating the mental hygiene system.

## Non-Personal Service

Non-personal service spending represents the costs of operations other than employee wages and benefits. It includes utilities, rent, equipment, supplies and materials, telecommunications, information technology, travel, training, medical supplies, prescription drugs, and certain contractual obligations. Spending is expected to grow by an average of 4 percent annually through 2013-14, and is concentrated in agencies with large operational facility-based budgets.

Significant cost increases are expected for food, prescription drugs, and energy costs in State facilities (including prisons, youth facilities, and mental hygiene facilities), costs reflected of developing the new Statewide Financial System and targeted initiatives, including increasing staff to youth ratios and improving mental health services for youth residing in State-operated juvenile justice facilities.

## General State Charges

GSCs account for the costs of fringe benefits provided to State employee and retirees of the Executive, Legislative and Judicial branches, as well as for certain fixed costs. GSCs are projected to grow at an average annual rate of 8.3 percent from 2010-11 through 2013-14. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees.

The State's 2010-11 ERS pension contribution rate as a percentage of salary is expected to grow from 12.1 percent in 2010-11 to 23.5 percent in 2013-14. The Police and Fire Retirement System pension contribution rate is expected to be 18.3 percent in 2010-11, and is projected to grow to 31.4 percent by 2013-14. In addition to savings expected from the new tier of pension benefits enacted in December 2009, the Enacted Budget authorizes the State and local governments to amortize a portion of future costs. After these savings actions, pension costs grow from $1.6 billion in 2011-12 to $2.1 billion by 2013-14.

Spending for employee and retiree health insurance costs is expected to grow at a consistently high rate through 2013-14, with annual growth reflecting estimated annual premium increases of roughly 7 percent.

See discussion of the GASB Statement 45 later in this AIS for the valuation of future State health insurance costs for State employees.

## Transfers to Other Funds (General Fund Basis)

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

**OUTYEAR DISBURSEMENT PROJECTIONS - GENERAL FUND TRANSFERS TO OTHER FUNDS**
**(millions of dollars)**

| | 2010-11 | 2011-12 | Annual Change | 2012-13 | Annual Change | 2013-14 | Annual Change |
|---|---|---|---|---|---|---|---|
| **Transfers to Other Funds:** | **5,932** | **7,392** | **1,460** | **8,005** | **613** | **8,479** | **474** |
| Medicaid State Share | 2,450 | 3,022 | 572 | 3,120 | 98 | 3,083 | (37) |
| Debt Service | 1,642 | 1,766 | 124 | 1,755 | (11) | 1,686 | (69) |
| Capital Projects | 1,096 | 1,368 | 272 | 1,524 | 156 | 1,687 | 163 |
| Dedicated Highway and Bridge Trust Fund | 699 | 804 | 105 | 910 | 106 | 1,001 | 91 |
| All Other Capital | 397 | 564 | 167 | 614 | 50 | 686 | 72 |
| All Other Transfers | 744 | 1,236 | 492 | 1,606 | 370 | 2,023 | 417 |
| Mental Hygiene | 49 | 534 | 485 | 884 | 350 | 1,287 | 403 |
| Medicaid Payments for State Facility Patients | 216 | 216 | 0 | 216 | 0 | 216 | 0 |
| Judiciary Funds | 153 | 156 | 3 | 157 | 1 | 163 | 6 |
| Banking Services | 66 | 66 | 0 | 66 | 0 | 66 | 0 |
| Indigent Legal Services | 40 | 40 | 0 | 40 | 0 | 40 | 0 |
| SUNY- Hospital Operations | 33 | 0 | (33) | 0 | 0 | 0 | 0 |
| Department of Transportation (MTA Tax) | 24 | 25 | 1 | 25 | 0 | 25 | 0 |
| Alcoholic Beverage Control | 19 | 20 | 1 | 18 | (2) | 18 | 0 |
| Mass Transportation Operating Assistance | 19 | 19 | 0 | 19 | 0 | 19 | 0 |
| Public Trans Systems | 19 | 19 | 0 | 19 | 0 | 19 | 0 |
| Correctional Industries | 14 | 14 | 0 | 14 | 0 | 14 | 0 |
| DCJS - Crimes Against Revenues Account | 10 | 16 | 6 | 16 | 0 | 16 | 0 |
| Statewide Financial System | 9 | 45 | 36 | 55 | 10 | 60 | 5 |
| All Other | 73 | 66 | (7) | 77 | 11 | 80 | 3 |

Increases in all other transfers reflect the need to supplement resources available for the mental hygiene system and fund the development of the State's new financial management system.

### Dedicated Highway and Bridge Trust Fund

A significant portion of the capital and operating expenses of DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds. The subsidy is projected at $804 million for 2011-12, $910 million for 2012-13, and $1.0 billion in 2013-14, with continued growth thereafter.

## 2010-11 All Funds Financial Plan Forecast

This section describes the State's Financial Plan projections for receipts and disbursements based on the 2010-11 Enacted Budget. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The Updated Financial Plan spending projections summarize the annual growth in current-services spending and the impact of the 2010-11 Enacted Budget on the State's major areas of spending. Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, State Operating Funds, Capital Projects Funds, and Federal Operating Funds, thus providing the most comprehensive view of the financial operations of the State.

# 2010-11 Receipts Forecast

Financial Plan receipts comprise a variety of taxes, fees, 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.

## Overview of the Revenue Situation

- The unsteady recovery of the national and New York State economies is expected to translate into receipts growth for the first time in two years. DOB anticipates that the wage growth that began early in 2010 coupled with positive corporate earnings and a projected rebound in employment later in the year should lead to positive receipts growth in 2010-11.

- After five consecutive years of growth averaging 9.5 percent per year, base receipts slipped by 3 percent in 2008-09 and plunged another 12.3 percent in 2009-10, as the result of the recession which began in 2008.

- The nascent recovery is expected to result in base receipts growth of 2.2 percent in 2010-11 and further improvement in 2011-12 after employment growth returns in earnest. The 2007-08 base receipts All Funds tax receipts peak is not expected to be reached again until 2011-12.

- The return of corporate profits in general, and the financial sector profits so vital to New York's economy in particular, are expected to result in both increases in finance and insurance sector bonuses and stepped up business tax receipts growth in 2010-11 and 2011-12.

- The forecast assumes a shift in taxable capital gains realizations from tax year 2011 into tax year 2010 (resulting in increased 2010-11 receipts) as a result of the expected sunset of preferential Federal tax rates on capital gains on December 31, 2010. If Federal action results in complete or partial continuation of lower rates for all or a portion of taxpayers, these gains will be realized over the long run, not in 2010-11.

- Absent the impact of high income provisions enacted in 2009 and 2010, estimated PIT liability plunged 16.6 percent in 2009 and is projected to increase 11.8 in 2010. The 2009 fall was the result of the continuing overall impact of the recession, and in particular, the impact on the real estate and financial sectors. The high growth rate in 2010 is due, in part, to the expected movement of wages and capital gains realizations from 2011 or later into 2010 to take advantage of expiring lower Federal tax rates. Positive wage and income growth that began in early 2010 and the employment growth anticipated to follow later in the year will also play a role.

- After a vigorous retreat during 2008-09 and 2009-10, consumer spending on taxable goods and services should improve somewhat during 2010-11, driven by increasing disposable income, employment, and a pickup in vehicle sales after a long drought. Despite this improvement, the pre-recession sales tax collections peak will not be reached until 2011-12.

- The bulk of the $4.1 billion (7.2 percent) increase in All Funds tax receipts from 2009-10 to 2010-11 is the result of the full-year impact of the 2009 and 2010 high income personal income tax provisions ($2.1 billion) and other actions taken in the 2010-11 Enacted Budget ($1.3 billion).

All Funds receipts are projected to total $134.3 billion, an increase of $7.5 billion over 2009-10 results. The table below summarizes the receipts projections for 2010-11 and 2011-12.

**TOTAL RECEIPTS**
**(millions of dollars)**

| | 2009-10 Results | 2010-11 Estimated | Annual $ Change | Annual % Change | 2011-12 Projected | Annual $ Change | Annual % Change |
|---|---|---|---|---|---|---|---|
| **General Fund** | **52,556** | **54,676** | **2,120** | **4.0%** | **57,807** | **3,131** | **5.7%** |
| Taxes | 36,997 | 39,931 | 2,934 | 7.9% | 42,564 | 2,633 | 6.6% |
| Miscellaneous Receipts | 3,888 | 2,897 | (991) | -25.5% | 2,859 | (38) | -1.3% |
| Federal Grants | 71 | 60 | (11) | -15.5% | 60 | 0 | 0.0% |
| Transfers | 11,600 | 11,788 | 188 | 1.6% | 12,324 | 536 | 4.5% |
| **State Funds** | **81,141** | **84,783** | **3,642** | **4.5%** | **88,784** | **4,001** | **4.7%** |
| Taxes | 57,668 | 61,796 | 4,128 | 7.2% | 65,573 | 3,777 | 6.1% |
| Miscellaneous Receipts | 23,389 | 22,870 | (519) | -2.2% | 23,091 | 221 | 1.0% |
| Federal Grants | 84 | 117 | 33 | 39.3% | 120 | 3 | 2.6% |
| **All Funds** | **126,748** | **134,296** | **7,548** | **6.0%** | **133,706** | **(590)** | **-0.4%** |
| Taxes | 57,668 | 61,796 | 4,128 | 7.2% | 65,573 | 3,777 | 6.1% |
| Miscellaneous Receipts | 23,557 | 23,014 | (543) | -2.3% | 23,229 | 215 | 0.9% |
| Federal Grants | 45,523 | 49,486 | 3,963 | 8.7% | 44,904 | (4,582) | -9.3% |

Base growth in tax receipts of 2.2 percent is estimated for fiscal year 2010-11, after adjusting for law changes, and should improve further in 2011-12. These projected increases in overall base growth in tax receipts are dependent on many factors:

- Anticipated improvements in overall economic activity, especially in New York City and surrounding counties;
- Improving profitability and compensation gains among financial services companies;
- Continued 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) | 2009-10 Results | 2010-11 Enacted | Annual $ Change | Annual % Change | 2011-12 Projected | Annual $ Change | Annual % Change |
|---|---|---|---|---|---|---|---|
| **General Fund[1]** | **22,654** | **24,373** | **1,719** | **7.6%** | **26,265** | **1,892** | **7.8%** |
| Gross Collections | 41,393 | 45,086 | 3,693 | 8.9% | 47,329 | 2,243 | 5.0% |
| Refunds/Offsets | (6,642) | (8,189) | (1,547) | 23.3% | (7,752) | 437 | -5.3% |
| STAR | (3,409) | (3,299) | 110 | -3.2% | (3,417) | (118) | 3.6% |
| RBTF | (8,688) | (9,225) | (537) | 6.2% | (9,895) | (670) | 7.3% |
| **State/All Funds** | **34,751** | **36,897** | **2,146** | **6.2%** | **39,577** | **2,680** | **7.3%** |
| Gross Collections | 41,393 | 45,086 | 3,693 | 8.9% | 47,329 | 2,243 | 5.0% |
| Refunds | (6,642) | (8,189) | (1,547) | 23.3% | (7,752) | 437 | -5.3% |

[1] Excludes Transfers.

All Funds PIT receipts, which reflect gross payments minus refunds, are estimated at $36.9 billion for 2010-11, a $2.1 billion or 6.2 percent increase from the prior year. This is primarily attributable to increases in withholding of $1.9 billion and current estimated payments of $1.3 billion. These increases are due to the gradual improvement in the economy and full-year compliance with the temporary rate increase enacted in 2009. The growth in the estimated tax is also partly driven by an expected "spin up" in capital gain realizations in 2010 in anticipation of higher Federal capital gains tax rates after tax year 2010. Receipts from delinquencies are projected to increase $61 million (5.5 percent) over the prior year and final returns are projected to increase by $151 million (8.3 percent). The increase in gross receipts is partially offset by higher refunds of $1.5 billion. This increase reflects the shift of $500 million in tax year 2009 refunds from the first calendar quarter of 2010 to April 2010 for cash management purposes, plus a one-time decline in 2009-10 refunds associated with an accounting adjustment to the State-city offset. Prior year refunds received in 2010-11 for tax year 2009, which increased by $516 million to $5,502 million as a result of the recent economic downturn, also contributed to higher refunds. The following table summarizes, by component, actual receipts for 2009-10 and forecast amounts through 2013-14.

## User Taxes and Fees

| USER TAXES AND FEES (millions of dollars) | 2009-10 Results | 2010-11 Enacted | Annual $ Change | Annual % Change | 2011-12 Projected | Annual $ Change | Annual % Change |
|---|---|---|---|---|---|---|---|
| **General Fund[1,2]** | **8,087** | **8,810** | **723** | **8.9%** | **8,975** | **165** | **1.9%** |
| Sales Tax | 7,405 | 8,083 | 678 | 9.2% | 8,220 | 137 | 1.7% |
| Cigarette and Tobacco Taxes | 456 | 499 | 43 | 9.4% | 522 | 23 | 4.6% |
| Alcoholic Beverage Taxes | 226 | 228 | 2 | 0.9% | 233 | 5 | 2.2% |
| **State/All Funds** | **12,852** | **14,285** | **1,433** | **11.2%** | **14,567** | **282** | **2.0%** |
| Sales Tax | 10,529 | 11,475 | 946 | 9.0% | 11,685 | 210 | 1.8% |
| Cigarette and Tobacco Taxes | 1,364 | 1,765 | 401 | 29.4% | 1,821 | 56 | 3.2% |
| Motor Fuel | 507 | 503 | (4) | -0.8% | 505 | 2 | 0.4% |
| Highway Use Tax | 137 | 134 | (3) | -2.2% | 140 | 6 | 4.5% |
| Alcoholic Beverage Taxes | 226 | 228 | 2 | 0.9% | 233 | 5 | 2.2% |
| Taxicab Surcharge | 13 | 85 | 72 | 553.8% | 85 | 0 | 0.0% |
| Auto Rental Tax | 76 | 95 | 19 | 25.0% | 98 | 3 | 3.2% |

[1] Excludes Transfers.

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

All Funds user taxes and fees receipts for 2010-11 are estimated to be approximately $14.3 billion, an increase of $1.4 billion or 11.2 percent from 2009-10. Sales tax receipts are expected to increase by $946 million from the prior year due to a base growth increase of 6.7 percent. Due to law changes, sales tax receipts are estimated to increase by $366 million. The vast majority of the revenue ($330 million) will come from the elimination of the clothing and footwear tax exemption in 2010-11. Non-sales tax user taxes and fees are estimated to increase by $487 million from 2009-10, mainly due to an increase in the cigarette tax by $1.60 and the full enactment of the taxicab surcharge.

General Fund user taxes and fees receipts are expected to total $8.8 billion in 2010-11, an increase of $723 million or 8.9 percent from 2009-10. The increase largely reflects an increase in sales tax receipts ($678 million) and cigarette tax collections ($43 million).

All Funds user taxes and fees receipts for 2011-12 are projected to be $14.6 billion, an increase of $282 million, or 2.0 percent from 2010-11. This increase largely reflects cigarette tax law changes. General Fund user taxes and fees receipts are projected to total $9.0 billion in 2011-12, an increase of $165 million, or 1.9 percent from 2010-11.

## Business Taxes

**BUSINESS TAXES**
**(millions of dollars)**

| | 2009-10 Results | 2010-11 Enacted | Annual $ Change | Annual % Change | 2011-12 Projected | Annual $ Change | Annual % Change |
|---|---|---|---|---|---|---|---|
| **General Fund** | **5,371** | **5,714** | **343** | **6.4%** | **6,335** | **621** | **10.9%** |
| Corporate Franchise Tax | 2,145 | 2,886 | 741 | 34.5% | 3,172 | 286 | 9.9% |
| Corporation & Utilities Tax | 722 | 685 | (37) | -5.1% | 743 | 58 | 8.5% |
| Insurance Tax | 1,331 | 1,278 | (53) | -4.0% | 1,335 | 57 | 4.5% |
| Bank Tax | 1,173 | 865 | (308) | -26.3% | 1,085 | 220 | 25.4% |
| **State/All Funds** | **7,459** | **7,692** | **233** | **3.1%** | **8,414** | **722** | **9.4%** |
| Corporate Franchise Tax | 2,511 | 3,307 | 796 | 31.7% | 3,624 | 317 | 9.6% |
| Corporation & Utilities Tax | 954 | 902 | (52) | -5.5% | 966 | 64 | 7.1% |
| Insurance Tax | 1,491 | 1,410 | (81) | -5.4% | 1,470 | 60 | 4.3% |
| Bank Tax | 1,399 | 1,023 | (376) | -26.9% | 1,269 | 246 | 24.0% |
| Petroleum Business Tax | 1,104 | 1,050 | (54) | -4.9% | 1,085 | 35 | 3.3% |

All Funds business tax receipts for 2010-11 are estimated at $7.7 billion, an increase of $233 million, or 3.1 percent from the prior year. The estimates reflect an increase of $109 million resulting from tax law changes. The deferral of certain tax credits ($100 million) and conforming the State bank tax's bad debt provisions to the Federal provisions ($15 million) are the major tax law changes. Absent these provisions, All Funds business tax receipts are expected to increase by $124 million or 1.7 percent.

The annual increase in the corporate franchise tax of $796 million is partially offset by year-to-year decreases in the other business taxes. U.S. corporate profits are expected to increase 24.5 percent in calendar year 2010, contributing to growth of 27.9 percent in year-over-year corporate franchise tax receipts, adjusted for tax law changes. Corporation and utilities and insurance tax receipts are expected to decline modestly as trend liability growth rates in these relatively stable taxes do not surpass the acceleration of cash payments on 2010 liability into the 2009-10 fiscal year that resulted from the increase in the mandatory pre-payment from 30 percent to 40 percent.

All Funds business tax receipts for 2011-12 of $8.4 billion are projected to increase $722 million, or 9.4 percent over the prior year reflecting rebound-induced growth rates of 9.6 percent and 24.0 percent in corporate franchise tax and bank tax receipts, respectively. Fiscal Year 2011-12 receipts include $423 million in tax law changes, virtually all attributable to the tax credit deferral provisions included in the Enacted Budget. Growth adjusted for tax law changes is estimated to be 5.4 percent.

General Fund business tax receipts for 2010-11 of $5.7 billion are estimated to increase by $343 million, or 6.4 percent above 2009-10 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

General Fund business tax receipts for 2011-12 of $6.3 billion are projected to increase $621 million, or 10.9 percent from the prior year. Corporate franchise tax and bank tax receipts are projected to increase 9.9 percent and 25.4 percent, respectively, as the income-based taxes continue to recover.

## Other Taxes

**OTHER TAXES**
**(millions of dollars)**

| | 2009-10 Results | 2010-11 Enacted | Annual $ Change | Annual % Change | 2011-12 Projected | Annual $ Change | Annual % Change |
|---|---|---|---|---|---|---|---|
| **General Fund[1]** | **885** | **1,034** | **149** | **16.8%** | **989** | **(45)** | **-4.4%** |
| Estate Tax | 864 | 1,015 | 151 | 17.5% | 970 | (45) | -4.4% |
| Gift Tax | 2 | 0 | (2) | -100.0% | 0 | 0 | 0.0% |
| Real Property Gains Tax | (1) | 0 | 1 | -100.0% | 0 | 0 | 0.0% |
| Pari-Mutuel Taxes | 19 | 18 | (1) | -5.3% | 18 | 0 | 0.0% |
| All Other Taxes | 1 | 1 | 0 | 0.0% | 1 | 0 | 0.0% |
| **State/All Funds** | **1,378** | **1,554** | **176** | **12.8%** | **1,570** | **16** | **1.0%** |
| Estate Tax | 864 | 1,015 | 151 | 17.5% | 970 | (45) | -4.4% |
| Gift Tax | 2 | 0 | (2) | -100.0% | 0 | 0 | 0.0% |
| Real Property Gains Tax | (1) | 0 | 1 | -100.0% | 0 | 0 | 0.0% |
| Real Estate Transfer Tax | 493 | 520 | 27 | 5.5% | 581 | 61 | 11.7% |
| Pari-Mutuel Taxes | 19 | 18 | (1) | -5.3% | 18 | 0 | 0.0% |
| All Other Taxes | 1 | 1 | 0 | 0.0% | 1 | 0 | 0.0% |

[1] Excludes Transfers.

All Funds other tax receipts for 2010-11 are estimated to be approximately $1.6 billion, up $176 million or 12.8 percent from 2009-10 receipts, reflecting growth of 5.5 percent in the real estate transfer tax receipts and 17.5 percent in the estate tax as a result of improved conditions in the equities, real estate and credit markets, combined with strong year-to-date payments from the settlement of large estates.

General Fund other tax receipts are expected to be slightly over $1.0 billion in fiscal year 2010-11, an increase of $149 million or 16.8 percent from 2009-10, due to the growth in the estate tax, partially offset by a 5.3 percent decline in the pari-mutuel tax due to the impact of reduced handle.

All Funds other tax receipts for 2011-12 are projected to be nearly $1.6 billion, up $16 million or 1.0 percent from 2010-11, reflecting modest growth in the real estate transfer tax, partially offset by a decline in estate tax receipts. General Fund other tax receipts are expected to total $989 million in fiscal year 2011-12, the result of a decrease of $45 million in estate tax receipts as increases in household net worth are more than offset by a return to a more normal level of settlements of large estates.

## Miscellaneous Receipts and Federal Grants

| MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars) | 2009-10 Results | 2010-11 Enacted | Annual $ Change | Annual % Change | 2011-12 Projected | Annual $ Change | Annual % Change |
|---|---|---|---|---|---|---|---|
| **General Fund** | **3,959** | **2,957** | **(1,002)** | **-25.3%** | **2,919** | **(38)** | **-1.3%** |
| Miscellaneous Receipts[1] | 3,888 | 2,897 | (991) | -25.5% | 2,859 | (38) | -1.3% |
| Federal Grants | 71 | 60 | (11) | -15.5% | 60 | 0 | 0.0% |
| **State Funds** | **23,473** | **22,987** | **(486)** | **-2.1%** | **23,211** | **224** | **1.0%** |
| Miscellaneous Receipts[1] | 23,389 | 22,870 | (519) | -2.2% | 23,091 | 221 | 1.0% |
| Federal Grants | 84 | 117 | 33 | 39.3% | 120 | 3 | 2.6% |
| **All Funds** | **69,080** | **72,500** | **3,420** | **5.0%** | **68,133** | **(4,367)** | **-6.0%** |
| Miscellaneous Receipts[1] | 23,557 | 23,014 | (543) | -2.3% | 23,229 | 215 | 0.9% |
| Federal Grants | 45,523 | 49,486 | 3,963 | 8.7% | 44,904 | (4,582) | -9.3% |

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

All Funds 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 billion in 2010-11, a decrease of $543 million from 2009-10 results, largely reflecting the impact of non-recurring and accelerated receipts to the State during 2009-10. Sources of receipts during 2009-10, which will not recur or will recur in lesser amounts, include 18-A public utility assessments ($653 million), New York Power Authority contributions ($158 million), Regional Greenhouse Gas Initiative proceeds ($90 million), and Battery Park City Authority resources ($68 million). The total annual decline in miscellaneous receipts also reflects lower bond proceeds available for mental hygiene facility capital improvement ($101 million), lower HCRA receipts ($123 million) and lower receipts from refunds, credits and reimbursements ($101 million). These annual declines were partly offset by growth in other areas, primarily to SUNY revenue growth from expansions at the three SUNY teaching hospitals, enrollment growth, and greater bond proceeds available for SUNY capital projects ($530 million), and increased lottery fund receipts ($380 million) which reflect the one-time receipt of the franchise fee for rights to develop a VLT facility at Aqueduct.

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing is often unpredictable. All Funds Federal grants are projected to total $49.5 billion in 2010-11, an increase of $4.0 billion from 2009-10 results driven by receipt of Federal ARRA monies.

General Fund miscellaneous receipts collections are estimated to be nearly $3.0 billion, down just over $1.0 billion from 2009-10 results. This decrease is primarily due to the loss of a one-time payment from the Power for Jobs Program received in 2009-10 and the timing of an 18-A assessment payment.

All Funds miscellaneous receipts are projected to total $23.2 billion in 2011-12, an increase of $215 million from the current year, largely driven by growth in HCRA receipts ($296 million), growth in bond proceeds generated for mental hygiene facility capital improvements ($151 million) and growth in SUNY income from tuition, fees, patient revenues and other income ($88 million). The projected annual growth in these sources of miscellaneous receipts is partly offset by the non-recurrence of revenues received during 2010-11 for the VLT franchise fee payment ($380 million).

All Funds Federal grants are projected to total $44.9 billion in 2011-12, a decrease of $4.6 billion from the current year, reflecting a decrease in Federal ARRA funding.

General Fund miscellaneous receipts for 2011-12 are projected to decline by $38 million from the current year, and primarily reflect the loss of certain one-time sweeps and payments expected in 2010-11. These reductions are partially offset by an upward revision to abandoned property receipts.

### Enacted Budget Revenue Actions

To preserve essential services while closing an $8.2 billion budget gap for the 2010-11 fiscal year, the Enacted Budget and separately enacted legislation authorize a number of revenue actions.

On a General Fund basis, actions in the Enacted Budget and separately enacted legislation will together increase tax or other revenue by a total of $937 million ($1.4 billion All Funds) in 2010-11.

### Increased Taxes or Fee Liability

(General Fund: $562 million, All Funds: $835.1 million in 2010-11)

- **Tax Actions.** The Enacted Budget contains seven tax actions that will produce $747 million in 2010-11 All Funds revenue.

- **Loophole Closing Actions.** The Enacted Budget contains five actions that close loopholes and ensure that tax burdens are fairly distributed. These actions are expected to produce $44.0 million in additional revenue on an All Funds basis in the 2010-11 fiscal year.

- **New or Increased Fees.** The Enacted Budget contains new and increased legal fees as well as waste fees. These fees are expected to produce $44.1 million in revenue on an All Funds basis in the 2010-11 fiscal year.

### Other Actions

(General Fund: $395 million, All Funds: $560 million in 2010-11)

- **Tax Enforcement Actions.** The Enacted Budget contains four actions that will improve tax audit and compliance activities. These actions are expected to produce $372 million in additional tax revenue on an All Funds basis in the 2010-11 fiscal year. A significant portion ($150 million) of this revenue will be generated by cigarette tax enforcement on sales by Native American tribes to non-tribal members.

- **Other Revenue Actions.** The Enacted Budget contains five other revenue actions, including expanding Quick Draw and video lottery terminal operations, and changing dormancy periods for certain types of abandoned property among other actions. These five actions are

expected to produce $152 million in revenue on a General Fund basis and $202 million on an All Funds basis in the 2010-11 fiscal year.

- **New or Expanded Tax Credits/Exemptions.** The Enacted Budget contains five new or expanded tax credits at a cost of $15 million on an All Funds basis in the 2010-11 fiscal year.

- **Technical Corrections and Extenders.** The Enacted Budget contains two extenders that will maintain both the pari-mutuel tax and major provisions of the bank tax, and temporary GLB provisions and five technical corrections that will amend previously enacted items. These five actions preserve current revenue or tax benefits.

- **New or Expanded Fines.** The Enacted Budget contains two fines that help protect the State's wetlands and mineral resources. These fines are expected to produce $1 million in revenue on an All Funds basis during the 2010-11 fiscal year.

## Tax Actions

**ENACTED BUDGET REVENUE ACTIONS/AGREEMENT**
**(millions of dollars)**

| | 2010-11 | | 2011-12 | |
|---|---|---|---|---|
| | General Fund | All Funds | General Fund | All Funds |
| **TAX ACTIONS** | | | | |
| Temporarily Reduce Sales Tax Clothing Exemption | 330.0 | 330.0 | 210.0 | 210.0 |
| Itemized Deduction Limitation | 100.0 | 100.0 | 135.0 | 135.0 |
| Other Tobacco Products Increase | 30.0 | 30.0 | 48.0 | 48.0 |
| Repeal Vendor Credit for Monthly Filers | 17.0 | 17.0 | 23.0 | 23.0 |
| Apply Sales Tax to Hotel Reseller Markup | 10.0 | 10.0 | 20.0 | 20.0 |
| Cigarette Tax Increase | - | 260.0 | - | 272.0 |
| Add Back Federal Sales Tax Deduction | - | - | 20.0 | 20.0 |
| **TOTAL TAX AND ASSESSMENT ACTIONS** | **487.0** | **747.0** | **456.0** | **728.0** |

- Temporarily Reduce Sales Tax Clothing Exemption. Eliminates State sales and compensating use tax exemptions for clothing and footwear sold for less than $110 per item for the period October 1, 2010 through March 31, 2011; exempts clothing and footwear sold for less than $55 per item for the period April 1, 2011 through March 31, 2012; and restores the original exemption of $110 on April 1, 2012.

- Itemized Deduction Limitation. Decreases the percentage of allowable remaining itemized deductions from 50 percent to 25 percent for taxpayers with New York adjusted gross income of $10 million or more for tax years 2010 through 2012.

- Other Tobacco Products Increase. Increases the tobacco products tax to 75 percent of the wholesale price from 46 percent; increases the tax on snuff to $2.00 per ounce from $0.96 per ounce; and creates a new category under the tobacco products tax imposing a tax on "little cigars" at a rate equivalent to the cigarette tax rate.

- Repeal Vendor Credit for Monthly Filers. Repeals the vendor credit for monthly sales tax filers. Quarterly and annual filers will continue to receive the credit.

- Apply Sales Tax to Hotel Reseller Markup. Clarifies that room remarketers are required to collect sales and New York City occupancy taxes.

- Increase Cigarette Excise Tax by $1.60 per Pack. Increases the State cigarette excise tax from $2.75 per pack to $4.35 per pack.

- Add Back Federal Sales Tax Deduction. Requires itemizing taxpayers who elect to deduct sales tax instead of income tax for Federal purposes to reduce their New York itemized deductions by the amount of sales tax deducted for Federal purposes.

## Loophole Closing Actions

| LOOPHOLE CLOSING ACTIONS (millions of dollars) | | | | |
|---|---|---|---|---|
| | 2010-11 | | 2011-12 | |
| | General Fund | All Funds | General Fund | All Funds |
| S Corp Gains and Installment Inc. as Taxable for Non-Res. | 29.0 | 29.0 | 14.0 | 14.0 |
| Conform to Federal Bad Debt Provisions | 15.0 | 15.0 | 15.0 | 15.0 |
| Define Flow-Through Entities as Taxpayers for Certain Credits | - | - | 12.0 | 12.0 |
| Treat Compensation for Past Service as Taxable for Non-Res. | - | - | 25.0 | 29.0 |
| Make REITs/RICs Loophole Closer Permanent | - | - | - | - |
| **TOTAL LOOPHOLE CLOSING ACTIONS** | **44.0** | **44.0** | **66.0** | **70.0** |

- **Treat S Corp Gains and Installment Income as Taxable for Non-Residents.** Eliminates three related tax loopholes that allow non-residents to avoid taxation by converting underlying S Corporation assets to stock or receiving installment income after termination of S Corporation nexus to New York. Previously, gains on stock and such installment income were considered intangible income and were therefore not subject to tax for non-residents.

- **Conform to Federal Bad Debt Provisions.** Conforms the State bank tax deduction for bad debts to the calculations provided for in the Internal Revenue Code for Federal tax purposes.

- **Define Flow-Through Entities as Taxpayers for QETC and Biofuel Credit Claims.** Eliminates the ability of individual shareholders in flow-through entities (i.e. partnerships, LLCs, and S Corporations) to each claim up to the statutory cap for a taxpayer when claiming the Biofuel and QETC facilities, operations and training credits. The cap will apply to the entity, just as it does for C Corporations.

- **Treat Compensation for Past Services as Taxable for Non-Residents.** Eliminates a tax loophole that permitted a non-resident to receive income – without paying New York taxes – for past services (e.g. termination pay) conducted during a period when their employer had a New York nexus. Such income had been nontaxable.

- **Make REITs/RICs Loophole Closer Permanent.** Makes permanent the provisions that address the closely-held Real Estate Investment trusts and Regulated Investment Companies loophole, which would have otherwise expired on December 31, 2010.

## New or Increased Fees

| NEW OR INCREASED FEES (millions of dollars) | | | | |
|---|---|---|---|---|
| | 2010-11 | | 2011-12 | |
| | General Fund | All Funds | General Fund | All Funds |
| Increased Legal Fees | 31.0 | 41.0 | 42.0 | 56.0 |
| Hazardous Waste Fees | - | 2.1 | - | 2.1 |
| E-Waste Fee | - | 1.0 | - | 0.5 |
| **TOTAL NEW OR INCREASED FEES** | **31.0** | **44.1** | **42.0** | **58.6** |

- **Legal Fees.** Establishes new and increased fees to fund civil legal services, indigent defense, and costs of court operations. A new $95 fee will be paid by plaintiffs (banks and credit card companies) in consumer credit cases. A new $500 "credentialing" fee will be paid by persons who sit for the bar examination and were educated outside the country. A new $190 fee will be charged at the time the index fee is paid in a foreclosure action. The criminal history search fee, which is paid when the Office of Court Administration performs background checks, will be raised from $55 to $65. The biennial bar registration fee will be raised from $350 to $375.

- **Hazardous Waste Fees.** Amends Environmental Conservation Law to consolidate two separate sliding-scale fees paid by hazardous waste generators into a single fee of $130 per ton.

- **E-Waste Fee.** Establishes a statewide electronic equipment reuse and recycling program. It will require manufacturers to accept for recycling or reuse electronic waste for which it is the manufacturer from consumers in the State and accept one piece of electronic waste if offered by a consumer, with the purchase of a piece of equipment of the same type beginning April 1, 2011. It will establish registration requirements for manufacturers of covered electronic equipment sold in the State, and require each manufacturer of covered electronic equipment to register with DEC by January 1, 2011, and pay a $5,000 registration fee; and require any person who becomes a manufacturer after January 1, 2011, to register with DEC before selling or offering for sale covered electronic equipment in the State.

## Tax Enforcement Actions

| ENFORCEMENT ACTIONS (millions of dollars) | | | | |
|---|---|---|---|---|
| | 2010-11 | | 2011-12 | |
| | General Fund | All Funds | General Fund | All Funds |
| Improve Audit and Compliance | 221.0 | 221.0 | 221.0 | 221.0 |
| Native American Tax Enforcement | 36.0 | 150.0 | 48.0 | 200.0 |
| Require Informational Returns for Credit and Debit Cards | - | - | - | - |
| False Claims Act | 1.0 | 1.0 | 2.0 | 2.0 |
| **TOTAL ENFORCEMENT ACTIONS** | **258.0** | **372.0** | **271.0** | **423.0** |

- **Improve Audit and Compliance.** The Commissioner of Taxation and Finance will increase compliance staff and re-direct department resources to generate $221 million in additional annual revenue.

- **Native American Tax Enforcement.** Requires all cigarettes sold to Native American nations or tribes and reservation cigarette sellers to bear a tax stamp and allows the

governing body of a Native American nation or tribe two options for tax-exempt sales to its tribal members.

- Require **Informational Returns for Credit and Debit Cards.** Mirrors Federal requirements by requiring certain financial institutions to also file information returns with the State annually regarding amounts of credit/debit card settlements and third-party network transactions.

- **False Claims Act.** Removes the exemption for tax fraud from the State False Claims Act, allowing citizens to bring legal action against tax cheats and share in the proceeds of the case if the action is successful.

## Other Revenue Actions

| OTHER REVENUE ACTIONS (millions of dollars) | | | | |
|---|---|---|---|---|
| | 2010-11 | | 2011-12 | |
| | General Fund | All Funds | General Fund | All Funds |
| Tax Credit Deferral | 100.0 | 100.0 | 970.0 | 970.0 |
| Change Abandoned Property Dormancy Periods | 35.0 | 35.0 | 45.0 | 45.0 |
| Repeal Private Label Credit Card Law | 17.0 | 17.0 | 23.0 | 23.0 |
| VLT Provisions | - | 30.0 | - | 55.0 |
| Quick Draw Provisions | - | 20.0 | - | 31.0 |
| **TOTAL OTHER REVENUE ACTIONS** | **152.0** | **202.0** | **1,038.0** | **1,124.0** |

- **Tax Credit Deferral.** Allows $2 million in aggregate credit at the taxpayer level for tax years 2010, 2011, and 2012. The total amount of credits deferred under this proposal will be paid back to taxpayers over tax years 2013, 2014, and 2015. This provision affects personal income and corporate income taxpayers. The credits impacted are business-related credits. Personal income tax credits such as the child credit and EITC are excluded.

- **Change Abandoned Property Dormancy Periods.** Reduces the dormancy period for receipts from unclaimed goods from five to three years and non-bank money orders seven to five years.

- **Repeal Private Label Credit Card Law.** Repeals Tax Law §1132(e-1), which allowed private label credit card lenders, as well as vendors who use private label credit card lenders to finance their credit card sales, to claim a sales tax credit or refund on accounts financed by or assigned to the lender that are written or charged off as uncollectible.

- **Extend VLT Hours of Operation.** Increases the authorized hours of operation of VLTs from sixteen to 20 hours a day but no later than 4 AM, reduces the commission rate paid to vendor tracks by one percent, and eliminates the sunset of the VLT program.

- **Quick Draw Hours and Sunset.** Eliminates the restriction on the number of hours that the Division of the Lottery can operate the Quick Draw lottery game and makes the Lottery's authorization to operate the game permanent.

## New or Expanded Tax Credits

| NEW OR EXPANDED TAX CREDITS/EXEMPTIONS (millions of dollars) | | | | |
|---|---|---|---|---|
| | 2010-11 | | 2011-12 | |
| | General Fund | All Funds | General Fund | All Funds |
| Narrow Affiliate Nexus Provisions | (5.0) | (5.0) | (5.0) | (5.0) |
| Expand the Low-Income Housing Tax Credit Program | (4.0) | (4.0) | (4.0) | (4.0) |
| Historic Properties Tax Credits | (3.0) | (3.0) | (5.0) | (5.0) |
| Livery Vehicle Sales Tax Exemption | (3.0) | (3.0) | (3.0) | (3.0) |
| Extend and Expand Film Tax Credit | - | - | - | - |
| Excelsior Jobs Program | - | - | - | - |
| **TOTAL NEW OR EXPANDED TAX CREDITS/EXEMPTIONS** | **(15.0)** | **(15.0)** | **(17.0)** | **(17.0)** |

- **Narrow Affiliate Nexus Provision.** The affiliate nexus provision contained within the 2009-10 Enacted Budget is amended by narrowing the definition of a sales tax vendor by providing that certain in-State activities of an affiliate do not make the seller a vendor.

- **Expand the Low-Income Housing Tax Credit Program.** The Commissioner of the Division of Housing and Community Renewal is authorized to allocate an additional $4 million in aggregate credit awards to taxpayers that develop qualifying housing projects for low-income New Yorkers. Credits are given in equal installments for a ten-year period. As such, the total amount of credits that will be awarded from this new authorization will be $40 million.

- **Historic Properties Tax Credits.** Allows banks and insurance companies to claim the nonresidential tax credit and sunsets the higher residential and non-residential caps enacted in 2009 on December 31, 2014.

- **Livery Vehicle Sales Tax Exemption.** This provision exempts transportation delivered by livery vehicles that both originates and terminates in New York City from the State and New York City sales taxes.

- **Extend and Expand Film Tax Credit.** Provides an additional film tax credit allocation of $420 million per year for tax years 2010 through 2014, $7 million of which is dedicated to a new post-production credit. This measure also imposes various reforms to enhance the State's return on investment. They include requirements that the recipient: conduct at least 10 percent of shooting days at a qualified facility; include an end-credit acknowledging financial support from New York State or provide a New York promotional video as part of the film or DVD release in the secondary market; ensure only purchases of taxable property and services from registered sales tax vendors are eligible in the credit calculation; ensure at least 75 percent of post-production costs are incurred in New York in order to be considered a qualified cost.

- **Create Excelsior Jobs Program.** Establishes a new economic development program to provide incentives based on job creation, investment, and research and development expenditures in New York State. The new program maximizes the return on State investment by capping both total program and individual project costs, allowing only targeted industries to participate, and requiring substantial job and investment thresholds to be met and maintained prior to any project claiming benefits.

## Technical Corrections and Extenders

These provisions have no fiscal impact over the Financial Plan period.

- **Extend Major Provisions of the Bank Tax and Temporary GLB Provisions.** Extends for one year bank tax reform provisions from 1985 and 1987, as well as provisions that were intended to temporarily address regulatory changes from the Federal Gramm-Leach-Bliley Act.

- **Extend the Pari-Mutuel Tax.** Extends lower Pari-Mutuel tax rates for one year. Also extends by one year the rules governing the simulcasting of out-of-state races and the authorization for account wagering.

- **Make Technical Corrections to the 2009-10 Enacted Budget Empire Zones Program Changes.** Clarifies that the Legislature intended to decertify certain businesses retroactively to the 2008 tax year, clarifies reporting provisions, and allows qualified investment projects to claim the investment tax credit and employee incentive tax credit after June 30, 2010.

- **Make Technical Corrections to the 2009-10 Enforcement Provisions.** Restores nonfiling as a class E felony, changes mail response requirements for taxpayer reconciliation conferences, corrects typographical error (changes "article one" to "one article"), defines contribution of aircraft from a nonresident to new subsidiary as a retail sale (and therefore taxable), and restores requirement that IDAs file a report when they appoint an agent to manage a project.

- **Amend the Tax on Medallion Taxicab Trip.** Amends the tax on medallion taxicab rides in MCTD by requiring the medallion owner to collect and remit the 50 cent per ride tax.

- **Real Estate Investment Trusts Technical Amendments.** Clarifies that certain publicly traded REITs with fractional ownership shares in non-related United States REITs are not subject to provisions relating to “closely-held” REITs that were enacted in 2008-09.

- **Estate Tax Unified Credit Technical Amendment.** Preserves the $1 million State unified credit for 2010 despite the expiration of the Federal estate tax.

## New or Increased Fines

| NEW OR INCREASED FINES (millions of dollars) | | | | |
|---|---|---|---|---|
| | 2010-11 | | 2011-12 | |
| | General Fund | All Funds | General Fund | All Funds |
| Freshwater Wetlands Fines | - | 0.7 | - | 0.7 |
| Mineral Resources Fines | - | 0.3 | - | 0.3 |
| **TOTAL NEW OR INCREASED FINES** | - | **1.0** | - | **1.0** |

- **Freshwater Wetlands Fines.** Makes modest increases in fines and penalties, both civil and criminal, for violations of law applicable to wetlands.

- **Mineral Resources Fines.** Makes modest increases in fines and penalties, both civil and criminal, for violations of law applicable to mineral resources.

## 2010-11 Financial Plan Disbursements Forecast

The table below displays estimated annual spending growth from 2009-10 to 2010-11, on an adjusted basis. DOB has made adjustments to the actual and planned disbursements to account for the impact of (a) paying the $2.06 billion end-of-year school aid payment scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute and (b) the timing of $2.0 billion in Federal ARRA "pass through" spending expected in 2009-10. The latter has no impact on the State's efforts to balance the budget but instead represents Federal stimulus money that must pass through the State's Financial Plan. Approximately $2 billion in pass-through funding, that was expected to be disbursed in 2009-10, is now expected to be disbursed in future years. See Financial Plan tables for 2009-10 actual results and 2010-11 estimates.

**TOTAL DISBURSEMENTS - ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH**
**(millions of dollars)**

| | | | Before Actions | | | After Actions | |
|---|---|---|---|---|---|---|---|
| | 2009-10 Adjusted | 2010-11 Base | Annual $ Change | Annual % Change | 2010-11 Adjusted | Annual $ Change | Annual % Change |
| **State Operating Funds** | **78,934** | **85,413** | **6,479** | **8.2%** | **78,998** | **64** | **0.1%** |
| General Fund (Excludes Transfers) | 48,475 | 54,094 | 5,619 | 11.6% | 47,601 | (874) | -1.8% |
| Other State Funds | 25,447 | 25,612 | 165 | 0.6% | 25,789 | 342 | 1.3% |
| Debt Service Funds | 5,012 | 5,707 | 695 | 13.9% | 5,608 | 596 | 11.9% |
| **All Funds** | **130,937** | **139,720** | **8,783** | **6.7%** | **133,827** | **2,890** | **2.2%** |
| State Operating Funds | 78,934 | 85,413 | 6,479 | 8.2% | 78,998 | 64 | 0.1% |
| Capital Projects Funds | 7,112 | 8,568 | 1,456 | 20.5% | 8,454 | 1,342 | 18.9% |
| Federal Operating Funds | 44,891 | 45,739 | 848 | 1.9% | 46,375 | 1,484 | 3.3% |
| **General Fund, including Transfers** | **54,262** | **60,152** | **5,890** | **10.9%** | **53,533** | **(729)** | **-1.3%** |
| **State Funds** | **84,094** | **91,617** | **7,523** | **8.9%** | **85,073** | **979** | **1.2%** |

Adjusted State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total $79.0 billion in 2010-11. Adjusted All Funds spending, which includes capital spending and Federal aid in addition to State Operating Funds, is projected to total $133.8 billion in 2010-11. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agency) 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.

**ADJUSTED STATE OPERATING FUNDS [1] SPENDING PROJECTIONS**
**MAJOR SOURCES OF ANNUAL CHANGE**
**(millions of dollars)**

| | 2009-10 | 2010-11 | Change |
|---|---|---|---|
| **Major Functions (Annual Change)** | | | |
| Health Care: | | | |
| Medicaid | 11,479 | 11,675 | 196 |
| Public Health | 2,404 | 2,523 | 119 |
| K-12 Education: | | | |
| School Aid (State Fiscal Year) | 20,374 | 19,942 | (432) |
| All Other Education Aid | 1,693 | 1,663 | (30) |
| STAR | 3,414 | 3,300 | (114) |
| Higher Education | 8,447 | 8,092 | (355) |
| Social Services: | | | |
| Temporary and Disability Assistance | 1,360 | 1,222 | (138) |
| Children and Family Services | 2,006 | 2,148 | 142 |
| Mental Hygiene | 4,360 | 4,537 | 177 |
| Transportation | 3,941 | 4,433 | 492 |
| General State Charges [2] | 3,594 | 4,128 | 534 |
| Debt Service | 4,961 | 5,516 | 555 |
| **All Other (Annual Change)** | | | |
| Local Government Aid | 1,080 | 791 | (289) |
| Department of Insurance | 658 | 463 | (195) |
| Statewide Agency Operating Reductions [3] | 0 | (500) | (500) |
| All Other | 9,163 | 9,065 | (65) |
| **Total Adjusted State Operating Funds Spending** | **78,934** | **78,998** | **97** |

[1] Includes General Fund, State Special Revenue and Debt Service Funds.

[2] General Fund only. Fringe benefits are allocated to agency budgets outside of the General Fund.

[3] Reductions will be allocated by agency in the Mid-Year Financial Plan, following approval of early retirement and other savings plans.

## Selected Program Measures and Assumptions

Projected current-services disbursements are based on 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, projected economic conditions, and changes in Federal law. All projections account for the timing of payments, since not all of the amounts appropriated in the Budget are disbursed in the same fiscal year. Selected assumptions used in preparing the spending projections for the State's major programs and activities are summarized in the following tables.

**FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES**

| | Results | Forecast | | | |
|---|---|---|---|---|---|
| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| **Medicaid** | | | | | |
| Medicaid Coverage | 4,115,363 | 4,538,817 | 4,580,270 | 4,265,869 | 3,910,295 |
| Family Health Plus Coverage | 386,629 | 388,643 | 396,816 | 404,988 | 413,161 |
| Child Health Plus Coverage | 387,292 | 397,178 | 406,778 | 416,378 | 425,978 |
| Medicaid Inflation | 1.7% | 0.9% | 3.3% | 3.1% | 3.2% |
| Medicaid Utilization | 2.5% | 1.4% | 4.9% | 4.5% | 4.7% |
| State Takeover of County/NYC Costs ($000) | $1,677 | $2,039 | $2,524 | $3,006 | $3,527 |
| - Family Health Plus | $374 | $405 | $436 | $467 | $475 |
| - Medicaid | $1,303 | $1,634 | $2,088 | $2,539 | $3,052 |
| **Education** | | | | | |
| School Aid (School Year) ($000) | $21,687 | $20,557 | $23,520 | $25,700 | $28,110 |
| K-12 Enrollment | 2,730,000 | 2,730,000 | 2,730,000 | 2,730,000 | 2,730,000 |
| Public Higher Education Enrollment (FTEs) | 567,725 | 586,385 | 591,101 | 585,068 | 589,675 |
| Tuition Assistance Program Recipients | 318,455 | 322,632 | 323,632 | 324,132 | 324,132 |
| **Welfare** | | | | | |
| Family Assistance Caseload | 386,603 | 397,263 | 409,253 | 417,387 | 423,733 |
| Single Adult/No Children Caseload | 154,401 | 159,037 | 165,182 | 170,765 | 177,045 |
| **Mental Hygiene** | | | | | |
| Total: Mental Hygiene Community Beds | 82,629 | 85,334 | 87,106 | 89,295 | 91,328 |
| - OMH Community Beds | 34,262 | 35,780 | 36,610 | 37,889 | 38,952 |
| - OPWDD Community Beds | 35,859 | 36,840 | 37,747 | 38,521 | 39,357 |
| - OASAS Community Beds | 12,508 | 12,714 | 12,749 | 12,885 | 13,019 |
| Prison Population (Corrections) | 58,600 | 57,600 | 57,000 | 56,800 | 56,800 |

**FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS**

| | Results | Forecast | | | |
|---|---|---|---|---|---|
| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Negotiated Salary Increases [1] | 3.0% | 4.0% | TBD | TBD | TBD |
| State Workforce [2] | 131,741 | 128,165 | 128,749 | TBD | TBD |
| ERS Pension Contribution Rate:[3] | | | | | |
| Before Amortization | 7.5% | 12.1% | 16.1% | 20.3% | 23.5% |
| After Amortization | 7.5% | 9.5% | 10.5% | 11.5% | 12.5% |
| PFRS Pension Contribution Rate: | | | | | |
| Before Amortization | 15.3% | 18.3% | 23.4% | 27.7% | 31.4% |
| After Amortization | 15.3% | 17.5% | 18.5% | 19.5% | 20.5% |
| Employee/Retiree Health Insurance Growth Rates | 4.8% | 4.6% | 9.3% | 9.2% | 9.2% |
| PS/Fringe as % of Receipts (All Funds Basis) | 14.8% | 14.2% | 15.0% | 15.6% | 15.4% |

[1] Reflects current collective bargaining agreements with settled unions. The Governor withheld Management/Confidential salary increases in 2009-10 and 2010-11. Does not reflect potential impact of negotiated workforce savings.

[2] Subject to Executive Control.

[3] As Percent of Salary.

**FORECAST OF SELECTED PROGRAM MEASURES AFFECTING DEBT**

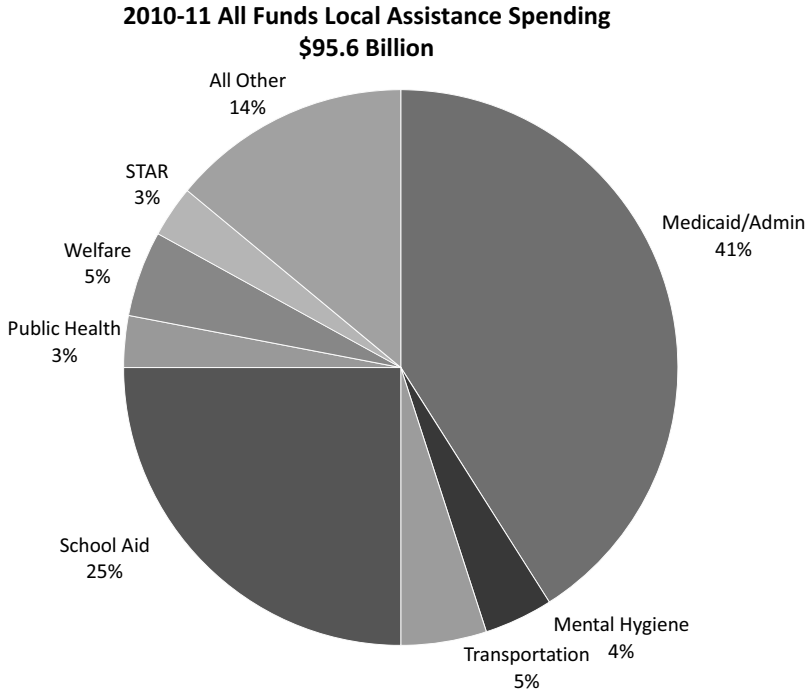
| | Results | Forecast | | | |
|---|---|---|---|---|---|
| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| **State Debt** | | | | | |
| Debt Outstanding | $54,694 | $56,877 | $58,413 | $58,751 | $58,487 |
| Debt Issuances | 6,082 | 5,365 | 5,368 | 4,372 | 3,899 |
| Debt Capacity under Debt Outstanding Cap | 6,663 | 4,547 | 2,460 | 2,343 | 2,769 |
| Debt Service as % of Receipts | 4.4% | 4.5% | 5.0% | 5.2% | 5.1% |
| Interest on Variable Rate Debt | 2.5% | 2.3% | 3.3% | 3.4% | 3.7% |
| Interest on Fixed Rate 30-Year Bonds | 4.9% | 5.3% | 6.3% | 6.3% | 6.3% |

The spending forecast for each of the State's Financial Plan categories follows.

## Grants to Local Governments

Grants to Local Governments (Local Assistance) include payments to local governments, school districts, health care providers, and other local entities, as well as certain financial assistance to, or on behalf of, individuals, families, and nonprofit organizations. Local Assistance comprises 72 percent of All Funds spending.

In 2010-11, adjusted All Funds spending for local assistance is proposed to total $95.6 billion. Total spending is comprised of State aid to medical assistance providers and public health programs ($42.4 billion); State aid for education, including school districts, universities, and tuition assistance ($33.2 billion); temporary and disability assistance ($4.7 billion); mental hygiene programs ($4.0 billion); transportation ($5.1 billion); children and family services ($3.0 billion); and local government assistance ($791 million). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.



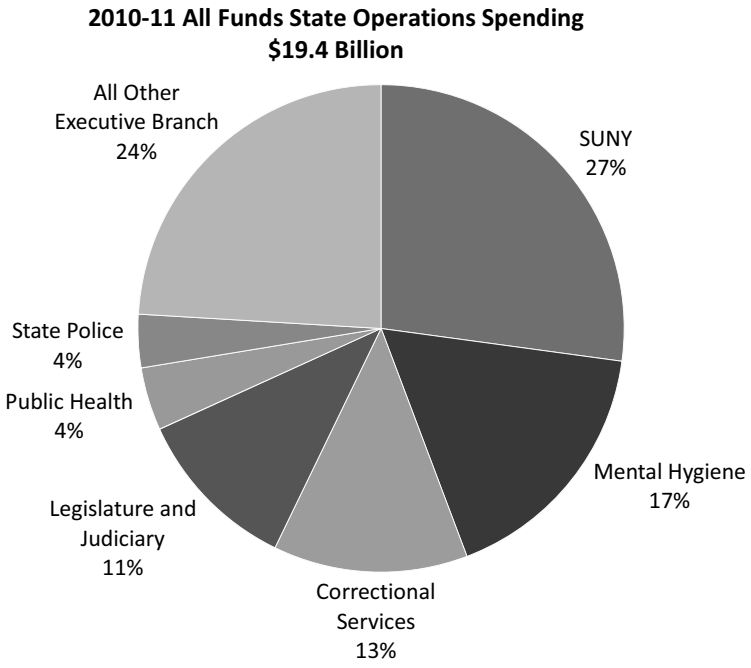

| LOCAL ASSISTANCE SPENDING PROJECTIONS (ADJUSTED) (millions of dollars) | | | | |
|---|---|---|---|---|
| | **2009-10 Results** | **2010-11 Enacted** | **Annual Change** | **Percent Change** |
| **General Fund** | **36,294** | **35,448** | **(846)** | **-2.3%** |
| Other State Support | 17,644 | 18,185 | **541** | **3.1%** |
| **State Operating Funds** | **53,938** | **53,633** | **(305)** | **-0.6%** |
| Capital Projects Funds | 1,440 | 1,292 | **(148)** | **-10.3%** |
| Federal Operating Funds | 37,750 | 40,699 | **2,949** | **7.8%** |
| **All Funds** | **93,128** | **95,624** | **2,496** | **2.7%** |

The table below highlights enacted local assistance annual spending changes from 2009-10 to 2010-11 by major program and/or agency.

**LOCAL ASSISTANCE SPENDING PROJECTIONS (ADJUSTED)**
**MAJOR SOURCES OF ANNUAL CHANGE**
**(millions of dollars)**

| | General Fund | State Operating Funds | All Funds |
|---|---|---|---|
| **2009-10 Results** | **36,294** | **53,938** | **93,128** |
| School Aid | (699) | (432) | 609 |
| Medicaid (including Admin) | 280 | 171 | 1,204 |
| Transportation | 36 | 480 | 642 |
| Other Education Aid | (23) | (23) | 600 |
| Local Government Assistance | (289) | (289) | (289) |
| City University | (305) | (305) | (285) |
| Mental Hygiene | 82 | 277 | 237 |
| Insurance | (57) | (201) | (201) |
| Children and Families | 116 | 116 | 191 |
| Temporary and Disability Assistance | (151) | (151) | (181) |
| STAR | 0 | (114) | (114) |
| Public Health | 98 | 82 | (58) |
| All Other | 66 | 84 | 141 |
| **2010-11 Enacted** | **35,448** | **53,633** | **95,624** |
| Annual Dollar Change | (846) | (305) | 2,496 |
| Annual Percent Change | -2.3% | -0.6% | 2.7% |

## State Operations




State Operations spending is for personal service and non-personal service costs. Personal service costs, which account for approximately two-thirds of State Operations spending, include salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. The cost of fringe benefits (e.g., pensions, health insurance) for active and retired employees is accounted for separately in GSCs. Non-personal service costs, which account for the remaining one-third of State Operations, represent other operating costs of 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.

State Operations spending, which is projected to total $19.4 billion in 2010-11, finances the costs of Executive agencies ($17.2 billion) and the Legislature and Judiciary ($2.1 billion). The largest agencies in dollar terms and staffing levels include SUNY ($5.2 billion; 41,815 FTEs), Mental Hygiene ($3.3 billion; 39,036 FTEs), Correctional Services ($2.5 billion; 30,366 FTEs), DOH ($809 million; 5,476 FTEs), and State Police ($683 million; 5,530 FTEs).

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

The State workforce subject to Executive Control, which excludes the Legislature, Judiciary, Comptroller's Office, Law, SUNY, CUNY, SUNY Construction Fund, Roswell Park, State Insurance Fund, and the Foundation for Science, Technology, and Innovation, is projected to total 128,165 FTEs in 2010-11, a decrease of 3,576 from the actual 2009-10 levels. Statewide decreases are expected due to the retirement incentive program; individual agencies are further reducing workforce as follows: Transportation (353 FTEs) from attritions and reducing maintenance and snow/ice control workforce; State Police (174 FTEs) primarily due to attritions of civilians and troopers; Environmental Conservation as the result of hard hiring freeze and attritions (169 FTEs); and State Education attributable to attritions (61 FTEs). These decreases are offset by the increases in Tax and Finance (359 FTEs) due to the initiative of hiring more auditors to augment the State auditing and fraud reduction efforts and Mental

Hygiene (347 FTEs) primarily from increased staff needs as the result of the Deinstitutionalization Plan and related bed development.

| STATE OPERATIONS SPENDING PROJECTIONS (millions of dollars) | | | | |
|---|---|---|---|---|
| | 2009-10 Results | 2010-11 Enacted | Annual Change | Percent Change |
| **General Fund** | **5,571** | **5,868** | **297** | **5.3%** |
| Other State Support | 9,819 | 8,774 | (1,045) | -10.6% |
| **State Operating Funds** | **15,390** | **14,642** | **(748)** | **-4.9%** |
| Capital Projects Funds | 0 | 0 | 0 | N/A |
| Federal Operating Funds | 4,042 | 4,544 | 502 | 12.4% |
| **Total All Funds** | **19,432** | **19,186** | **(246)** | **-1.3%** |

All Funds State Operations spending by category, based upon historical spending trends, is allocated among employee regular salaries (66 percent), overtime payments (2 percent), contractual services (21 percent), supplies and materials (5 percent), equipment (2 percent), employee travel (1 percent), and other operational costs (3 percent).

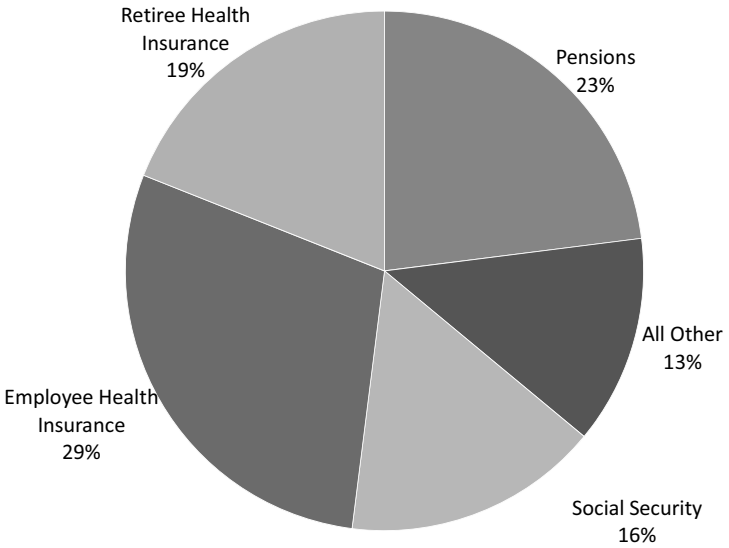
| STATE OPERATIONS SPENDING PROJECTIONS MAJOR SOURCES OF ANNUAL CHANGE - STATE OPERATING FUNDS (millions of dollars) | | | |
|---|---|---|---|
| | Personal Service | Non-Personal Service | State Operations |
| **2009-10 Results** | **10,874** | **4,516** | **15,390** |
| Retroactive Salary Payments | (298) | 0 | (298) |
| Statewide Agency State Operations Savings | (250) | (250) | (500) |
| All Other | (19) | 69 | 50 |
| **2010-11 Enacted** | **10,307** | **4,335** | **14,642** |
| Annual Dollar Change | (567) | (181) | (748) |
| Annual Percent Change | -5.2% | -4.0% | -4.9% |

The State Operating Funds spending decrease of $748 million (4.9 percent) is primarily driven by planned statewide reductions in agency operations through the use of an early retirement incentive, continuing hiring controls, abolition of vacant positions; efficiency from shared service and consolidation arrangements; contingency controls on non-personal spending; one-time retroactive salary payments associated with the NYSCOPBA, PBA, BCI and Council 82 contracts that were paid in 2009-10 ($320 million); workforce and reductions in mental hygiene ($114 million); potential spending for potential collective bargaining agreements with unsettled unions ($229 million) continues to be included in the spending forecast.

## General State Charges

GSCs account for the costs of fringe benefits provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. 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 and unemployment insurance. Fixed costs include 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 – $6.3 Billion**
**2010-11 All Funds Spending**




For most agencies, employee fringe benefit costs are paid centrally from appropriations made to GSCs. These centrally-paid fringe benefit costs represent the majority of GSCs spending. However, certain agencies, such as 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. Fixed costs are paid in full by General Fund revenues from GSCs.

**GENERAL STATE CHARGES SPENDING PROJECTIONS**
**(millions of dollars)**

| | 2009-10 Results | 2010-11 Enacted | Annual Change | Percent Change |
|---|---|---|---|---|
| General Fund | 3,594 | 4,128 | 534 | 14.9% |
| Other State Support | 1,040 | 1,077 | 37 | 3.6% |
| **State Operating Funds** | **4,634** | **5,205** | **571** | **12.3%** |
| Capital Projects Funds | 0 | 0 | 0 | 0.0% |
| Federal Operating Funds | 1,099 | 1,132 | 33 | 3.0% |
| **Total All Funds** | **5,733** | **6,337** | **604** | **10.5%** |

All Funds spending on GSCs is expected to total $6.3 billion in 2010-11, and includes health insurance spending for employees ($1.8 billion) and retirees ($1.2 billion), pensions ($1.5 billion) and Social Security ($1 billion). The annual changes are described in more detail below.

## Current-Services

**GENERAL STATE CHARGES**
**SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2009-10 TO 2010-11**
**(millions of dollars)**

| | General Fund | Other State Funds | Total State Operating Funds | Capital Projects Funds | Federal Operating Funds | Total All Funds |
|---|---|---|---|---|---|---|
| **2009-10 Results** | **3,594** | **1,040** | **4,634** | **0** | **1,099** | **5,733** |
| **Current Services:** | **835** | **37** | **872** | **0** | **24** | **896** |
| Employee and Retiree Health Insurance | 385 | 0 | 385 | 0 | 0 | 385 |
| Pension Contribution | 552 | 0 | 552 | 0 | 0 | 552 |
| Employer Social Security | 29 | 0 | 29 | 0 | 0 | 29 |
| Workers' Compensation | 16 | 0 | 16 | 0 | 0 | 16 |
| Fringe Benefit Escrow Payments | (83) | 0 | (83) | 0 | 24 | (59) |
| Taxes on State Owned Land | (15) | 0 | (15) | 0 | 0 | (15) |
| All Other | (49) | 37 | (12) | 0 | 0 | (12) |
| **Enacted Savings:** | **(301)** | **0** | **(301)** | **0** | **9** | **(292)** |
| Amortize Pension Costs | (242) | 0 | (242) | 0 | 0 | (242) |
| Option to Self Insure NYSHIP | (15) | 0 | (15) | 0 | 0 | (15) |
| Medicare Part B Cost Sharing | (30) | 0 | (30) | 0 | 0 | (30) |
| Other | (14) | 0 | (14) | 0 | 9 | (5) |
| **2010-11 Enacted** | **4,128** | **1,077** | **5,205** | **0** | **1,132** | **6,337** |
| Annual Change | 534 | 37 | 571 | 0 | 33 | 604 |

**Employee and Retiree Health Insurance:** Spending for employee and retiree health insurance is projected to increase by $385 million due to increase in premium charges.

**Pension Contribution:** As a result of the recent economic downturn and investment losses in 2008-09, pension costs in 2010-11 and beyond are expected to increase significantly. To mitigate long-term pension cost increases, legislation was enacted to create a new pension tier (Tier 5). Among other things, it requires newly hired employees to contribute 3 percent of their salary to the pension system for the duration of their employment. Previously this requirement was only in place for an employee's first ten years of service. More importantly, it raises the minimum age to retire without penalty to 62. New employees will also be required to work for ten years before becoming eligible to receive pension benefits upon retirement.

**Employer Social Security:** The employer contribution is expected to increase by $29 million in 2010-11, largely due to salary increases.

**Workers' Compensation:** The increase in expected spending is based on updated workers' compensation claims and utilization experience.

**Fringe Benefit Escrow Payments:** This reflects an anticipated increase in collections as a result of an increase in the fringe benefit rate.

**Taxes on State Owned Lands:** This decrease is caused by timing adjustments that artificially inflated 2009-10 costs.

**All Other:** Primarily attributable to the Judiciary's contribution to the Judicial Supplemental Support Fund, along with decreases for litigation, including judgments against the State.

**2010-11 Enacted Savings**

**Amortize State Pension Costs:** Local governments and the State face substantial pension contribution increases over the next six years due to investment losses experienced by the Common Retirement Fund. The budget affords local governments and the State the option to amortize a portion of their pension costs beginning in 2010-11. Specifically, pension contribution costs in excess of the amortization thresholds, which are 9.5 percent for ERS and 17.5 percent for PFRS, may be amortized. 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 ten-year period at an interest rate to be determined by the State Comptroller. For planning purposes, the Financial Plan assumes that the State will authorize pension costs consistent with the provisions of the authorizing legislation. In addition, employees and retirees are now required to pay a portion of Medicare Part B premiums and the State is authorized to self-insure all or parts of the New York State Health Insurance Plan.

**Option to Self Insure NYSHIP:** Savings generated by the State to self insure all or parts of NYSHIP. The elimination of insurance carrier risk charges, State and local taxes, and insurance assessments would produce savings for NYSHIP.

**Medicare Part B Premiums:** The state currently pays 100 percent of the Medicare Part B premium for employees and retirees. Savings would be generated by requiring employees and retirees to pay 10 percent of Medicare Part B premiums for individual coverage and 25 percent for dependent coverage. Currently, the monthly Medicare Part B base level premium is $96.

## Debt Service

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (i.e., ESDC, DASNY, and the TA, 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)**

| | 2009-10 Results | 2010-11 Enacted | Annual Change | Percent Change |
|---|---|---|---|---|
| **General Fund** | **1,844** | **1,642** | **(202)** | **-11.0%** |
| Other State Support | 3,117 | 3,874 | 757 | 24.3% |
| **State Operating Funds** | **4,961** | **5,516** | **555** | **11.2%** |
| **Total All Funds** | **4,961** | **5,516** | **555** | **11.2%** |

All Funds debt service is projected at $5.5 billion in 2010-11, of which $1.6 billion is paid from the General Fund through transfers and $3.9 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

**DEBT SERVICE**
**SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2009-10 TO 2010-11**
**(millions of dollars)**

| | General Fund | Other State Funds | Total State Operating Funds | Capital Projects Funds | Total All Funds |
|---|---|---|---|---|---|
| **2009-10 Results** | **1,844** | **3,117** | **4,961** | **0** | **4,961** |
| Current Services: | (153) | 769 | 616 | 0 | 616 |
| Savings: | (49) | (12) | (61) | 0 | (61) |
| **2010-11 Proposed** | **1,642** | **3,874** | **5,516** | **0** | **5,516** |
| Annual Change | (202) | 757 | 555 | 0 | 555 |

## Current-Services

Growth in debt service primarily supports ongoing capital spending. The increased spending reflects additional bond issues to support ongoing capital commitments for transportation ($377 million), economic development and housing ($196 million), and other program areas ($139 million). The annual increase for transportation debt service includes the impact of a 2005 restructuring of Dedicated Highway and Bridge bonds, which provided short-term relief for program needs, with higher annual debt service costs thereafter, beginning in 2010-11. In addition, a $96 million decrease in education-related debt service reflects the prepayment of $155 million of certain debt service in 2009-10. Variable interest rates are projected at 2.3 percent for 2010-11.

## 2010-11 Savings

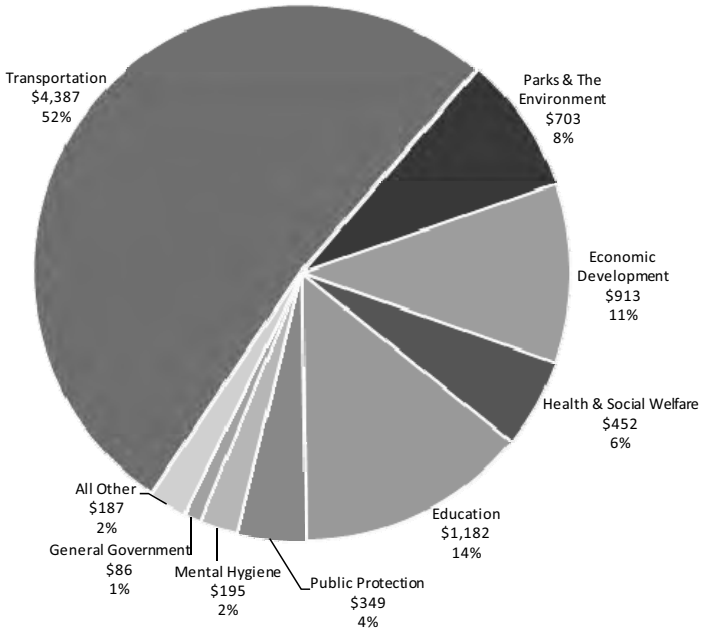
The 2010-11 Enacted Budget includes $100 million in additional debt service savings, of which approximately $40 million has been realized to date. Debt management actions may include, but are not limited to: maximizing refunding opportunities, including through consolidated service contract refundings; the continued use of Build America Bonds; further efficiencies from PIT issuer flexibility; and selling a minimum 25 percent of bonds on a competitive basis, market conditions permitting.

## Capital Projects

The following section briefly summarizes activity in Capital Projects Funds. A complete explanation of the State's capital programs is contained in the "Five-Year Capital Program and Financing Plan."

Capital projects account for spending across all functional areas to finance costs related to the acquisition, construction, repair or renovation of fixed assets. Spending from appropriations made from over 30 capital projects funds is financed from four sources: annual State taxes or dedicated miscellaneous receipts, grants from the Federal government, the proceeds of notes or bonds issued pursuant to general obligation bond acts which are approved by the State voters, and the proceeds of notes or bonds issued by public authorities pursuant to legal authorization for State capital spending.

**2010-11 All Funds Capital Spending by Function**
**(millions of dollars)**




| CAPITAL PROJECTS SPENDING PROJECTIONS (millions of dollars) | | | | |
|---|---|---|---|---|
| | 2009-10 Results | 2010-11 Enacted | Annual Change | Percent Change |
| **General Fund** | **565** | **1,096** | **530** | **93.8%** |
| Other State Support | 4,595 | 4,980 | 385 | 8.4% |
| **State Funds** | **5,160** | **6,075** | **915** | **17.7%** |
| Federal Funds | 1,952 | 2,379 | 428 | 21.9% |
| **All Funds** | **7,112** | **8,455** | **1,343** | **18.9%** |

All Funds capital spending is projected at $8.4 billion in 2010-11. Transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (52 percent) of this total. The balance of projected spending will support capital investments in the areas of education (14 percent), economic development (11 percent), parks and environment (8 percent), and mental hygiene and public protection (6 percent). The remainder of projected capital projects spending is spread across health and social welfare, general government and other areas (8 percent).

**2010-11 Recommended Savings**

The Capital Reduction Program included in the 2010-11 Enacted Budget will result in savings of $1.6 billion over five years. This initiative maintains investments in infrastructure while deferring or eliminating lower-priority projects. Savings in 2010-11 are projected to total $119 million.

## Other Financing Sources/(Uses)

Every year, the State authorizes the transfer of resources among funds and accounts.

The most significant General Fund transfers to other funds in 2010-11 are for the State share of Medicaid ($2.5 billion), general debt service ($1.6 billion), and capital projects ($1.1 billion, including $392 million for PAYGO projects and a $699 million subsidy to the DHBTF). Judiciary funding includes moneys transferred to the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data Processing Fund ($153 million). General Fund transfers to other funds payments for patients residing in State-operated health, mental hygiene and SUNY facilities ($216 million), SUNY hospital subsidy payments ($33 million), and supplemental resources for banking ($66 million).

In Special Revenue Funds, transfers to other funds are made to the Debt Service Funds representing the Federal share of Medicaid payments for patients residing in State-operated health and mental hygiene facilities and community homes, and patients at SUNY hospitals ($3.9 billion), a transfer from HCRA to the Capital Projects Fund to finance anticipated non-bondable spending for HEAL NY ($197 million) and transfer of moneys from several Special Revenue accounts in excess of spending requirements ($1.5 billion).

Capital Projects funds transfers are also made to the General Debt Service Fund from the DHBTF ($1.4 billion), and from the Hazardous Waste Remedial Fund ($27 million) to the General Fund.

Debt Service Fund transfers to the General Fund include tax receipts in excess of debt service requirements for general obligation, LGAC and PIT revenue bonds ($10.4 billion). Transfers to Special Revenue Funds represent receipts in excess of lease/purchase obligations that are used to finance a portion of the operating expenses for DOH, mental hygiene, and SUNY ($4.2 billion).

# 2010-11 Operating Results Through July 2010

| GENERAL FUND PRELIMINARY RESULTS: APRIL THROUGH JULY 2010 (millions of dollars) | | |
|---|---|---|
| | **Preliminary Results** | **Increase/ (Decrease) from Prior Year** |
| **Opening Balance (April 1, 2010)** | **2,302** | **354** |
| **Receipts** | **16,110** | **362** |
| Personal Income Tax* | 10,119 | 230 |
| User Taxes and Fees* | 3,615 | 219 |
| Business Taxes | 1,057 | (218) |
| Other Taxes* | 571 | 229 |
| Non-Tax Revenue | 748 | (98) |
| **Disbursements** | **17,822** | **1,138** |
| School Aid | 6,973 | 1,678 |
| Medicaid (including admin) | 2,903 | 783 |
| All Other Education | 72 | (322) |
| Children and Family Services | 105 | (303) |
| All Other Local | 2,065 | (638) |
| Personal Service | 2,267 | (64) |
| Non-Personal Service | 573 | (139) |
| General State Charges | 750 | (129) |
| Transfers To Other Funds | 2,114 | 272 |
| **Change in Operations** | **(1,712)** | **(776)** |
| **Closing Balance (July 31, 2010)** | **590** | **(422)** |

* Includes transfers from other funds after debt service.

Source: DOB.

Through July 2010, General Fund receipts, including transfer from other funds, were $362 million or 2.3 percent higher than the same period in 2009. Net tax collections are higher by $460 million. Non-tax revenue was lower primarily due to the timing of transfers from other funds as a result of the delay in enacting the 2010-11 budget.

Through July 2010, General Fund disbursements, including transfers to other funds, were $1.1 billion, or 6.7 percent higher than the 2009 period. The payment in June 2010 of $2.1 billion in school aid planned for March 2010 accounted for the increase. Excluding the impact of this cash management action, local assistance spending through July 2010 was down by over $1 billion. Higher Medicaid spending results from a decline in HCRA offsets and an additional weekly cycle for this period in 2010-11. This growth was offset by lower authorized spending in Higher Education, Special Education, Children and Family Services, and non-personal service during the period when interim appropriations were in place.

## All Funds

| PRELIMINARY SPENDING RESULTS: APRIL THROUGH JULY 2010 (millions of dollars) | | |
|---|---|---|
| | **Preliminary Results** | **Increase/ (Decrease) from Prior Year** |
| **State Operating Funds** | **22,751** | **211** |
| General Fund (excl. transfers) | 15,708 | 867 |
| Other State Funds | 5,944 | (693) |
| Debt Service Funds | 1,099 | 37 |
| **All Governmental Funds** | **39,415** | **1,727** |
| State Operating Funds | 22,751 | 211 |
| Capital Projects Funds | 2,154 | 29 |
| Federal Operating Funds | 14,510 | 1,487 |
| Source: DOB. | | |

State Operating Funds spending was $22.8 billion, or $211 million higher than the same period last year. Besides the General Fund spending variances described above, decreased Other State Funds spending is primarily attributable to timing related changes in HCRA programs and lower STAR spending on New York City resident personal income tax relief.

The Federal Operating spending increases over the prior year are concentrated in Medicaid and education driven by Federal ARRA spending.

**CASH FINANCIAL PLAN**
**GENERAL FUND**
**2009-2010 and 2010-2011**
**(millions of dollars)**

| | 2009-2010 Year-End | 2010-2011 Enacted | Annual $ Change | Annual % Change |
|---|---|---|---|---|
| **Opening fund balance** | 1,948 | 2,302 | 354 | 18.2% |
| **Receipts:** | | | | |
| Taxes: | | | | |
| Personal income tax | 22,655 | 24,373 | 1,718 | 7.6% |
| User taxes and fees | 8,086 | 8,810 | 724 | 9.0% |
| Business taxes | 5,371 | 5,714 | 343 | 6.4% |
| Other taxes | 885 | 1,034 | 149 | 16.8% |
| Miscellaneous receipts | 3,888 | 2,897 | (991) | -25.5% |
| Federal grants | 71 | 60 | (11) | -15.5% |
| Transfers from other funds: | | | | |
| PIT in excess of Revenue Bond debt service | 7,641 | 7,795 | 154 | 2.0% |
| Sales tax in excess of LGAC debt service | 2,123 | 2,318 | 195 | 9.2% |
| Real estate taxes in excess of CW/CA debt service | 182 | 285 | 103 | 56.6% |
| All other transfers | 1,654 | 1,390 | (264) | -16.0% |
| **Total receipts** | 52,556 | 54,676 | 2,120 | 4.0% |
| **Disbursements:** | | | | |
| Grants to local governments | 34,234 | 37,508 | 3,274 | 9.6% |
| State operations: | | | | |
| Personal service | 6,610 | 6,285 | (325) | -4.9% |
| Non-personal service | 1,977 | 1,740 | (237) | -12.0% |
| General State charges | 3,594 | 4,128 | 534 | 14.9% |
| Transfers to other funds: | | | | |
| Debt service | 1,844 | 1,642 | (202) | -11.0% |
| Capital projects | 565 | 1,096 | 531 | 94.0% |
| State Share Medicaid | 2,401 | 2,450 | 49 | 2.0% |
| Other purposes | 977 | 744 | (233) | -23.8% |
| **Total disbursements** | 52,202 | 55,593 | 3,391 | 6.5% |
| **Change in fund balance** | 354 | (917) | (1,271) | -359.0% |
| **Closing fund balance** | 2,302 | 1,385 | (917) | -39.8% |
| **Reserves** | | | | |
| Tax Stabilization Reserve Fund | 1,031 | 1,031 | 0 | |
| Rainy Day Reserve Fund | 175 | 175 | 0 | |
| Contingency Reserve Fund | 21 | 21 | 0 | |
| Community Projects Fund | 96 | 85 | (11) | |
| Reserved for Debt Reduction | 73 | 73 | 0 | |
| Reserve for Fiscal Uncertainties | 906 | 0 | (906) | |

Source: NYS DOB

**CASH FINANCIAL PLAN**
**GENERAL FUND**
**2010-2011 through 2013-2014**
**(millions of dollars)**

| | 2010-2011 Enacted | 2011-2012 Projected | 2012-2013 Projected | 2013-2014 Projected |
|---|---|---|---|---|
| **Receipts:** | | | | |
| Taxes: | | | | |
| Personal income tax | 24,373 | 26,265 | 26,106 | 27,581 |
| User taxes and fees | 8,810 | 8,975 | 9,255 | 9,687 |
| Business taxes | 5,714 | 6,335 | 6,674 | 6,977 |
| Other taxes | 1,034 | 989 | 1,029 | 1,084 |
| Miscellaneous receipts | 2,897 | 2,859 | 2,824 | 2,772 |
| Federal grants | 60 | 60 | 60 | 60 |
| Transfers from other funds: | | | | |
| PIT in excess of Revenue Bond debt service | 7,795 | 8,227 | 8,061 | 8,504 |
| Sales tax in excess of LGAC debt service | 2,318 | 2,343 | 2,439 | 2,590 |
| Real estate taxes in excess of CW/CA debt service | 285 | 354 | 464 | 539 |
| All other transfers | 1,390 | 1,400 | 1,137 | 1,146 |
| **Total receipts** | 54,676 | 57,807 | 58,049 | 60,940 |
| **Disbursements:** | | | | |
| Grants to local governments | 37,508 | 45,557 | 50,003 | 53,950 |
| State operations: | | | | |
| Personal service | 6,285 | 6,692 | 6,891 | 6,904 |
| Non-personal service | 1,740 | 1,909 | 1,995 | 2,115 |
| General State charges | 4,128 | 4,482 | 4,687 | 5,080 |
| Transfers to other funds: | | | | |
| Debt service | 1,642 | 1,766 | 1,755 | 1,686 |
| Capital projects | 1,096 | 1,368 | 1,524 | 1,687 |
| State Share Medicaid | 2,450 | 3,022 | 3,120 | 3,083 |
| Other purposes | 744 | 1,236 | 1,606 | 2,023 |
| **Total disbursements** | 55,593 | 66,032 | 71,581 | 76,528 |
| **Deposit to/(use of) Community Projects Fund** | (11) | (48) | (71) | (25) |
| **Deposit to/(use of) Reserve for Fiscal Uncertainties** | (906) | 0 | 0 | 0 |
| **HCRA Operating Surplus/(Gap)** | 0 | 0 | 0 | 0 |
| **Cash Surplus/(Gap)** | 0 | (8,177) | (13,461) | (15,563) |

Source: NYS DOB

**CASH RECEIPTS**
**CURRENT STATE RECEIPTS**
**GENERAL FUND**
**2010-2011 THROUGH 2013-2014**
**(millions of dollars)**

| | 2010-2011 Enacted | 2011-2012 Projected | 2012-2013 Projected | 2013-2014 Projected |
|---|---|---|---|---|
| **Taxes:** | | | | |
| Withholdings | 31,301 | 32,302 | 32,756 | 34,835 |
| Estimated Payments | 10,651 | 11,525 | 11,478 | 11,810 |
| Final Payments | 1,973 | 2,303 | 2,106 | 2,154 |
| Other Payments | 1,161 | 1,199 | 1,239 | 1,316 |
| **Gross Collections** | 45,086 | 47,329 | 47,579 | 50,115 |
| State/City Offset | (298) | (298) | (298) | (298) |
| Refunds | (7,891) | (7,454) | (7,694) | (8,012) |
| **Reported Tax Collections** | 36,897 | 39,577 | 39,587 | 41,805 |
| STAR (dedicated deposits) | (3,299) | (3,417) | (3,584) | (3,772) |
| RBTF (dedicated transfers) | (9,225) | (9,895) | (9,897) | (10,452) |
| **Personal income tax** | 24,373 | 26,265 | 26,106 | 27,581 |
| Sales and use tax | 10,775 | 10,960 | 11,336 | 11,916 |
| Cigarette and tobacco taxes | 499 | 522 | 515 | 508 |
| Motor fuel tax | 0 | 0 | 0 | 0 |
| Alcoholic beverage control license fees | 228 | 233 | 238 | 242 |
| Highway Use tax | 0 | 0 | 0 | 0 |
| Auto rental tax | 0 | 0 | 0 | 0 |
| Taxicab Surcharge | 0 | 0 | 0 | 0 |
| **Gross Utility Taxes and fees** | 11,502 | 11,715 | 12,089 | 12,666 |
| LGAC Sales Tax (dedicated transfers) | (2,692) | (2,740) | (2,834) | (2,979) |
| **User Taxes and fees** | 8,810 | 8,975 | 9,255 | 9,687 |
| Corporation franchise tax | 2,886 | 3,172 | 3,334 | 3,488 |
| Corporation and utilities tax | 685 | 743 | 766 | 790 |
| Insurance taxes | 1,278 | 1,335 | 1,393 | 1,454 |
| Bank tax | 865 | 1,085 | 1,181 | 1,245 |
| Petroleum business tax | 0 | 0 | 0 | 0 |
| **Business taxes** | 5,714 | 6,335 | 6,674 | 6,977 |
| Estate tax | 1,015 | 970 | 1,010 | 1,065 |
| Real estate transfer tax | 520 | 581 | 686 | 754 |
| Gift tax | 0 | 0 | 0 | 0 |
| Real property gains tax | 0 | 0 | 0 | 0 |
| Pari-mutuel taxes | 18 | 18 | 18 | 18 |
| Other taxes | 1 | 1 | 1 | 1 |
| **Gross Other taxes** | 1,554 | 1,570 | 1,715 | 1,838 |
| Real estate transfer tax (dedicated) | (520) | (581) | (686) | (754) |
| **Other taxes** | 1,034 | 989 | 1,029 | 1,084 |
| **Payroll tax** | 0 | 0 | 0 | 0 |
| **Total Taxes** | 39,931 | 42,564 | 43,064 | 45,329 |
| Licenses, fees, etc. | 667 | 587 | 583 | 569 |
| Abandoned property | 650 | 645 | 610 | 600 |
| Motor vehicle fees | 42 | 54 | 31 | (41) |
| ABC License Fee | 46 | 49 | 51 | 50 |
| Reimbursements | 222 | 222 | 222 | 222 |
| Investment income | 20 | 20 | 40 | 60 |
| Other transactions | 1,250 | 1,282 | 1,287 | 1,312 |
| **Miscellaneous receipts** | 2,897 | 2,859 | 2,824 | 2,772 |
| **Federal grants** | 60 | 60 | 60 | 60 |
| **Total** | 42,888 | 45,483 | 45,948 | 48,161 |

Source: NYS DOB

**CASH FINANCIAL PLAN**
**STATE OPERATING FUNDS BUDGET**
**2010-2011**
**(millions of dollars)**

| | General Fund | Special Revenue Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|
| **Opening fund balance** | 2,302 | 1,957 | 410 | 4,669 |
| **Receipts:** | | | | |
| Taxes | 39,931 | 8,233 | 12,320 | 60,484 |
| Miscellaneous receipts | 2,897 | 15,033 | 790 | 18,720 |
| Federal grants | 60 | 1 | 50 | 111 |
| **Total receipts** | 42,888 | 23,267 | 13,160 | 79,315 |
| **Disbursements:** | | | | |
| Grants to local governments | 37,508 | 18,185 | 0 | 55,693 |
| State operations: | | | | |
| Personal service | 6,285 | 4,022 | 0 | 10,307 |
| Non-personal service | 1,740 | 2,503 | 92 | 4,335 |
| General State charges | 4,128 | 1,077 | 0 | 5,205 |
| Debt service | 0 | 0 | 5,516 | 5,516 |
| Capital projects | 0 | 2 | 0 | 2 |
| **Total disbursements** | 49,661 | 25,789 | 5,608 | 81,058 |
| **Other financing sources (uses):** | | | | |
| Transfers from other funds | 11,788 | 3,923 | 7,050 | 22,761 |
| Transfers to other funds | (5,932) | (1,542) | (14,624) | (22,098) |
| Bond and note proceeds | 0 | 0 | 0 | 0 |
| **Net other financing sources (uses)** | 5,856 | 2,381 | (7,574) | 663 |
| **Change in fund balance** | (917) | (141) | (22) | (1,080) |
| **Closing fund balance** | 1,385 | 1,816 | 388 | 3,589 |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|
| **Opening fund balance** | n/ap | 1,816 | 388 | 2,204 |
| **Receipts:** | | | | |
| Taxes | 42,564 | 8,569 | 13,098 | 64,231 |
| Miscellaneous receipts | 2,859 | 15,039 | 809 | 18,707 |
| Federal grants | 60 | 1 | 54 | 115 |
| **Total receipts** | 45,483 | 23,609 | 13,961 | 83,053 |
| **Disbursements:** | | | | |
| Grants to local governments | 45,557 | 18,332 | 0 | 63,889 |
| State operations: | | | | |
| Personal service | 6,692 | 4,505 | 0 | 11,197 |
| Non-personal service | 1,909 | 2,499 | 92 | 4,500 |
| General State charges | 4,482 | 1,277 | 0 | 5,759 |
| Debt service | 0 | 0 | 6,035 | 6,035 |
| Capital projects | 0 | 2 | 0 | 2 |
| **Total disbursements** | 58,640 | 26,615 | 6,127 | 91,382 |
| **Other financing sources (uses):** | | | | |
| Transfers from other funds | 12,324 | 4,633 | 6,734 | 23,691 |
| Transfers to other funds | (7,392) | (1,540) | (14,584) | (23,516) |
| Bond and note proceeds | 0 | 0 | 0 | 0 |
| **Net other financing sources (uses)** | 4,932 | 3,093 | (7,850) | 175 |
| **Deposit to/(use of) Reserves** | (48) | 0 | 0 | (48) |
| **Change in fund balance** | (8,177) | 87 | (16) | (8,106) |
| **Closing fund balance** | (8,177) | 1,903 | 372 | (5,902) |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|
| **Opening fund balance** | n/ap | 1,903 | 372 | 2,275 |
| **Receipts:** | | | | |
| Taxes | 43,064 | 8,926 | 13,321 | 65,311 |
| Miscellaneous receipts | 2,824 | 15,465 | 833 | 19,122 |
| Federal grants | 60 | 1 | 54 | 115 |
| **Total receipts** | 45,948 | 24,392 | 14,208 | 84,548 |
| **Disbursements:** | | | | |
| Grants to local governments | 50,003 | 19,261 | 0 | 69,264 |
| State operations: | | | | |
| Personal service | 6,891 | 4,597 | 0 | 11,488 |
| Non-personal service | 1,995 | 2,620 | 92 | 4,707 |
| General State charges | 4,687 | 1,458 | 0 | 6,145 |
| Debt service | 0 | 0 | 6,357 | 6,357 |
| Capital projects | 0 | 2 | 0 | 2 |
| **Total disbursements** | 63,576 | 27,938 | 6,449 | 97,963 |
| **Other financing sources (uses):** | | | | |
| Transfers from other funds | 12,101 | 4,987 | 6,706 | 23,794 |
| Transfers to other funds | (8,005) | (987) | (14,511) | (23,503) |
| Bond and note proceeds | 0 | 0 | 0 | 0 |
| **Net other financing sources (uses)** | 4,096 | 4,000 | (7,805) | 291 |
| **Deposit to/(use of) Reserves** | (71) | 0 | 0 | (71) |
| **Change in fund balance** | (13,461) | 454 | (46) | (13,053) |
| **Closing fund balance** | (13,461) | 2,357 | 326 | (10,778) |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|
| **Opening fund balance** | n/ap | 2,357 | 326 | 2,683 |
| **Receipts:** | | | | |
| Taxes | 45,329 | 9,281 | 14,088 | 68,698 |
| Miscellaneous receipts | 2,772 | 15,741 | 855 | 19,368 |
| Federal grants | 60 | 1 | 54 | 115 |
| **Total receipts** | 48,161 | 25,023 | 14,997 | 88,181 |
| **Disbursements:** | | | | |
| Grants to local governments | 53,950 | 19,911 | 0 | 73,861 |
| State operations: | | | | |
| Personal service | 6,904 | 4,630 | 0 | 11,534 |
| Non-personal service | 2,115 | 2,614 | 92 | 4,821 |
| General State charges | 5,080 | 1,536 | 0 | 6,616 |
| Debt service | 0 | 0 | 6,503 | 6,503 |
| Capital projects | 0 | 2 | 0 | 2 |
| **Total disbursements** | 68,049 | 28,693 | 6,595 | 103,337 |
| **Other financing sources (uses):** | | | | |
| Transfers from other funds | 12,779 | 5,176 | 6,634 | 24,589 |
| Transfers to other funds | (8,479) | (923) | (15,087) | (24,489) |
| Bond and note proceeds | 0 | 0 | 0 | 0 |
| **Net other financing sources (uses)** | 4,300 | 4,253 | (8,453) | 100 |
| **Deposit to/(use of) Community Projects Fund** | (25) | 0 | 0 | (25) |
| **Change in fund balance** | (15,563) | 583 | (51) | (15,031) |
| **Closing fund balance** | (15,563) | 2,940 | 275 | (12,348) |

Source: NYS DOB

**CASH FINANCIAL PLAN**
**ALL FUNDS**
**2010-2011**
**(millions of dollars)**

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | 2,302 | 2,400 | (253) | 410 | 4,859 |
| **Receipts:** | | | | | |
| Taxes | 39,931 | 8,233 | 1,312 | 12,320 | 61,796 |
| Miscellaneous receipts | 2,897 | 15,177 | 4,150 | 790 | 23,014 |
| Federal grants | 60 | 46,925 | 2,451 | 50 | 49,486 |
| **Total receipts** | 42,888 | 70,335 | 7,913 | 13,160 | 134,296 |
| **Disbursements:** | | | | | |
| Grants to local governments | 37,508 | 58,884 | 1,292 | 0 | 97,684 |
| State operations: | | | | | |
| Personal service | 6,285 | 6,762 | 0 | 0 | 13,047 |
| Non-personal service | 1,740 | 4,307 | 0 | 92 | 6,139 |
| General State charges | 4,128 | 2,209 | 0 | 0 | 6,337 |
| Debt service | 0 | 0 | 0 | 5,516 | 5,516 |
| Capital projects | 0 | 2 | 7,162 | 0 | 7,164 |
| **Total disbursements** | 49,661 | 72,164 | 8,454 | 5,608 | 135,887 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 11,788 | 7,273 | 1,361 | 7,050 | 27,472 |
| Transfers to other funds | (5,932) | (5,506) | (1,429) | (14,624) | (27,491) |
| Bond and note proceeds | 0 | 0 | 578 | 0 | 578 |
| **Net other financing sources (uses** | 5,856 | 1,767 | 510 | (7,574) | 559 |
| **Change in fund balance** | (917) | (62) | (31) | (22) | (1,032) |
| **Closing fund balance** | 1,385 | 2,338 | (284) | 388 | 3,827 |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | n/ap | 2,338 | (284) | 388 | 2,442 |
| **Receipts:** | | | | | |
| Taxes | 42,564 | 8,569 | 1,342 | 13,098 | 65,573 |
| Miscellaneous receipts | 2,859 | 15,177 | 4,384 | 809 | 23,229 |
| Federal grants | 60 | 42,483 | 2,307 | 54 | 44,904 |
| **Total receipts** | 45,483 | 66,229 | 8,033 | 13,961 | 133,706 |
| **Disbursements:** | | | | | |
| Grants to local governments | 45,557 | 55,293 | 1,463 | 0 | 102,313 |
| State operations: | | | | | |
| Personal service | 6,692 | 6,803 | 0 | 0 | 13,495 |
| Non-personal service | 1,909 | 4,084 | 0 | 92 | 6,085 |
| General State charges | 4,482 | 2,382 | 0 | 0 | 6,864 |
| Debt service | 0 | 0 | 0 | 6,035 | 6,035 |
| Capital projects | 0 | 2 | 7,452 | 0 | 7,454 |
| **Total disbursements** | 58,640 | 68,564 | 8,915 | 6,127 | 142,246 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 12,324 | 7,788 | 1,823 | 6,734 | 28,669 |
| Transfers to other funds | (7,392) | (5,227) | (1,471) | (14,584) | (28,674) |
| Bond and note proceeds | 0 | 0 | 488 | 0 | 488 |
| **Net other financing sources** | 4,932 | 2,561 | 840 | (7,850) | 483 |
| **Deposit to/(use of) Reserves** | (48) | 0 | 0 | 0 | (48) |
| **Change in fund balance** | (8,177) | 226 | (42) | (16) | (8,009) |
| **Closing fund balance** | (8,177) | 2,564 | (326) | 372 | (5,567) |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | n/ap | 2,564 | (326) | 372 | 2,610 |
| **Receipts:** | | | | | |
| Taxes | 43,064 | 8,926 | 1,353 | 13,321 | 66,664 |
| Miscellaneous receipts | 2,824 | 15,604 | 3,667 | 833 | 22,928 |
| Federal grants | 60 | 41,153 | 1,881 | 54 | 43,148 |
| **Total receipts** | 45,948 | 65,683 | 6,901 | 14,208 | 132,740 |
| **Disbursements:** | | | | | |
| Grants to local governments | 50,003 | 55,074 | 1,252 | 0 | 106,329 |
| State operations: | | | | | |
| Personal service | 6,891 | 6,847 | 0 | 0 | 13,738 |
| Non-personal service | 1,995 | 4,162 | 0 | 92 | 6,249 |
| General State charges | 4,687 | 2,658 | 0 | 0 | 7,345 |
| Debt service | 0 | 0 | 0 | 6,357 | 6,357 |
| Capital projects | 0 | 2 | 6,278 | 0 | 6,280 |
| **Total disbursements** | 63,576 | 68,743 | 7,530 | 6,449 | 146,298 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 12,101 | 8,141 | 1,666 | 6,706 | 28,614 |
| Transfers to other funds | (8,005) | (4,564) | (1,507) | (14,511) | (28,587) |
| Bond and note proceeds | 0 | 0 | 425 | 0 | 425 |
| **Net other financing sources (uses)** | 4,096 | 3,577 | 584 | (7,805) | 452 |
| **Deposit to/(use of) Reserves** | (71) | 0 | 0 | 0 | (71) |
| **Change in fund balance** | (13,461) | 517 | (45) | (46) | (13,035) |
| **Closing fund balance** | (13,461) | 3,081 | (371) | 326 | (10,425) |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | n/ap | 3,081 | (371) | 326 | 3,036 |
| **Receipts:** | | | | | |
| Taxes | 45,329 | 9,281 | 1,356 | 14,088 | 70,054 |
| Miscellaneous receipts | 2,772 | 15,878 | 3,450 | 855 | 22,955 |
| Federal grants | 60 | 42,827 | 1,864 | 54 | 44,805 |
| **Total receipts** | 48,161 | 67,986 | 6,670 | 14,997 | 137,814 |
| **Disbursements:** | | | | | |
| Grants to local governments | 53,950 | 57,467 | 1,226 | 0 | 112,643 |
| State operations: | | | | | |
| Personal service | 6,904 | 6,883 | 0 | 0 | 13,787 |
| Non-personal service | 2,115 | 4,174 | 0 | 92 | 6,381 |
| General State charges | 5,080 | 2,819 | 0 | 0 | 7,899 |
| Debt service | 0 | 0 | 0 | 6,503 | 6,503 |
| Capital projects | 0 | 2 | 5,981 | 0 | 5,983 |
| **Total disbursements** | 68,049 | 71,345 | 7,207 | 6,595 | 153,196 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 12,779 | 8,430 | 1,741 | 6,634 | 29,584 |
| Transfers to other funds | (8,479) | (4,426) | (1,552) | (15,087) | (29,544) |
| Bond and note proceeds | 0 | 0 | 341 | 0 | 341 |
| **Net other financing sources (uses)** | 4,300 | 4,004 | 530 | (8,453) | 381 |
| **Deposit to/(use of) Community Projects Fund** | (25) | 0 | 0 | 0 | (25) |
| **Change in fund balance** | (15,563) | 645 | (7) | (51) | (14,976) |
| **Closing fund balance** | (15,563) | 3,726 | (378) | 275 | (11,940) |

Source: NYS DOB

**CASHFLOW**
**GENERAL FUND**
**2010-2011**
**(dollars in millions)**

| | 2010 April Acutals | May Actuals | June Actuals | July Actuals | August Projected | September Projected | October Projected | November Projected | December Projected | 2011 January Projected | February Projected | March Projected | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **OPENING BALANCE** | 2,302 | 4,274 | 1,648 | (87) | 590 | (28) | 2,476 | 1,888 | 1,442 | 1,197 | 6,220 | 6,851 | 2,302 |
| **RECEIPTS:** | | | | | | | | | | | | | |
| Personal Income Tax | 3,069 | 783 | 2,164 | 1,575 | 1,623 | 2,716 | 1,582 | 1,279 | 587 | 5,329 | 2,011 | 1,655 | 24,373 |
| User Taxes and Fees | 669 | 589 | 858 | 666 | 664 | 944 | 694 | 684 | 899 | 744 | 637 | 762 | 8,810 |
| Business Taxes | 60 | 2 | 915 | 80 | 102 | 1,153 | 104 | 95 | 1,297 | 65 | 115 | 1,726 | 5,714 |
| Other Taxes | 93 | 83 | 103 | 155 | 76 | 76 | 75 | 75 | 75 | 75 | 75 | 73 | 1,034 |
| Total Taxes | 3,891 | 1,457 | 4,040 | 2,476 | 2,465 | 4,889 | 2,455 | 2,133 | 2,858 | 6,213 | 2,838 | 4,216 | 39,931 |
| Licenses, Fees, etc. | 47 | 56 | 55 | 77 | 50 | 40 | 55 | 50 | 50 | 45 | 65 | 77 | 667 |
| Abandoned Property | 0 | (4) | 77 | 3 | 20 | 62 | 16 | 120 | 40 | 70 | 60 | 186 | 650 |
| ABC License Fee | 9 | 1 | 6 | 4 | 4 | 5 | 4 | 3 | 3 | 3 | 4 | 0 | 46 |
| Motor vehicle fees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 42 | 42 |
| Reimbursements | 7 | 13 | 35 | 13 | 13 | 33 | 10 | 11 | 36 | 6 | 11 | 34 | 222 |
| Investment Income | 1 | 0 | 0 | 1 | (1) | 4 | (3) | 5 | 1 | 2 | 4 | 6 | 20 |
| Other Transactions | 26 | 33 | 80 | 41 | 65 | 383 | 54 | 49 | 99 | 73 | 77 | 270 | 1,250 |
| Total Miscellaneous Receipts | 90 | 99 | 253 | 139 | 151 | 527 | 136 | 238 | 229 | 199 | 221 | 615 | 2,897 |
| Federal Grants | 1 | 13 | 0 | 0 | 0 | 14 | 0 | 0 | 14 | 0 | (1) | 19 | 60 |
| PIT in Excess of Revenue Bond Debt Service | 1,022 | 108 | 887 | 509 | 230 | 999 | 392 | 142 | 1,078 | 1,315 | 288 | 825 | 7,795 |
| Sales Tax in Excess of LGAC Debt Service | 180 | 100 | 350 | 202 | 299 | 226 | 209 | 203 | 270 | 224 | 3 | 52 | 2,318 |
| Real Estate Taxes in Excess of CW/CA Debt Service | 32 | 34 | 33 | 39 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 14 | 285 |
| All Other | 4 | 1 | 62 | 87 | 26 | 31 | 32 | 35 | 122 | 156 | 164 | 670 | 1,390 |
| Total Transfers from Other Funds | 1,238 | 243 | 1,332 | 837 | 574 | 1,275 | 652 | 399 | 1,489 | 1,714 | 474 | 1,561 | 11,788 |
| TOTAL RECEIPTS | 5,220 | 1,812 | 5,625 | 3,452 | 3,190 | 6,705 | 3,243 | 2,770 | 4,590 | 8,126 | 3,532 | 6,411 | 54,676 |
| **DISBURSEMENTS:** | | | | | | | | | | | | | |
| School Aid | 491 | 2,615 | 3,767 | 100 | 516 | 1,236 | 506 | 959 | 1,561 | 302 | 526 | 6,330 | 18,909 |
| Higher Education | 16 | 16 | 379 | 198 | 243 | 81 | 372 | 40 | 250 | 45 | 345 | 510 | 2,495 |
| All Other Education | 17 | 15 | 17 | 24 | 412 | 101 | 415 | 197 | 67 | 84 | 66 | 81 | 1,496 |
| Medicaid - DOH | 1,085 | 633 | 668 | 516 | 633 | 233 | 584 | 722 | 398 | 588 | 785 | 224 | 7,069 |
| Public Health | 40 | 30 | 122 | 16 | 91 | 133 | 27 | 39 | 125 | 28 | 25 | 113 | 789 |
| Mental Hygiene | 10 | 5 | 362 | 50 | 132 | 417 | 121 | 17 | 392 | 128 | 150 | 450 | 2,234 |
| Children and Families | 9 | 15 | 14 | 66 | 350 | 302 | 134 | 77 | 228 | 161 | 84 | 423 | 1,863 |
| Temporary & Disability Assistance | 61 | 140 | 61 | 62 | 135 | 134 | 86 | 87 | 122 | 87 | 28 | 151 | 1,154 |
| Transportation | 0 | 0 | 0 | 11 | 9 | 19 | 0 | 25 | 9 | 0 | 26 | 1 | 100 |
| Unrestricted Aid | 3 | 12 | 274 | 1 | 6 | 93 | 11 | 2 | 215 | 2 | 2 | 170 | 791 |
| All Other | 19 | 16 | 189 | (27) | 39 | 44 | (50) | 15 | 2 | 32 | 19 | 310 | 608 |
| Total Local Assistance Grants | 1,751 | 3,497 | 5,853 | 1,017 | 2,566 | 2,793 | 2,206 | 2,180 | 3,369 | 1,457 | 2,056 | 8,763 | 37,508 |
| Personal Service | 514 | 547 | 586 | 619 | 467 | 661 | 331 | 425 | 543 | 385 | 348 | 859 | 6,285 |
| Non-Personal Service | 143 | 108 | 151 | 171 | 197 | 171 | 138 | 131 | 147 | 159 | 109 | 115 | 1,740 |
| Total State Operations | 657 | 655 | 737 | 790 | 664 | 832 | 469 | 556 | 690 | 544 | 457 | 974 | 8,025 |
| General State Charges | 122 | 30 | 485 | 112 | 292 | 331 | 192 | 170 | 401 | 277 | 110 | 1,606 | 4,128 |
| Debt Service | 414 | 38 | 3 | 470 | (4) | (122) | 603 | 0 | (1) | 430 | (15) | (174) | 1,642 |
| Capital Projects | 14 | 21 | 4 | 121 | 48 | 116 | 12 | 77 | 47 | 117 | 97 | 422 | 1,096 |
| State Share Medicaid | 180 | 162 | 244 | 185 | 187 | 208 | 248 | 179 | 280 | 227 | 210 | 140 | 2,450 |
| Other Purposes | 110 | 35 | 34 | 80 | 55 | 43 | 101 | 54 | 49 | 51 | (14) | 146 | 744 |
| Total Transfers to Other Funds | 718 | 256 | 285 | 856 | 286 | 245 | 964 | 310 | 375 | 825 | 278 | 534 | 5,932 |
| TOTAL DISBURSEMENTS | 3,248 | 4,438 | 7,360 | 2,775 | 3,808 | 4,201 | 3,831 | 3,216 | 4,835 | 3,103 | 2,901 | 11,877 | 55,593 |
| Excess/(Deficiency) of Receipts over Disbursements | 1,972 | (2,626) | (1,735) | 677 | (618) | 2,504 | (588) | (446) | (245) | 5,023 | 631 | (5,466) | (917) |
| **CLOSING BALANCE** | 4,274 | 1,648 | (87) | 590 | (28) | 2,476 | 1,888 | 1,442 | 1,197 | 6,220 | 6,851 | 1,385 | 1,385 |

Source: NYS DOB

**CASH DISBURSEMENTS BY FUNCTION**
**ALL FUNDS**
**(thousands of dollars)**

| | 2009-2010 Year-End | 2010-2011 Enacted | 2011-2012 Projected | 2012-2013 Projected | 2013-2014 Projected |
|---|---|---|---|---|---|
| **ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT** | | | | | |
| Agriculture and Markets, Department of | 109,449 | 109,328 | 120,189 | 118,068 | 106,907 |
| Alcoholic Beverage Control | 17,012 | 19,892 | 20,776 | 20,294 | 20,911 |
| Banking Department | 87,166 | 87,865 | 87,211 | 89,047 | 89,647 |
| Developmental Authority North | 36 | 200 | 162 | 162 | 162 |
| Consumer Protection Board | 2,295 | 2,946 | 2,926 | 2,741 | 2,783 |
| Economic Development Capital Programs | 18,306 | 2,500 | 2,500 | 2,500 | 2,500 |
| Economic Development, Department of | 76,889 | 71,358 | 66,831 | 67,702 | 82,387 |
| Energy Research and Development Authority | 29,380 | 34,935 | 31,158 | 29,658 | 31,178 |
| Insurance Department | 657,937 | 463,437 | 481,233 | 486,080 | 486,080 |
| Empire State Development Corporation | 606,568 | 772,848 | 860,671 | 431,301 | 382,996 |
| Olympic Regional Development Authority | 7,966 | 5,064 | 5,274 | 5,274 | 5,401 |
| Public Service, Department of | 77,313 | 78,738 | 83,729 | 88,620 | 91,901 |
| Racing and Wagering Board, State | 22,575 | 21,833 | 22,044 | 23,007 | 23,453 |
| Science, Technology and Innovation, Foundation for | 29,083 | 31,376 | 29,181 | 26,796 | 23,356 |
| Strategic Investment | 8,827 | 10,000 | 4,000 | 5,000 | 5,000 |
| **Functional Total** | 1,750,802 | 1,712,320 | 1,817,885 | 1,396,250 | 1,354,662 |
| **PARKS AND THE ENVIRONMENT** | | | | | |
| Adirondack Park Agency | 5,292 | 5,470 | 5,019 | 5,021 | 5,021 |
| Environmental Conservation, Department of | 864,001 | 1,042,606 | 1,021,569 | 817,173 | 787,873 |
| Environmental Facilities Corporation | 10,025 | 9,370 | 9,552 | 9,736 | 9,736 |
| Hudson River Park Trust | 11,977 | 10,000 | 0 | 0 | 0 |
| Parks, Recreation and Historic Preservation, Office of | 305,485 | 240,442 | 227,951 | 229,618 | 229,594 |
| **Functional Total** | 1,196,780 | 1,307,888 | 1,264,091 | 1,061,548 | 1,032,224 |
| **TRANSPORTATION** | | | | | |
| Motor Vehicles, Department of | 320,230 | 336,621 | 347,882 | 360,754 | 367,603 |
| Thruway Authority | 1,403 | 1,800 | 1,800 | 1,800 | 1,800 |
| Metropolitan Transportation Authority | 184,681 | 217,100 | 194,500 | 183,600 | 183,600 |
| Transportation, Department of | 7,376,584 | 8,341,474 | 8,306,937 | 8,196,273 | 8,248,166 |
| **Functional Total** | 7,882,898 | 8,896,995 | 8,851,119 | 8,742,427 | 8,801,169 |
| **HEALTH** | | | | | |
| Aging, Office for the | 229,966 | 227,821 | 224,739 | 224,739 | 224,739 |
| Health, Department of | 42,156,549 | 43,728,010 | 47,352,064 | 49,027,667 | 52,109,920 |
| *Medical Assistance* | 37,025,209 | 38,091,219 | 41,341,155 | 43,229,713 | 46,375,013 |
| *Medicaid Administration* | 939,296 | 1,102,500 | 1,147,500 | 1,193,500 | 1,193,500 |
| *Public Health* | 4,192,044 | 4,534,291 | 4,863,409 | 4,604,454 | 4,541,407 |
| *Health - Medicaid Assistance* | 0 | 0 | 0 | 0 | 0 |
| Medicaid Inspector General, Office of | 64,868 | 76,563 | 91,660 | 93,500 | 94,430 |
| Stem Cell and Innovation | 17,676 | 52,616 | 73,071 | 123,149 | 63,673 |
| **Functional Total** | 42,469,059 | 44,085,010 | 47,741,534 | 49,469,055 | 52,492,762 |
| **SOCIAL WELFARE** | | | | | |
| Children and Family Services, Office of | 3,189,020 | 3,431,576 | 3,497,590 | 3,728,859 | 3,952,980 |
| *OCFS* | 3,139,542 | 3,298,033 | 3,364,133 | 3,591,504 | 3,811,720 |
| *OCFS - Medicaid* | 49,478 | 133,543 | 133,457 | 137,355 | 141,260 |
| Human Rights, Division of | 20,300 | 19,690 | 20,058 | 20,664 | 20,949 |
| Labor, Department of | 728,721 | 703,650 | 606,814 | 603,128 | 595,107 |
| Housing and Community Renewal, Division of | 417,003 | 464,833 | 405,261 | 275,451 | 292,533 |
| National Commission Services | 16,862 | 16,016 | 14,627 | 14,629 | 14,715 |
| Prevention of Domestic Violence, Office for | 2,167 | 2,076 | 2,088 | 2,109 | 2,109 |

**CASH DISBURSEMENTS BY FUNCTION**
**ALL FUNDS**
**(thousands of dollars)**

| | 2009-2010 Year-End | 2010-2011 Enacted | 2011-2012 Projected | 2012-2013 Projected | 2013-2014 Projected |
|---|---|---|---|---|---|
| Temporary and Disability Assistance, Office of | 5,275,993 | 5,114,199 | 5,224,158 | 5,242,687 | 5,284,441 |
| *Welfare Assistance* | 3,857,439 | 3,702,854 | 3,820,732 | 3,821,396 | 3,859,652 |
| *Welfare Administration* | 51,263 | 0 | 0 | 0 | 0 |
| *All Other* | 1,367,291 | 1,411,345 | 1,403,426 | 1,421,291 | 1,424,789 |
| Welfare Inspector General, Office of | 727 | 1,432 | 1,456 | 1,472 | 1,492 |
| Workers' Compensation Board | 190,135 | 209,333 | 204,137 | 212,073 | 218,844 |
| **Functional Total** | 9,840,928 | 9,962,805 | 9,976,189 | 10,101,072 | 10,383,170 |
| **MENTAL HYGIENE** | | | | | |
| Mental Health, Office of | 3,121,486 | 3,432,824 | 3,720,387 | 3,952,381 | 4,128,403 |
| *OMH* | 1,423,971 | 1,582,848 | 1,736,557 | 1,859,680 | 1,958,324 |
| *OMH - Medicaid* | 1,697,515 | 1,849,976 | 1,983,830 | 2,092,701 | 2,170,079 |
| Mental Hygiene, Department of | 175 | 0 | 0 | 0 | 0 |
| People with Developmental Disabilities, Office for | 4,397,581 | 4,504,769 | 4,720,747 | 4,960,595 | 5,172,871 |
| *OPWDD* | 522,032 | 580,445 | 596,821 | 620,162 | 642,162 |
| *OPWDD - Medicaid* | 3,875,549 | 3,924,324 | 4,123,926 | 4,340,433 | 4,530,709 |
| Alcoholism and Substance Abuse Services, Office of | 550,090 | 595,301 | 733,836 | 775,610 | 790,368 |
| *OASAS* | 456,695 | 486,237 | 619,472 | 657,321 | 669,322 |
| *OASAS - Medicaid* | 93,395 | 109,064 | 114,364 | 118,289 | 121,046 |
| Developmental Disabilities Planning Council | 3,397 | 4,200 | 4,200 | 4,200 | 4,200 |
| Quality of Care for the Mentally Disabled, Commission on | 15,508 | 15,784 | 17,780 | 18,158 | 18,631 |
| **Functional Total** | 8,088,237 | 8,552,878 | 9,196,950 | 9,710,944 | 10,114,473 |
| **PUBLIC PROTECTION/CRIMINAL JUSTICE** | | | | | |
| Capital Defenders Office | 21 | 0 | 0 | 0 | 0 |
| Correction, Commission of | 2,628 | 2,893 | 2,932 | 2,984 | 3,016 |
| Correctional Services, Department of | 2,909,312 | 2,758,247 | 2,849,122 | 2,911,887 | 2,953,670 |
| Criminal Justice Services, Division of | 241,767 | 356,401 | 325,892 | 308,669 | 309,359 |
| Office of Victim Services | 67,342 | 67,830 | 65,394 | 65,749 | 65,935 |
| Statewide Financial System | 0 | 31,930 | 41,359 | 50,943 | 51,043 |
| Homeland Security and Emergency Services | 296,589 | 325,709 | 610,532 | 617,974 | 580,503 |
| Homeland Security | 800 | 35,298 | 32,733 | 30,225 | 30,227 |
| Office of Indigent Legal Services | 0 | 75,000 | 80,000 | 80,000 | 80,000 |
| Investigation, Temporary State Commission of | 395 | 0 | 0 | 0 | 0 |
| Judicial Commissions | 5,145 | 5,492 | 5,595 | 5,669 | 5,749 |
| Military and Naval Affairs, Division of | 276,622 | 213,125 | 180,463 | 181,311 | 180,068 |
| Parole, Division of | 188,383 | 183,169 | 185,275 | 189,268 | 191,813 |
| Probation and Correctional Alternatives, Division of | 74,852 | 0 | 0 | 0 | 1,468 |
| State Emergency Management Office | 0 | 0 | 0 | 0 | 0 |
| State Police, Division of | 776,340 | 736,584 | 741,685 | 718,691 | 718,523 |
| Wireless Network | 6,672 | 1,586 | 1,586 | 1,586 | 1,586 |
| **Functional Total** | 4,846,868 | 4,793,264 | 5,122,568 | 5,164,956 | 5,172,960 |

**CASH DISBURSEMENTS BY FUNCTION**
**ALL FUNDS**
**(thousands of dollars)**

| | 2009-2010 Year-End | 2010-2011 Enacted | 2011-2012 Projected | 2012-2013 Projected | 2013-2014 Projected |
|---|---|---|---|---|---|
| **HIGHER EDUCATION** | | | | | |
| City University of New York | 1,655,773 | 1,397,211 | 1,470,906 | 1,564,361 | 1,654,997 |
| Higher Education Services Corporation | 1,022,235 | 980,520 | 965,861 | 993,866 | 995,691 |
| Higher Education Capital Grants | 37,320 | 28,000 | 48,000 | 29,000 | 0 |
| Higher Education Miscellaneous | 378 | 355 | 355 | 355 | 355 |
| State University Construction Fund | 18,595 | 25,678 | 26,388 | 27,830 | 28,906 |
| State University of New York | 6,989,582 | 7,295,555 | 7,261,632 | 7,301,717 | 7,380,758 |
| **Functional Total** | 9,723,883 | 9,727,319 | 9,773,142 | 9,917,129 | 10,060,707 |
| **LOWER EDUCATION (Pre-K through 12)** | | | | | |
| Arts, Council on the | 43,436 | 45,356 | 40,869 | 40,925 | 40,982 |
| Education, Department of | 27,725,560 | 33,001,293 | 32,969,960 | 34,559,952 | 37,184,929 |
| *School Aid* | 21,484,784 | 26,151,747 | 26,200,210 | 27,770,970 | 30,096,450 |
| *School Aid - Medicaid Assistance* | 63,757 | 125,820 | 0 | 0 | 0 |
| *STAR Property Tax Relief* | 3,413,542 | 3,299,570 | 3,417,620 | 3,584,167 | 3,772,475 |
| *Special Education Categorical Programs* | 1,680,004 | 2,309,388 | 2,287,745 | 2,139,936 | 2,244,916 |
| *All Other* | 1,083,473 | 1,114,768 | 1,064,385 | 1,064,879 | 1,071,088 |
| **Functional Total** | 27,768,996 | 33,046,649 | 33,010,829 | 34,600,877 | 37,225,911 |
| **GENERAL GOVERNMENT** | | | | | |
| Budget, Division of the | 40,775 | 42,502 | 44,117 | 45,191 | 46,121 |
| Civil Service, Department of | 21,384 | 19,164 | 19,426 | 19,697 | 19,989 |
| Deferred Compensation | 673 | 792 | 820 | 854 | 885 |
| Elections, State Board of | 50,405 | 104,148 | 6,197 | 36,339 | 6,464 |
| Employee Relations, Office of | 3,204 | 3,350 | 3,388 | 3,427 | 3,473 |
| Financial Plan Control Board | 2,630 | 3,190 | 3,392 | 3,595 | 3,727 |
| General Services, Office of | 197,766 | 204,400 | 207,765 | 221,400 | 224,166 |
| Inspector General, Office of | 6,079 | 6,178 | 6,341 | 6,426 | 6,513 |
| Labor Management Committee | 33,609 | 59,433 | 67,826 | 26,018 | 26,018 |
| Lottery, Division of | 185,777 | 176,892 | 180,969 | 181,459 | 185,723 |
| Public Employment Relations Board | 3,785 | 4,252 | 4,020 | 4,068 | 4,129 |
| Public Integrity, Commission on | 4,209 | 4,312 | 4,721 | 4,901 | 4,978 |
| Real Property Services, Office of | 42,806 | 0 | 0 | 0 | 0 |
| Regulatory Reform, Governor's Office of | 2,449 | 2,276 | 2,276 | 2,276 | 2,276 |
| State, Department of | 176,349 | 208,567 | 136,246 | 138,728 | 138,703 |
| Tax Appeals, Division of | 3,458 | 3,108 | 3,108 | 3,108 | 3,146 |
| Taxation and Finance, Department of | 417,898 | 477,182 | 477,991 | 480,947 | 487,713 |
| Technology, Office for | 23,549 | 70,166 | 57,857 | 85,076 | 44,599 |
| Lobbying, Temporary State Commission on | 0 | 0 | 0 | 0 | 0 |
| Veterans' Affairs, Division of | 16,072 | 17,487 | 17,188 | 17,198 | 17,331 |
| **Functional Total** | 1,232,877 | 1,407,399 | 1,243,648 | 1,280,708 | 1,225,954 |

## CASH DISBURSEMENTS BY FUNCTION
## ALL FUNDS
## (thousands of dollars)

| | 2009-2010 Year-End | 2010-2011 Enacted | 2011-2012 Projected | 2012-2013 Projected | 2013-2014 Projected |
|---|---|---|---|---|---|
| **ELECTED OFFICIALS** | | | | | |
| Legislature | 226,089 | 220,995 | 225,396 | 229,885 | 234,463 |
| Judiciary | 2,520,040 | 2,625,898 | 2,975,609 | 2,976,572 | 2,960,414 |
| Audit and Control, Department of | 242,702 | 182,135 | 185,420 | 189,979 | 192,289 |
| Law , Department of | 220,152 | 213,642 | 220,407 | 224,931 | 228,404 |
| Executive Chamber | 17,056 | 17,328 | 17,952 | 18,229 | 18,487 |
| Lieutenant Governor, Office of the | 0 | 658 | 1,193 | 1,208 | 1,208 |
| **Functional Total** | 3,226,039 | 3,260,656 | 3,625,977 | 3,640,804 | 3,635,265 |
| **LOCAL GOVERNMENT ASSISTANCE** | | | | | |
| Aid and Incentives for Municipalities | 1,039,488 | 751,538 | 1,027,357 | 1,037,229 | 1,044,566 |
| Efficiency Incentive Grants Program | 3,293 | 7,450 | 7,450 | 7,511 | 0 |
| Miscellaneous Financial Assistance | 8,920 | 3,920 | 3,920 | 3,920 | 3,920 |
| Municipalities w ith VLT Facilities | 26,489 | 25,801 | 25,801 | 25,801 | 25,801 |
| Small Government Assistance | 2,089 | 2,088 | 2,088 | 2,088 | 2,088 |
| **Functional Total** | 1,080,279 | 790,797 | 1,066,616 | 1,076,549 | 1,076,375 |
| **ALL OTHER CATEGORIES** | | | | | |
| Long-Term Debt Service | 5,012,102 | 5,607,388 | 6,127,092 | 6,448,886 | 6,595,358 |
| Capital Projects | 0 | 0 | 0 | 0 | 0 |
| General State Charges | 2,920,603 | 3,381,165 | 3,687,552 | 3,908,098 | 4,301,333 |
| Miscellaneous | (162,872) | (642,815) | (258,161) | (222,965) | (278,170) |
| **Functional Total** | 7,769,833 | 8,345,738 | 9,556,483 | 10,134,019 | 10,618,521 |
| **TOTAL ALL FUNDS SPENDING** | 126,877,479 | 135,889,718 | 142,247,031 | 146,296,338 | 153,194,153 |

*GSC: Agency disbursements include grants to local governments, state operations and general state charges, which is a departure from prior Financial plan publications. In prior reports, general state charges were excluded from agency spending totals.*

Source: NYS DOB

# GAAP-Basis Financial Plans/GASB Statement 45

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The GAAP-basis plans model, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided at the end of this Financial Plan.

In 2009-10, the General Fund GAAP Financial Plan shows total revenues of $44.9 billion, total expenditures of $54.1 billion, and net other financing sources of $8.7 billion, resulting in an operating deficit of $594 million and an accumulated deficit of $3.5 billion. These results are due primarily to the cash deficit and the impact of economic conditions on revenue accruals, primarily PIT.

In 2010-11, the General Fund GAAP Financial Plan shows total revenues of $46.9 billion, total expenditures of $55.4 billion, and net other financing sources of $9.3 billion, resulting in an operating surplus of $774 million, which reduces the projected accumulated deficit to $2.8 billion. These results reflect the impact of the Enacted Budget gap-closing actions, and the carry-forward of the cash deficit into 2010-11.

The State has used an independent actuarial consulting firm to calculate retiree health care liabilities. The analysis 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), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method.

GASB rules indicate this liability may be amortized over a 30-year period; therefore, only the annual amortized liability above the current PAYGO costs is recognized in the financial statements. The 2009-10 liability totaled $3.3 billion ($2.7 billion for the State and $0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, amortized based on a level percent of salary. 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 2009-10. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2009-10 by $2.1 billion.

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 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 table below summarizes the actual and budgeted payments for health insurance in the Updated Financial Plan.

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

| | Health Insurance | | |
|---|---|---|---|
| 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)** | 1,542 | 1,139 | 2,681 |
| **2010-11 (Projected)** | 1,826 | 1,195 | 3,021 |
| **2011-12 (Projected)** | 1,992 | 1,322 | 3,314 |
| **2012-13 (Projected)** | 2,171 | 1,422 | 3,593 |
| **2013-14 (Projected)** | 2,119 | 1,536 | 3,655 |

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

## Special Considerations

Complex political, social, environmental and economic forces influence the State's economy and finances, many of which are outside the ability of the State to control. These include, but are not limited to, the performance of the national and State economies; the impact of continuing write-downs and other costs affecting the profitability of the financial services sector, and the concomitant effect on bonus income and capital gains realizations; access to the capital markets in light of the disruption in the municipal bond market; litigation against the State, including challenges to certain tax actions and other actions authorized in the Enacted Budget; and actions taken by the Federal government, including audits, disallowances, and changes in aid levels. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year.

For example, the State Financial Plan is based upon forecasts of national and State economic activity developed through both internal analysis and review of national and State economic forecasts prepared by commercial forecasting services and other public and private forecasters. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and the State economies. Many uncertainties exist in forecasts of both the national and State economies, including consumer attitudes toward spending, the extent of corporate and governmental restructuring, the condition of the financial sector, federal fiscal and monetary policies, the level of interest rates, and the condition of the world economy, which could have an adverse effect on the State. There can be no assurance that the State economy will not experience results in the current fiscal year that are materially worse than predicted, with corresponding material and adverse effects on the State's projections of receipts and disbursements. For more information, see the section entitled "Economics and Demographics" in this AIS.

Projections of total State receipts in the Financial Plan are based on the State tax structure in effect during the fiscal year and on assumptions relating to basic economic factors and their historical relationships to State tax receipts. In preparing projections of State receipts, economic forecasts relating to personal income, wages, consumption, profits and employment have been particularly important. The projections of receipts from most tax or revenue sources is generally made by estimating the change in yield of such tax or revenue source from its estimated tax base.

Projections of total State disbursements are based on assumptions relating to economic and demographic factors, levels of disbursements for various services provided by local governments (where the cost is partially reimbursed by the State), and the results of various administrative and statutory mechanisms in controlling disbursements for State operations. Factors that may affect the level of disbursements in the fiscal year include uncertainties relating to the economy of the nation and the State, the policies of the federal government, and changes in the demand for the use of State services.

An additional risk to the State Financial Plan arises from the potential impact of certain litigation and of federal disallowances now pending against the State, which could adversely affect the State's projections of receipts and disbursements. The State Financial Plan assumes no significant litigation or

Federal disallowances or other federal actions that could affect State finances. For more information on litigation pending against the State, see the section entitled "Litigation and Arbitration" in this AIS.

DOB believes that its projections of receipts and disbursements relating to the Updated Financial Plan, and the assumptions on which they are based, are reasonable. Actual results, however, could differ materially and adversely from the projections set forth in this AIS. In the past, the State has taken management actions to address potential Financial Plan shortfalls, and DOB believes it could take similar actions should variances occur in its projections for the current fiscal year.

Actions affecting the level of receipts and disbursements, the relative strength of the State and regional economy, and actions by the Federal government have helped to create projected structural budget gaps for the State. These gaps result in a significant disparity between recurring revenues and the costs of maintaining or increasing the level of support for State programs. To address a potential imbalance in any given fiscal year, the State would be required to take actions to increase receipts and/or reduce disbursements as it enacts the budget for that year, and, under the State Constitution, the Governor is required to propose a balanced budget each year. There can be no assurance however, that the Legislature will enact the Governor's proposals or that the State's actions will be sufficient to preserve budgetary balance in a given fiscal year or to align recurring receipts and disbursements in future fiscal years.

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. Other risks and special considerations include the following:

## State Cash Flow Projections

State Finance Law authorizes the General Fund to borrow resources temporarily from other available funds in the State's STIP for a period not to exceed four months or to the end of the fiscal year, whichever occurs first. 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, as well as certain other money).

Through the first four months of 2010-11, the General Fund used this authorization to meet payment obligations in May, June and July. It is expected that the General Fund will rely on this borrowing authority at times during the remainder of the fiscal year.

To date, the State has taken actions to maintain adequate operating margins, and expects to continue to do so as events warrant. The State continues to reserve money to make the debt service payments scheduled for each upcoming quarter 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.

With cash management actions, the General Fund ended June 2010 with a negative balance of $87 million. The funds on hand in All Governmental Funds at the end of the month totaled $3.6 billion. The actual and projected month-end balances for 2010-11 are shown in the table below. The cash-flow projections for receipts and disbursements take into account statutory payment dates, historical receipts and disbursement patterns, and other information. DOB believes the projections are based on reasonable and prudent assumptions, and the State's current cash position is sufficient to meet current liquidity needs. Cash balances are expected to continue to be relatively low, especially in September, November, and December 2010. It is expected that the General Fund on certain days will continue to borrow from STIP. DOB will continue to closely monitor and manage the General Fund cash flow during the fiscal year in an effort to maintain adequate operating balances.

| ACTUAL/PROJECTED MONTHLY CASH FLOW BALANCES<br>FISCAL YEAR 2010-11<br>(millions of dollars) | | | |
|---|---|---|---|
| | **General Fund** | **Other Funds** | **All Funds** |
| **April*** | 4,274 | 3,048 | 7,322 |
| **May*** | 1,648 | 3,767 | 5,415 |
| **June *** | (87) | 3,719 | 3,632 |
| **July*** | 590 | 4,354 | 4,944 |
| **August** | (28) | 4,949 | 4,921 |
| **September** | 2,476 | 2,209 | 4,685 |
| **October** | 1,888 | 3,015 | 4,903 |
| **November** | 1,442 | 3,359 | 4,801 |
| **December** | 1,197 | 1,792 | 2,989 |
| **January** | 6,220 | 2,886 | 9,106 |
| **February** | 6,851 | 3,352 | 10,203 |
| **March** | 1,385 | 2,442 | 3,827 |

*Actual

## Federal Funding

In enacting the budget, the State faced the risk that the Federal government would not approve an extension of enhanced FMAP funding, as counted on in the Financial Pan. Accordingly, it enacted a statute that provided for automatic reductions to most local assistance payments to cover any difference between the $1.1 billion in savings counted on in the Financial Plan from enhanced FMAP and the actual amount, if any, approved by the Federal government. After enactment of the statute, the Federal government approved an extension of enhanced FMAP, but at a level less than assumed in the Financial Plan. Accordingly, the payment reductions to local assistance spending will take effect, as provided by law.

The 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. Most recently, the Federal CMS requested additional information pertaining to claims for services provided to individuals in developmental centers operated by the Office for People with Developmental Disabilities. Among other information, CMS requested that the State provide a detailed description of how these daily rates are developed as well as the current upper payment limit demonstration. Although no official audit has commenced and the State believes that the rates paid for these services are done in accordance with the approved state plan and all applicable Federal regulations, any adverse action by CMS relative to these claims could jeopardize a significant amount of Federal Medicaid participation in this program.

## Labor Settlements

An additional risk is the cost of potential collective bargaining agreements and salary increases for judges (and possibly other elected officials) that may occur in 2010-11 and beyond for the period covering 2007-08 through 2010-11. The Financial Plan includes the costs of a pattern settlement for all unsettled unions, the largest of which represents costs for fiscal years 2009-10 and 2010-11 for NYSCOPBA. There can be no assurance that actual settlements will not exceed the amounts included in the Financial Plan. Furthermore, the current round of collective bargaining agreements expires at the end of 2010-11. The Financial Plan does not include any costs for potential wage increases beyond that point.

## Personal Care Audits

The OIG of the United States Department of Health and Human Services released a June 2009 final audit with regard to Medicaid reimbursement for personal care services in New York City, and released a March 2010 draft audit with regard to Medicaid reimbursement for personal care services in upstate New York. The audits reviewed claims for the period of July 1, 2004 through December 31, 2006. Based upon its review, the OIG is calling for the State to repay an estimated $395 million in Federal Medicaid because payments were not supported with required medical exams and social and nursing assessments. The New York State Department of Health responded to audit findings on October 8, 2009 challenging the audit findings and the appropriateness of recouping Federal funding. The State's 2010-11 Enacted Budget also included a provision to mitigate the potential financial impact on the State by requiring local governments to contribute towards any repayment of such audits.

## Other Financial Plan Risks

The Updated Financial Plan forecast also 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; and the achievement of cost-saving measures including, but not limited to, administrative savings in State agencies, including workforce management initiatives, and the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Updated Financial Plan.

Finally, there can be no assurance that (1) receipts will not fall below current projections, requiring additional budget-balancing actions in the current year, and (2) the gaps projected for future years will not increase materially from the projections set forth in this AIS.

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## APPENDIX B-I

## SUMMARY OF CERTAIN PROVISIONS OF NEW YORK STATE URBAN DEVELOPMENT CORPORATION STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) GENERAL RESOLUTION

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (the "Resolution"). The definitions and Summary are not to be considered a full statement of all terms used in the Resolution and, accordingly, are qualified by reference to and are subject to the full text of the Resolution. The Summary indicates any differences between the two resolutions by indicating the State Facilities and Equipment resolution language in brackets. A copy of the resolution may be obtained upon request from the Empire State Development Corporation.

**Definitions**

**Acts** shall mean the Issuer Act and the Enabling Act.

**Administrative Fund** shall mean the Fund designated as the Administrative Fund established in the Resolution.

**Authorized Officer** means (i) in the case of the Issuer, the President, any Senior Vice President, any Vice President, the Treasurer, the Secretary, the Chief Financial Officer, the Controller, any Assistant Treasurer or Assistant Secretary, or any other person authorized by a resolution or bylaws of the Issuer, from time to time, to perform any specific act or execute any specific document, and when used with reference to any act or document also means any other person authorized by resolution or by laws of the Issuer to perform such act or execute such document; and when used with reference to any act or document, any other person authorized by resolution of the Issuer to perform such act or sign such document, (ii) in the case of the State, the Director of the Budget and when used with reference to any act or document, any other person authorized by law or by the Director of the Budget, to perform such act or sign such document, (iii) in the case of the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Trust Officer, any Trust Officer or any Assistant Trust Officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge and familiarity with the particular subject matter, and (iv) any other officer or employee so designated on its behalf by resolution of the Issuer or the Trustee, respectively.

**Bond Proceeds Fund** shall mean the Fund designated as the Bond Proceeds Fund established in the Resolution.

**Cost of Issuance Account** shall mean the account within the Bond Proceeds Fund so designated, created and established pursuant to the Resolution.

**Debt Service Fund** shall mean the Fund designated as the Debt Service Fund established in the Resolution.

**Financing Agreement** shall mean the State Personal Income Tax Revenue Bonds (General Purpose) Financing Agreement dated as of December 1, 2009 between the Issuer and the State, acting through the Director of the Budget.

**Issuer** shall mean the New York State Urban Development Corporation d/b/a Empire State Development Corporation, the corporate governmental agency created by the Issuer Act, and its successors and permitted assigns.

**Issuer Act** shall mean the New York State Urban Development Corporation Act (being Chapter 174 of the Laws of the State, 1968, as amended, and constituting Subchapter I, Chapter 24 of Title 16 of McKinney's Unconsolidated Laws, Section 6251 et seq., as amended) as existing from time to time, together with any other provision of State law relating to the authorization or financing of Costs of a Project.

**Project Acts** shall mean the laws of the State described in Exhibit A to the Supplemental Resolution authorizing one or more Series of Bonds, which acts authorize the Projects for which such Bonds are being issued.

**Rebate Fund** shall mean the Fund designated as the Rebate Fund established in the Resolution.

**Resolution** shall mean the New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (including the Standard Resolution Provisions set forth in Annex A) as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

**Revenue Fund** shall mean the Fund designated as the Revenue Fund established in the Resolution.

**Subordinated Payment Fund** shall mean the Fund designated as the Subordinated Payment Fund established in the Resolution.

(Section 101)

**Standard Resolution Provisions**

Except as otherwise specifically provided in the Resolution or by Supplemental Resolution, the Standard Resolution Provisions appended to the Resolution as Annex A constitute an integral part of the Resolution and have the same force and effect as if set forth in the forepart of the Resolution.

(Section 102)

**Authority for the Resolution**

The Resolution is adopted pursuant to the provisions of the Acts.

(Section 103)

**Resolution to Constitute Contract**

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the

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

(Section 104)

**Authorization of Bonds**

This Resolution authorizes one or more Series of Bonds of the Issuer for an Authorized Purpose to be designated as "State Personal Income Tax Revenue Bonds (General Purpose)" and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds. The Bonds shall be special obligations of the Issuer secured by the pledge effected pursuant to the Standard Resolution Provisions and are payable solely out of the Pledged Property, without recourse against any other assets, revenues or funds of or other payments due to the Issuer. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

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

The Bonds may, if and when authorized by the Issuer pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name "State Personal Income Tax Revenue Bonds (General Purpose)", shall include such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series, as the Issuer may determine; provided that with respect to any Bond denominated as a note, capital lease or other form of obligation, the Issuer may denominate such obligation as other than a "Bond". Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation pursuant to a Supplemental Resolution of any Bonds of any two or more separate Series authorized pursuant thereto and to any such Supplemental Resolution to be issued pursuant to any of the provisions of the Resolution into a single Series of Bonds for purposes of sale and issuance; provided, however, that each of the tests, conditions and other requirements contained in the Resolution as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in the Resolution or in such Supplemental Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes of the Resolution.

(Section 201)

**The Pledge Effected by the Resolution**

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the Resolution.

(Section 501)

**Establishment of Funds**

The Resolution establishes the following Funds, which shall be held and administered by the Trustee, except for the Bond Proceeds Fund which at the discretion of the Issuer may be held and administered by the Issuer. Each of such Funds and accounts shall have as a prefix "New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose)":

1. Revenue Fund,

2. Debt Service Fund,

3. Rebate Fund,

4. Bond Proceeds Fund,

5. Administrative Fund,

6. Subordinated Payment Fund.

Additional Funds, or accounts and subaccounts within each of the foregoing Funds may from time to time be established in accordance with a Supplemental Resolution, Certificate of Determination or upon the direction of the Issuer evidenced by a certificate of an Authorized Officer of the Issuer. Except as otherwise provided in a Supplemental Resolution moneys at any time deposited in any Fund and account created by the Resolution (other than the Rebate Fund), including in any fund or account established to effect an economic defeasance of any Bonds under the Resolution, shall be held in trust separate and apart from all other funds by the Issuer or Trustee, as appropriate, for the benefit of the Holders of each Series of Bonds.

(Section 502)

**Revenue Fund**

There shall be deposited promptly upon receipt by the Trustee to the credit of the Revenue Fund all Revenues.

Financing Agreement Payments together with any other Pledged Property deposited in the Revenue Fund, shall be applied to the Funds and accounts established under the Resolution consistent with the requirements set forth in the Financing Agreement; provided, however, that if the amount of any such payment, together with other Pledged Property deposited in the Revenue Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, to the Debt Service Fund, second, to the Rebate Fund, third, to the Subordinated Payment Fund and, fourth, to the Administrative Fund; provided, however, that so long as the total amount held in the Debt Service Fund shall be sufficient to fully pay all Outstanding Bonds and Parity Reimbursement Obligations (including Principal or applicable Redemption Price of and interest on such Bonds) in accordance with their terms, no deposits shall be required to be made into the Debt Service Fund.

(Section 503)

**Debt Service Fund**

In addition to the moneys allocated from the Revenue Fund pursuant to the Resolution, the Trustee shall deposit into the Debt Service Fund such portion of the proceeds of the sale of Bonds of any

Series, if any, as shall be prescribed in the Supplemental Resolution or related Certificate of Determination.

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

i) The interest due on all Outstanding Bonds on such Interest Payment Date;

ii) The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;

iii) The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;

iv) The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and

v) Amounts due with respect to Parity Reimbursement Obligations.

Except as otherwise provided in a Supplemental Resolution, the amounts paid to any Paying Agent pursuant to the Resolution remain irrevocably pledged until, and shall be, applied to such payments.

In the event of the refunding of any Bonds, the Trustee shall, upon the direction of the Issuer, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee or any other fiduciary selected by the Issuer to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, and (ii) the amount remaining in the Debt Service Fund shall be not less than the amount needed to pay the Debt Service on all Outstanding Bonds accrued through such date.

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

(Section 504)

**Rebate Fund**

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the State for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Rebate Fund in accordance with the directions of an Authorized Officer of the Issuer, moneys on deposit in any other Funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions. Moneys on deposit in the Rebate Fund shall be applied by the Trustee, in accordance with the direction of the Issuer, to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Issuer shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America in accordance with the provisions of the Arbitrage and Use of Proceeds Certificate, if any, delivered in connection with each Series of Bonds. Moneys which the Issuer determines to be in excess of the amount required to be so rebated shall be deposited to the Revenue Fund.

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Issuer shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and transfer from any other Fund or account held under the Resolution and deposit to the Rebate Fund all or a portion of the Rebate Amount with respect to such Series of Bonds and pay out of the Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 505)

**Bond Proceeds Fund**

Except as otherwise provided in a Supplemental Resolution or related Certificate of Determination, the Issuer or the Trustee at the Issuer shall deposit into the Bond Proceeds Fund the proceeds of sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Debt Service Fund, to enable the Issuer to comply with the conditions precedent to the issuance of any Bonds.

Except as otherwise provided in the Supplemental Resolution or related Certificate of Determination, amounts in the Bond Proceeds Fund shall be applied by the Issuer from time to time for any of the purposes for which revenue bonds may be issued pursuant to paragraphs (a) and (b) of subdivision one of Section 68-b through the payment of Costs of a Project consistent with terms of any Requisition.

Whenever the Issuer shall determine and the Director of the Budget shall agree that the amount on deposit to the credit of the Bond Proceeds Fund is in excess of its requirements for the purposes for which amounts in such Fund may be used as permitted by law, such excess amount shall be withdrawn therefrom and deposited into the Revenue Fund. Notwithstanding the foregoing, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the applicable Series of Bonds and of Parity Reimbursement Obligations when due, and to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the Bonds and of Parity Reimbursement Obligations when due.

Unless otherwise directed by the Resolution or Supplemental Resolution, investment income on amounts in the Bond Proceeds Fund from proceeds of a Series of Bonds shall be transferred by the Trustee to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Bond Proceeds Fund or transferred to the Debt Service Fund.

(Section 506)

**Application of Moneys in the Debt Service Fund for Redemption of Bonds and Satisfaction of Sinking Fund Installments**

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

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

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the provisions of the preceding paragraph, of the maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Concurrently with such delivery of such Bonds the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered, (iii) the aggregate principal amount of the Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Bonds.

The Trustee shall, in the manner provided in the Resolution, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

Notwithstanding the provisions of the second paragraph of this section, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of a Series theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) is sufficient to make provision pursuant to the Standard Resolution Provisions for the payment of such Outstanding Bonds at the maturity or Redemption Date thereof, the Issuer may request the Trustee to take such action consistent with the Standard Resolution Provisions as is required thereby to deem such Bonds to have been paid within the meaning of the Standard Resolution Provisions. The Trustee, upon receipt of such request and irrevocable instructions of the Issuer to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 507)

**Administrative Fund**

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

Amounts in the Administrative Fund being held for Issuer Expenses the payment of which is not immediately required may in the discretion of the Issuer be invested in Investment Obligations. The Issuer may by written instruction to the Trustee sell any such investments at any time and the proceeds of such sale and of all payments at maturity or upon redemption of such investments shall be held in the Administrative Fund. Whenever the Administrative Fund exceeds the amount reasonable and necessary for Issuer Expenses, the Issuer shall direct the Trustee to pay the excess to the Revenue Fund.

Investment income on amounts in the Administrative Fund shall be deposited into the Revenue Fund.

(Section 508)

**Subordinated Payment Fund**

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; *provided, however, that* (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; *provided, however, that* the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all Revenues for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Issuer.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in this section pursuant to any resolution adopted by, or otherwise at the written direction of, the Issuer.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Subordinated Payment Fund shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Subordinated Payment Fund or transferred to the Debt Service Fund.

(Section 509)

**Transfer of Investments**

Whenever moneys in any Fund or account established under the Resolution or under any Supplemental Resolution are to be paid in accordance with the Resolution to another such Fund or account, such payment may be made, in whole or in part, by transferring to such other Fund or account investments held as part of the Fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, provided that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

(Section 510)

**Power to Issue Bonds and Effect Pledge**

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and pledge the Pledged Property in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to

the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Holders of Bonds and other obligations under the Resolution against all claims and demands of all Persons whomsoever.

(Section 601)

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## APPENDIX B-II

## SUMMARY OF CERTAIN PROVISIONS OF THE STATE PERSONAL INCOME TAX REVENUE BONDS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Standard Resolution Provisions or the Resolution to which the Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Standard Resolution Provisions and the Resolution. Copies of the Standard Resolution Provisions and the Resolution may be obtained upon request from the Empire State Development Corporation.

### Definitions

Capitalized terms used but not otherwise defined in this Summary shall have the meanings set forth in the General Resolution to which the Standard Resolution Provisions are appended. The following terms shall, for all purposes therein and (except as the context may otherwise require) in the General Resolution to which these Standard Resolution Provisions are appended, have the following meanings:

**Accreted Value** shall mean, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

**Additional Bonds** shall mean Bonds authenticated and delivered on original issuance pursuant to the Standard Resolution Provisions.

**Amortized Value** when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value of such Investment Obligations computed by using an industry standard constant yield method selected by an Authorized Officer of the Issuer.

**Appreciated Value** shall mean with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds, (ii) as of any date prior to the Interest Commencement Date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to

the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

**Arbitrage and Use of Proceeds Certificate** shall mean, with respect to any Series of Bonds, the interest on which is intended by the Issuer to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer of the Issuer in connection with the initial issuance and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Issuer relating to the federal tax status of such Series of Bonds, as such certificate or certificates may be amended and supplemented from time to time.

**Authorized Issuer** shall mean any public authority or public benefit corporation enumerated by subdivision 1 of Section 68-a.

**Authorized Newspaper** shall mean The Bond Buyer or any other newspaper customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York, designated by the Issuer.

**Authorized Purpose** shall mean a purpose as provided by the Enabling Act for the Issuer.

**Bank** shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

**Bond** or **Bonds** shall mean any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution; provided, however, that such terms shall not include any Bond Anticipation Notes, or bonds, notes or other obligations, including Qualified Swaps, payable from the Subordinated Payment Fund.

**Bond Anticipation Notes** shall mean notes issued pursuant to the Standard Resolution Provisions.

**Bond Counsel** shall mean an attorney or law firm, appointed by the Issuer, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

**Bondholder**, **Holder** or **Holder of Bonds**, or any similar term, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds.

**Business Day** shall mean a day of the year which is not a Saturday, Sunday, or a day on which the Trustee or banking institutions chartered by the State or the United States of America are required or authorized by law to close in The City of New York, or any day on which the New York Stock Exchange is closed.

**Calculated Debt Service** shall mean for any period, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligations, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

With respect to Put Bonds and any Bonds of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Debt Service.

If the Issuer has, at any time, irrevocably called for redemption of one or more Series of Bonds, including pursuant to a covenant to apply any portion of the Pledged Property to redeem Bonds or Parity Reimbursement Obligations (which particular Bonds or Parity Reimbursement Obligations need not be specifically identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

With respect to Parity Reimbursement Obligations, an interest rate calculated at a higher interest rate on the related Bonds shall only be taken into account if, at the time of calculation, such higher rates are then payable thereon.

**Capital Appreciation Bonds** shall mean Bonds of a Series denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Bonds. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

**Certificate of Determination** shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Parity Reimbursement Obligations, Credit Facilities, Subordinated Indebtedness, or other matters in accordance with the delegation of power to do so under the Resolution or a Supplemental Resolution.

**Code** shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds or the use of Bond proceeds.

**Comptroller** shall mean the Comptroller of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any other official of the State authorized to act on behalf of the Comptroller in connection therewith.

**Cost or Costs of a Project** shall mean costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and

licenses, (ii) costs and expenses for labor and materials and payments to consultants, contractors, builders and materialmen, for the acquisition, design, construction, reconstruction, rehabilitation, preservation, development, improvement or modernization of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising the construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the State or the Issuer for advances made by either party for any of the above items or for other costs incurred and for work done by the State or Issuer in connection with the Project, and (viii) grants or loans by or on behalf of the State for any of the foregoing.

**Cost or Costs of Issuance** shall mean the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense shall include Issuer Expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Securities Depository, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Qualified Swaps and other similar financial arrangements, costs and expenses of refunding of Bonds or Prior Obligations and other costs, charges and fees, including those of the Issuer, in connection with the foregoing.

**Counsel's Opinion** shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the practice of law relating to municipal, state and public agency financing selected by the Issuer.

**Credit Facility** shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds or Parity Reimbursement Obligations.

**Debt Service** for any period shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of Parity Reimbursement Obligations accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligations that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Bonds and Parity Reimbursement Obligations; *provided, however, that,* unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until *the later* of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Bond or Parity Reimbursement Obligation.

**Defeased Municipal Obligations** shall mean pre-refunded municipal obligations rated in the highest Rating Category by each Rating Agency and meeting the following requirements:

The municipal obligations (i) are not subject to redemption prior to maturity or (ii) the trustee or the paying agent has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

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

**Deferred Income Bond** shall mean any Bond (1) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (i) compounded on each Valuation Date for such Deferred Income Bond and (ii) payable only at the maturity or prior redemption of such Bonds and (2) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

**Director of the Budget** shall mean the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

**Enabling Act** shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as may be hereafter amended from time to time.

**Estimated Average Interest Rate** shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Issuer in consultation with the Director of the Budget.

**Event of Default** shall mean any Event of Default set forth in the Standard Resolution Provisions.

**Fiduciary** shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

**Fiduciary Capital Funds** when used with respect to any Fiduciary shall mean the total of (i) paid in capital, (ii) surplus, (iii) undivided profits and (iv) the par value of outstanding capital notes issued and subordinated to the claims of creditors of such Fiduciary other than the holders of such capital notes.

**Financing Agreement** shall mean the applicable financing agreement authorized by subdivision 1 of Section 68-c, as amended and supplemented in accordance with the terms thereof and the Standard Resolution Provisions and referred to in the Standard Resolution Provisions.

**Financing Agreement Payment** shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a “Financing Agreement Payment”, to pay to the Issuer or the Trustee from amounts available therefor in the Revenue Bond Tax Fund.

**Fund** shall mean any one of the funds created and established pursuant to the Resolution.

**Government Obligations** shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least $50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

**Interest Commencement Date** shall mean, with respect to any particular Deferred Income Bond, the date determined by Supplemental Resolution after which interest accruing on such Bond shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

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

**Investment Obligations** shall mean any of the following that are lawful investments at the time of the investment:

(a) Government Obligations,

(b) certificates of deposit issued by, and time deposits in, and bankers' acceptances of, any bank (including any Paying Agent or Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that, with respect to any of the foregoing institutions, whose long-term unsecured indebtedness is rated less than "A" by each Rating Agency, such certificates of deposit or time deposits or bankers' acceptances are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,

(c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when "stripped" by the Department of the Treasury of the United States of America, then by the custodian designated by the Department of the Treasury of the United States of America,

(d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by each Rating Agency,

(e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by each Rating Agency,

(f) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (d), or (e) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least $100,000,000 and is rated in the highest Rating Category by each Rating Agency,

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

(h) any repurchase agreement for Government Obligations by the Issuer or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protection Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if "primary reporting dealers" cease to be determined by the Federal Reserve Bank, such other comparable standard as the Issuer shall implement pursuant to a Supplemental Resolution; provided, however, that the Government Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

(i) commercial paper rated in the highest Rating Category by each Rating Agency,

(j) investment agreements, secured or unsecured, with any institutions whose debt securities are rated in one of the two highest Rating Categories (or rated in the highest Rating Category for short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency,

(k) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above,

(l) shares or an interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as from time to time amended, whose objective is to maintain a constant share value of $1.00 per share and that is rated in the highest Rating Category for short-term obligations by at least one Rating Agency; and

(m) any other obligations from time to time permitted pursuant to the Issuer Act or other applicable law; provided, however, that if the funds invested in any such obligation are pledged for the payment of Bonds under the Resolution and the Bonds are then rated by a Rating Agency, such obligation shall be rated in one of the two highest Rating Categories of each such Rating Agency.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

**Issuer Board** shall mean the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

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

**Outstanding**, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond canceled or delivered for cancellation at or prior to such date;

2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;

3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and

4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

**Parity Reimbursement Obligation** has the meaning provided in the Standard Resolution Provisions.

**Paying Agent** or **Paying Agents** shall mean any paying agent for the Bonds of any Series appointed pursuant to the Standard Resolution Provisions, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Trustee, if a different entity, or the Issuer shall act as such Paying Agent.

**Person** shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

**Pledged Property** shall mean all of the Issuer's right, title and interest in and to (i) the Financing Agreements (other than (A) the Issuer's right to receive the payment of Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Standard Resolution Provisions, and (D) the right of the Issuer to enforce the provisions of any Financing Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Financing Agreement Payments) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Revenues and Funds (other than the Rebate Fund and other Funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness; *provided, however, that* such Funds, accounts and subaccounts are specifically excepted from Pledged Property by the Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness), including Investment Obligations held in such Funds under the Resolution, together with all proceeds and revenues of the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and the Standard Resolution Provisions; provided, however, that in no event shall any Project or any interest therein be deemed to be "Pledged Property".

**Principal Installment** shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Standard Resolution Provisions as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

**Prior Obligations** shall mean bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Standard Resolution Provisions to finance Costs of a Project.

**Project** shall mean the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose.

**Put Bonds** shall mean Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Issuer for payment or purchase prior to the stated maturity or redemption date thereof.

**Qualified Swap** shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Issuer for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Issuer as a Qualified Swap with respect to such Bonds.

**Qualified Swap Payment** shall mean any payment required to be made by the Issuer under a Qualified Swap, such payment to be made only from the Subordinated Indebtedness Fund.

**Qualified Swap Provider** shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

**Rating Agency** shall mean each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

**Rating Category** shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

**Rating Confirmation** shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Bonds.

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

**Record Date** shall mean with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date.

**Redemption Date** shall mean the date upon which Bonds are to be called for redemption pursuant to the Standard Resolution Provisions.

**Redemption Price** shall mean, with respect to any Bonds, the Principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

**Refunding Bonds** shall mean all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered pursuant to the Standard Resolution Provisions, on original issuance pursuant

to the Standard Resolution Provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Standard Resolution Provisions.

**Regulations** shall mean the Income Tax Regulations promulgated by the Department of the Treasury from time to time.

**Reimbursement Obligation** has the meaning provided in the Standard Resolution Provisions.

**Requisition** shall mean any instructions as deemed necessary and delivered by the Director of the Budget to the Issuer, providing for the payment of Bond proceeds to the State or any other entity.

**Revenues** shall mean (i) all amounts appropriated and paid to the Issuer or the Trustee from the Revenue Bond Tax Fund pursuant to Section 92-z and the Financing Agreement, constituting Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution.

**Revenue Bond Tax Fund** shall mean the fund established by section 92-z of the State Finance Law.

**Section 92-z** shall mean section 92-z of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

**Section 68-a** shall mean section 68-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

**Section 68-b** shall mean section 68-b of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

**Section 68-c** shall mean section 68-c of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

**Securities Depository** shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Bonds (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

**Series** shall mean all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds pursuant to the Standard Resolution Provisions regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

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

**State** shall mean the State of New York.

**State Fiscal Year** shall mean the fiscal year of the State as set forth in the State Finance Law.

**State Legislature** shall mean the Legislature of the State of New York.

**State Revenue Bonds** shall mean any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereinafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

**Subordinated Indebtedness** shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting "Subordinated Indebtedness" in a certificate of an Authorized Officer of the Issuer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Standard Resolution Provisions, and any lien on and pledge of any portion of the Pledged Property securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Pledged Property created in the Resolution for the payment of the Bonds and Parity Reimbursement Obligations.

**Supplemental Resolution** shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

**Tax Law** shall mean the tax law constituting Chapter 60 of the consolidated laws of the State.

**Taxable Bonds** shall mean any Bonds which are not Tax-Exempt Bonds.

**Tax-Exempt Bonds** shall mean any Bonds the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Bonds in the Supplemental Resolution authorizing such obligations.

**Trustee** shall mean a trustee appointed by the Issuer or as otherwise provided in the Standard Resolution Provisions, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

**Valuation Date** shall mean (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

**Variable Interest Rate Bonds** shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

**The Standard Resolution Provisions to Constitute Contract**

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued or incurred under the Standard Resolution Provisions by those who shall hold the same from time to time, the Standard Resolution Provisions shall be deemed

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

(Section A-104)

**General Provisions for Issuance of Bonds**

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution and a Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Resolution and which shall be subject to the express limitations of the Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Standard Resolution Provisions and delivered to the Trustee. Such Series of Bonds or subseries shall be authenticated or otherwise delivered by the Trustee from time to time in such amounts as directed by the Issuer and by it delivered to or upon the order of the Issuer upon receipt of the consideration therefor and upon delivery to the Trustee of:

(A) a copy of the Resolution and the Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;

2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds as provided in the Standard Resolution Provisions;

3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;

4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;

5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is other than the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date for such Bonds;

6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;

7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;

9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;

10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;

11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;

12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;

14. The redemption provisions, if any, applicable to the Bonds of such Series;

15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;

16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Resolution. Except as otherwise provided pursuant to a Supplemental Resolution, all of the Bonds of each Series shall be in fully registered form without coupons;

17. Directions for the application of the proceeds of the Bonds of such Series;

18. To the extent applicable, direction to deliver such Series of Bonds in book-entry form to the extent materially different from the provisions of the Standard Resolution Provisions;

19. To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder; and

20. Any other provision deemed advisable by an Authorized Officer of the Issuer, not in conflict with the provisions of the Standard Resolution Provisions or of the applicable Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Supplemental Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to such delegation, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution;

(B) A Counsel's Opinion in customary form to the effect that (i) the Issuer has the right and power under the Acts to adopt the Standard Resolution Provisions, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required, (ii) the Resolution creates the valid pledge to the payment of the Bonds of the Pledged Property which it purports to create pursuant to the Standard Resolution Provisions, subject to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid and binding, special obligations of the Issuer payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Acts and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution;

(C) A certificate of an Authorized Officer of the Issuer stating that upon the delivery of the Bonds of such Series, the Issuer will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds; provided, however, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Standard Resolution Provisions, such certificate shall not be a condition to the authentication and delivery of such Refunding Bonds if and to the extent that a certificate of an Authorized Officer of the Issuer is delivered stating that upon the delivery of such Refunding Bonds the Issuer will no longer be in default in the performance of the terms, provisions or covenants of the Resolution or of any of the Bonds as specified in such certificate;

(D) A certificate of an Authorized Officer of the State stating that (i) to the best of such Authorized Officer's knowledge, no event of default under any Financing Agreements has occurred and is continuing nor will an event of default under any Financing Agreements occur as a result of the issuance of such Bonds, and (ii) the approval of the Director of the Budget for such financing;

(E) A copy of the Certificate of Determination, if any, executed in connection with such Series of Bonds;

(F) To the extent authorized by the Issuer pursuant to a Supplemental Resolution, one or more Credit Facilities with respect to any Series of Bonds and any agreements deemed necessary in connection therewith;

(G) A written order of an Authorized Officer of the Issuer as to the delivery of such Series of Bonds, describing such Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(H) A certificate of an Authorized Officer of the Issuer setting forth the amount of money, if any, to be deposited into the Debt Service Fund, equal to (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the sum of the interest on the Bonds of such Series from the date of the Bonds of such Series to the date of delivery thereof;

(I) Any amounts (in the form of cash or Investment Obligations) required to be deposited with the Trustee at the time of issuance and delivery of the Bonds of such Series;

(J) Copies of the Financing Agreement applicable to such Series of Bonds; and

(K) Such further documents and moneys as are required by the provisions of the Standard Resolution Provisions or any Supplemental Resolution adopted pursuant to the Standard Resolution Provisions.

The Issuer may authorize by Supplemental Resolution the issuance of Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds, Put Bonds or any other form of Bond not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution.

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

(Section A-201)

**Special Provisions for Additional Bonds**

After the issuance of the initial Series of Bonds, one or more Series of Additional Bonds may be authorized and delivered upon original issuance for any Authorized Purpose, including payment of Costs of a Project and the refunding of Prior Obligations or Bonds or Parity Reimbursement Obligations or other indebtedness, upon receipt by the Trustee, in addition to any applicable requirements of the Standard Resolution Provisions, of the following:

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

(I) A certificate by an Authorized Officer of the Issuer setting forth the Calculated Debt Service on all Outstanding Bonds, including such Series of Additional Bonds to be issued and any additional amounts payable with respect to Parity Reimbursement Obligations for each State Fiscal Year for which such Bonds or Parity Reimbursement Obligations are Outstanding and (II) a certificate of the Director of the Budget, including the amount of Calculated Debt Service set forth in the certificate required by clause (2)(I) of this paragraph (based upon information furnished by each applicable Authorized Issuer pursuant to the related financing agreement), setting forth the calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) shall be made with respect to all Authorized Issuers that have issued bonds or parity reimbursement obligations pursuant to the Enabling Act, which bonds or parity reimbursement obligations are secured by payments to be made from the Revenue Bond Tax Fund for each State Fiscal Year for which such bonds or parity reimbursement obligations are outstanding; and

A certificate by the Director of the Budget stating that the amounts set forth pursuant to the first paragraph above will be at least 2.0 times the maximum calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) for all Authorized Issuers set forth in subsection (II) of second paragraph above for any State Fiscal Year set forth pursuant to above.

(Section A-202)

**Refunding Bonds**

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds or Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations, or any outstanding Prior Obligations, in each case including all or any portion of a maturity. The Issuer may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) and to make such deposits required by the provisions of the Standard Resolution Provisions and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund Outstanding Bonds or Parity Reimbursement Obligations shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

(1) If the Bonds to be refunded are to be redeemed, irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a Redemption Date specified in such instructions;

(2) If Bonds to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions to the Holders of the Bonds being refunded;

(3) If Bonds to be refunded are to be deemed paid, either or both of

(i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and

(ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Standard Resolution Provisions, which Government Obligations and moneys shall be held in trust and used only as provided in the Standard Resolution Provisions; and

(4) Either (i) a certificate of an Authorized Officer of the Issuer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Bonds or Parity Reimbursement Obligations to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds as calculated immediately prior to the issuance of the Refunding Bonds (including the Bonds or Parity Reimbursement Obligations to be refunded or purchased but excluding the Refunding Bonds) and (b) stating that the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (B) above; or (ii) the certificates required by the Standard

Resolution Provisions with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Obligations then proposed to be issued will be Outstanding but the Bonds or Parity Reimbursement Obligations to be refunded will no longer be Outstanding.

(B) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds in the Standard Resolution Provisions; and shall otherwise comply with any applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

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

(Section A-203)

**Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations**

The Issuer may include such provisions in a Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Issuer deems appropriate, including:

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, under the captions "Supplemental Resolutions" and "Amendments", and following a default under the caption "Defaults and Remedies; Defeasance", except where the Credit Facilities provide only liquidity support and not credit support.

In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other

obligations of the Issuer to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

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

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

(c) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Pledged Property; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Standard Resolution Provisions, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Standard Resolution Provisions, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

(d) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution.

(e) In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Issuer also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Issuer determines that such Qualified Swaps or other similar arrangements will assist the Issuer in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or related Certificate of Determination, the Issuer's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any

payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

(f) Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-204)

**Bond Anticipation Notes**

Whenever the Issuer shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer, subject to certain special provisions for additional bonds under the Standard Resolution Provisions, may by adoption of a Supplemental Resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only from (i) the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes, other than renewals thereof, shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination.

**Additional Obligations**

The Issuer reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Issuer, so long as such bonds, notes or other obligations are not, or such indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien on the Pledged Property created by the Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

(Section A-206)

**Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed**

In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent

of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the Resolution. Such notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

Whenever by the terms of the Resolution, Bonds are required to be redeemed otherwise than at the election of the Issuer, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of the Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Standard Resolution Provisions) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds of such Series drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of such Bonds and select part of any such Bonds for redemption.

(Section A-402, A-403, and A-404)

**The Pledge Effected by the Resolution**

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the subsection under the caption "The Pledge Effected by the Resolution". There is thereby pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the provisions authorizing Subordinated Indebtedness in the Resolution) for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Pledged Property. Such pledge is for the equal and proportionate benefit and security of all and singular the present and future Holders of Bonds and obligees of Parity Reimbursement Obligations issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided in the Standard Resolution Provisions, of any one Bond or Parity Reimbursement Obligation over any other Bond or Parity Reimbursement Obligation, by reason of priority in the issue, sale or negotiation thereof or otherwise. The pledge and lien created by the Resolution for the Bonds and Parity Reimbursement Obligation shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligation secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in subsection 1 of the section under the caption "The Pledge Effected by the Resolution" is and shall be

valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge are and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge is and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof; and (ii) neither the Resolution nor any other instrument need be recorded or filed to protect the pledge set forth in the aforementioned section.

The revenues, facilities, properties and any and all other assets of the Issuer, or of any subsidiary thereof, other than the Pledged Property, shall not be used for, or as a result of any court proceeding or otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and interest on the Bonds, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Issuer, other than the Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Revenue Bond Tax Fund pursuant to Section 92-z, nor to maintain such taxes or the sources of any other funds at any minimum level, and moneys in the Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-z with respect to moneys on deposit in the Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in the aforementioned section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Pledged Property.

(Section A-501)

**Establishment of Funds**

Funds and accounts shall be established as authorized by the Standard Resolution Provisions.

(Section A-502)

**Payment of Bonds**

The Issuer shall duly and punctually pay or cause to be paid the principal, Sinking Fund Installments, if any, Redemption Price of, and interest on every Bond, at the dates and places and in the manner set forth in the Bonds according to the true intent and meaning thereof.

(Section A-601)

**Extension of Payment of Bonds**

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of any assets of the Issuer or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except

subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Issuer to issue Refunding Bonds as permitted by the Resolution and by the Issuer Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

(Section A-602)

**Offices for Servicing Bonds**

The Issuer shall at all times maintain an office or agency in the State, where Bonds may be presented for payment, registration, transfer or exchange and where notices, presentations and demands upon the Issuer in respect of the Bonds or of the Standard Resolution Provisions may be served. The Issuer appoints the Trustee as its agent to maintain such office or agency in the State for the registration, transfer or exchange of Bonds, for the authentication of Bonds, and for the payment of Bonds.

(Section A-603)

**Further Assurance**

At any time and all times the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned by the Resolution, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign. The Issuer further covenants that it shall use its best efforts, to the extent authorized by law, to cause the Director of the Budget to make and deliver the certificates referred to in the Standard Resolution Provisions at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

(Section A-604)

**Power to Issue Bonds and Pledge Revenues and Other Funds**

The Issuer is duly authorized under the Acts, and all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Standard Resolution Provisions, the Pledged Property is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Issuer in accordance with their terms and the terms of the Resolution. The Issuer further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

(Section A-605)

**Creation of Liens**

Except in accordance with the provisions of the Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or

any part of the Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Pledged Property except as provided in the Standard Resolution Provisions; provided, however, that nothing contained in the Resolution shall prevent the Issuer from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in the Standard Resolution Provisions or (ii) evidences of indebtedness secured by the Subordinated Payment Fund.

(Section A-606)

**Certificate of the Director of the Budget**

In order to assure the maintenance of the Funds and accounts held under the Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-z and the Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Revenue Bond Tax Fund; and

(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

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

2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Parity Reimbursement Obligations due in such State Fiscal Year;

3. all Issuer Expenses for such State Fiscal Year;

4. all principal of and interest or other amounts payable from the Subordinated Payment Fund and due in such State Fiscal Year;

5. any amounts required to rebate to the Department of the Treasury of the United States of America and not otherwise held in the Funds and accounts under the Resolution;

6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Revenue Bond Tax Fund in accordance with Section 92-z, to enable the Issuer to meet its obligations under the Resolution as they become due; provided, however, that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Revenue Bond Tax Fund such that the

combined total of (i) the amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) the monthly amounts, as provided for in paragraph (a) above, required to be deposited to the Revenue Bond Tax Fund in such month is not less than one hundred twenty-five percent (125%) of the monthly cash requirements, as provided for in paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and provided, further, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-z less (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Resolution and other amounts available under the Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-z.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-z. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any payment of principal, Sinking Fund Installments, if any, and Redemption Price of or interest on Bonds or with respect to Parity Reimbursement Obligations.

In any event, whether or not there has been any intervening requirement to revise such certificate under the Standard Resolution Provisions, promptly but in no event later than 30 days after the date of the issuance of any Series of Bonds under the Resolution or the issuance of any Parity Reimbursement Obligation, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of the Standard Resolution Provisions.

The agreement of the State under Section 68-c shall be deemed executory only to the extent of appropriations available for payments under Section 68-c and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

(Section A-607)

**Agreement With the Director of the Budget**

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Parity Reimbursement Obligations or other obligations under the Resolution (including obligations incurred pursuant to the Standard Resolution Provisions) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 68-c providing for the specific manner, timing and amount of payments to be made under Section 68-c and the Resolution. The Issuer shall approve the form and substance of such Financing Agreement with respect to any Series of Bonds prior to or concurrently with the adoption of the applicable Supplemental Resolution and shall use its best efforts, to the extent permitted by law, to take all steps necessary or appropriate to enforce such Financing Agreement and to assure compliance by the State therewith. The Issuer shall not enter into any such Financing Agreement that is not in conformity with the Acts and the Resolution.

(Section A-608)

**Agreement With the State**

In accordance with the provisions of the Enabling Act and to the extent applicable, the Issuer Act, the Issuer includes in the Resolution, to the fullest extent enforceable under applicable federal and State law, the pledge to and agreement with the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred under the Resolution made by the State and set forth in the Acts that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued or incurred under the Resolution, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

Notwithstanding any other provision of the Standard Resolution Provisions, nothing contained in the Acts or the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to taxes imposed pursuant to Article 22 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued under the Standard Resolution Provisions expressly agree that it shall be an integral part of the contract arising under the Standard Resolution Provisions that no default thereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such tax.

(Section A-609)

**Amendment of Financing Agreements**

The Issuer shall not amend, change, modify, alter or terminate any Financing Agreement so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of the provider of a Credit Facility, if any, affected thereby, or, in the event that there is no Credit Facility in place with respect to the Series of Bonds affected thereby, without the prior written consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the providers of the Credit Facility, if any, or the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Standard Resolution Provisions. Any Financing Agreement may be amended, supplemented, changed, modified or altered without the consent of the provider of the Credit Facility, if any, or the Holders of Outstanding Bonds to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, or the providing, furnishing and equipping of a Project or which may be added to such Project, or to provide for additional Financing Agreement Payments; and any Financing Agreement may be amended, supplemented, changed, modified or altered without such consent to cure any ambiguity, or to correct or supplement any provisions contained in any Financing Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Financing Agreement and which the Issuer determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be. In no event shall changes relating solely to Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or providers of Credit Facilities. Upon execution by the Issuer of any amendment, a copy thereof certified by the Issuer shall be filed with the Trustee and each provider of the Credit Facility affected thereby.

For the purposes of the Standard Resolution Provisions, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Financing Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the provider of a Credit Facility, as the case may be. The Issuer may in its discretion determine

whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be, would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the provider of a Credit Facility, the Trustee and all Holders of Bonds; and, provided further, however, any such amendments deemed necessary by the Issuer to effect any assumption, extinguishment and substitution authorized by the Standard Resolution Provisions shall not be deemed to materially adversely affect the Bonds.

For all purposes of the Standard Resolution Provisions, the Issuer shall be entitled to rely upon a Counsel's Opinion (a copy of which shall be provided by the Issuer to any provider of a Credit Facility thereby affected), with respect to whether any amendment, change, modification or alteration materially adversely affects the right, security and interest of any Holders of Bonds and any provider of a Credit Facility of a Series then Outstanding.

(Section A-610)

**Enforcement of Duties and Obligations of the State**

The Issuer shall use its best efforts, to the extent permitted by law, to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Financing Agreement in the manner and at the times provided in such Financing Agreement provided, however, that the Issuer may delay, defer or waive enforcement of one or more provisions of said Financing Agreement (other than provisions requiring the payment of moneys to any Fund or account established under the Resolution), if the Issuer determines such delay, deferment or waiver will not materially adversely affect the right, security and interest of the Holders of the Bonds of the applicable Series or the issuer of any Credit Facility.

(Section A-611)

**Reservation of State Rights of Assumption, Extinguishment and Substitution**

It is expressly understood and agreed by the Issuer and the Holders or other obligees of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Standard Resolution Provisions to be an integral part of the contract arising under the Standard Resolution Provisions that, in accordance with subdivision 6 of Section 68-c, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Revenues pledged under the Standard Resolution Provisions, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Standard Resolution Provisions, (ii) to extinguish the existing lien on Pledged Property created under the Standard Resolution Provisions, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Standard Resolution Provisions, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with the Standard Resolution Provisions. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of the Standard Resolution Provisions.)

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Standard Resolution Provisions as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Standard Resolution Provisions as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the Revenue Bond Tax Fund to be sources of payment or security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution; provided, however, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-z and paragraph (a) of subdivision 5 of Section 92-z may be amended to delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-z are transferred to the general fund; and

3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in the Standard Resolution Provisions, and shall include events of default to the effect of those contained in the Standard Resolution Provisions and shall grant the remedies contained the Standard Resolution Provisions, provided that the Comptroller or the Attorney General of the State may serve in the capacity of the Trustee for such purposes and the State or other issuer of State Revenue Bonds may be substituted for the Issuer in the Standard Resolution Provisions, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions; and

4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Resolution; and

5. any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations

secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Standard Resolution Provisions; and

6. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of the Standard Resolution Provisions and the Enabling Act and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

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

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided in the Resolution by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and

3. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of the Standard Resolution Provisions and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to the Standard Resolution Provisions (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as in the Standard Resolution Provisions). No such assumption, extinguishment and substitution pursuant to this subdivision shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this subdivision, and (ii) the aforementioned Counsel's Opinion. Each such consent of a Bondholder shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that such Authorized Officer has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer. Any such consent

given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer in the Standard Resolution Provisions provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Standard Resolution Provisions, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as in the Standard Resolution Provisions provided) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as in the Standard Resolution Provisions provided). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by the Standard Resolution Provisions to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

(Section A-612)

**Accounts and Reports**

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an

aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

(Section A-613)

**Tax Covenants**

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

(Section A-614)

**General**

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

(Section A-615)

**Notice as to Event of Default**

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an "Event of Default", as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; provided, however, that the Issuer shall provide each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

(Section A-616)

**Other Bonds Authorized by the Enabling Act**

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

(Section A-617)

**Investment of Funds**

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Standard Resolution Provisions. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Standard Resolution Provisions shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of the Standard Resolution Provisions.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for any Fund, account or subaccount held under the Resolution from being held in book-entry form.

(Section A-701)

**Trustee; Appointment and Acceptance of Duties**

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

(Section A-801)

**Paying Agents; Appointment and Acceptance of Duties**

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

(Section A-802)

**Responsibilities of Fiduciaries**

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Resolution of the Issuer with respect to collection, accounting, review of and notice for any consents required thereunder.

(Section A-803)

**Evidence on Which Fiduciaries May Act**

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to any Fiduciary shall be sufficiently executed if executed in the name of the Issuer by an Authorized Officer.

(Section A-804)

**Compensation**

The Issuer shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution. The Issuer further agrees to the extent permitted by law to indemnify and save each such Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Issuer's obligation to make any payment pursuant to the Standard Resolution Provisions shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

(Section A-805)

**Certain Permitted Acts**

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

(Section A-806)

**Resignation of Trustee**

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

(Section A-807)

**Removal of Trustee**

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

(Section A-808)

**Appointment of Successor Trustee**

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of the Standard Resolution Provisions within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Standard Resolution Provisions in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least $100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-809)

**Transfer of Rights and Property to Successor Trustee**

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

(Section A-810)

**Merger or Consolidation**

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; provided such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national

banking association and shall, if it previously had not had such an office, have an office for the transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-811)

**Resignation or Removal of Paying Agent and Appointment of Successor**

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

(Section A-812)

**Adoption and Filing**

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligation as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligation may be incurred.

(Section A-901)

**Supplemental Resolutions Effective Upon Adoption**

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

To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;

To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To surrender any right, power or privilege reserved to or conferred upon the Issuer by the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Resolution;

To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;

To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;

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

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

To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Standard Resolution Provisions as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

Notwithstanding the Standard Resolution Provisions, to the extent authorized by law and to the extent the Issuer shall have received a Counsel's Opinion that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of Bonds that are not in registered form;

To modify the pledge effected by Section 501 of the Resolution and such other provisions of the Standard Resolution Provisions solely to give effect to an assumption, extinguishment and substitution consistent with the Standard Resolution Provisions;

Notwithstanding the terms and provisions of the Standard Resolution Provisions, to the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Bonds issued on a tax-exempt basis, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

To modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

To make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Holders of Outstanding Bonds or Parity Reimbursement Obligations.

In making any determination under the preceding paragraph, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

(Section A-902)

**Supplemental Resolutions Effective with Consent of Trustee**

Notwithstanding any other provision of the Standard Resolution Provisions, the Issuer may adopt a Supplemental Resolution amending any provision of the Standard Resolution Provisions, effective upon filing with the Issuer of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

(Section A-903)

**Supplemental Resolutions Effective with Consent of Bondholders**

Except as permitted in the Standard Resolution Provisions, at any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the provisions of the Standard Resolution Provisions, which Supplemental Resolution, upon adoption and upon compliance with the Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Standard Resolution Provisions.

(Section A-904)

**General Provisions**

Nothing contained in the Standard Resolution Provisions shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of the Standard Resolution Provisions or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution it is provided shall be so delivered.

Any Supplemental Resolution referred to and permitted or authorized by the Standard Resolution Provisions may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of Budget, and (ii) the subject of a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. The Trustee shall be entitled to rely upon such opinion, which shall be conclusive evidence that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

The Trustee is thereby authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Standard Resolution Provisions and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section A-905)

**Mailing and Publication**

Any provision in the Standard Resolution Provisions relating to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid to each Bondholder of any affected Bonds then Outstanding at such Bondholder's address, if any, appearing upon the registry books of the Issuer and to the Trustee; or, in each case, to such parties by facsimile or other means to the extent permitted by applicable law and arrangements.

Any provision in the Standard Resolution Provisions for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

(Section A-1001)

**Powers of Amendment**

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Standard Resolution Provisions, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and

Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Standard Resolution Provisions. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of the Standard Resolution Provisions, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Issuer may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Issuer shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof. Notwithstanding anything in the Standard Resolution Provisions or the Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold.

(Section A-1002)

**Consent of Bondholders**

The Issuer may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Standard Resolution Provisions, to take effect when and as provided in the Standard Resolution Provisions. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in the Standard Resolution Provisions). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Issuer (i) the written consent of Holders of the percentages of Outstanding Bonds specified in the Standard Resolution Provisions, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that he or she has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer of the Issuer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when

the written statement of the Issuer in the Standard Resolution Provisions provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Issuer on a stated date, a copy of which is on file with the Issuer) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Standard Resolution Provisions, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as is provided in the Standard Resolution Provisions) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Issuer provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming binding as is provided in the Standard Resolution Provisions). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by the Standard Resolution Provisions to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Trustee, or the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

For the purpose of the Standard Resolution Provisions, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Standard Resolution Provisions in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Issuer or with the remarketing of the Bonds.

(Section A-1003)

**Modifications by Unanimous Consent**

The terms and provisions of the Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Issuer of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Standard Resolution Provisions except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without

the filing with the Issuer of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

(Section A-1004)

**Exclusion of Bonds**

Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Standard Resolution Provisions, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Standard Resolution Provisions, the Issuer shall file with its records relating to the Bonds a certificate of an Authorized Officer of the Issuer describing all Bonds so to be excluded.

(Section A-1005)

**Notation on Bonds**

Bonds delivered after the effective date of any action taken as provided in the Standard Resolution Provisions may, and, if the Issuer so determines, shall, bear a notation by endorsement or otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

(Section A-1006)

**Events of Default**

The occurrence of one or more of the following events shall constitute an "Event of Default":

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) Business Days; or

(b) in connection with financings for any Authorized Purpose authorized by Section 68-b, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-z and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 68-c in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, which default shall continue for a period of ten (10) Business Days; or

(d) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations

sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, in connection with financings for any Authorized Purpose authorized by Section 68-b, and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(e) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 68-c or Section 92-z, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(g) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; provided that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and is diligently pursued until the default is corrected.

Except as provided above or, to the extent permitted by the Standard Resolution Provisions, in a Supplemental Resolution, no default under the Acts or any resolution, agreement, or other instrument shall constitute or give rise to an Event of Default under the Resolution.

It is expressly understood that nothing in the Standard Resolution Provisions or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 68-c to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Revenue Bond Tax Fund without giving rise to an Event of Default under the Resolution.

(Section A-1101)

**Remedies**

Upon the occurrence and continuance of any Event of Default specified in the Standard Resolution Provisions, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of Bonds under the Resolution;

(b) bring suit upon such Bonds;

(c) by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Holders of such Bonds; or

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

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

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

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Standard Resolution Provisions, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 68-b as in effect on the date of adoption of the Standard Resolution Provisions are abrogated. It is further expressly understood that the Resolution does not permit the Trustee or the Holders of the Bonds to declare the Bonds to be immediately due and payable.

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Resolution, or any other remedy under the Resolution or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers therein above granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Resolution, or to enforce any right under the Resolution or under the Bonds, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Standard Resolution Provisions. Nothing in the Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Resolution.

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Standard Resolution Provisions to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time as often as may be deemed expedient.

(Section A-1102)

**Priority of Payments After Default**

In the event that the funds held by the Issuer, the Trustee or by the Paying Agents shall be insufficient for the payment of principal, Sinking Fund Installments, if any, or Redemption Price of and interest then due on the Bonds and for payments then due with respect to Parity Reimbursement Obligations, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any Fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Bond Anticipation Notes) and any other moneys received or collected by the Trustee or any Paying Agents, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the Revenues, or otherwise protect the interests of the Holders of the Bonds, and after making provision for the payment of the reasonable charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the Resolution, shall be applied as follows:

> FIRST: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and
>
> SECOND: To the payment to the Persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds or Parity Reimbursement Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

If and when all overdue installments of interest on all Bonds and Parity Reimbursement Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Standard Resolution Provisions, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Parity Reimbursement Obligations which shall then be payable, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Standard Resolution Provisions or the Bonds or Parity Reimbursement Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Pledged Property then remaining unexpended in the hands of the Trustee (except Pledged Property deposited or pledged, or required by the terms of the Standard Resolution Provisions to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment to the Issuer by the Trustee or resumption of the application of Pledged Property as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Standard Resolution Provisions or impair any right consequent thereon.

(Section A-1103)

**Defeasance**

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and any Paying Agents, if any, shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Standard Resolution Provisions which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption or required for payments to Fiduciaries pursuant to the Standard Resolution Provisions thereof.

Bonds, or portions of Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held by the Trustee (through deposit by the Issuer of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid within the meaning of the Standard Resolution Provisions. Any Bonds, or portions of Bonds, of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Standard Resolution Provisions if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide to Holders in accordance with the Standard Resolution Provisions notice of redemption on said date or dates of such Bonds, (b) there shall have been irrevocably deposited by the Issuer with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited by the Issuer with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall (i) publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (c) above has been made and that said Bonds are deemed to have been paid in accordance with the Standard Resolution Provisions and stating such maturity date or Redemption Date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, on said Bonds. The Trustee shall, at the discretion of the Issuer, select the Bonds of a Series and the maturity or portion of a maturity thereof shall be paid in accordance with the Standard Resolution Provisions in the manner further provided in the Standard Resolution Provisions thereof. Neither Government Obligations or moneys deposited pursuant to the Standard Resolution Provisions nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Government Obligations so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required in the Resolution to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Issuer, and any such moneys so paid shall be

released of any trust, pledge, lien, encumbrance or security interest created by the Resolution. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys, Government Obligations on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier Redemption Dates or for two (2) years after the date of deposit of such moneys if deposited with the Trustee, after the said date when such Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Trustee to the Issuer, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Issuer for the payment of such Bonds. Before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

(Section A-1104)

**Certain Provisions Relating to Economic Defeasance**

Any Bonds of any Series for which prior to the maturity or Redemption Date thereof, the Issuer shall have given to the Trustee or other fiduciary selected by the Issuer in form satisfactory to it irrevocable instructions to maintain on deposit in a Fund or account held by the Trustee or other fiduciary selected by the Issuer established for such purpose for the benefit of the Holders of such Bonds, Investment Obligations, other than Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or other fiduciary selected by the Issuer at the same time, as verified in the report of a firm of certified public accountants, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, shall not be counted as Outstanding under the Standard Resolution Provisions solely for the purpose of the calculation of Calculated Debt Service required under the Standard Resolution Provisions.

(Section A-1105)

**Evidence of Signatures of Bondholders and Ownership of Bonds**

Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Issuer, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

(Section A-1201)

**Moneys Held for Particular Bonds**

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes thereof such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

(Section A-1301)

**General Regulations as to Moneys and Funds**

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor

checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1302)

**Preservation and Inspection of Documents**

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; provided, however, that with respect to inspection by a Holder of a Bond of any Series a written request of such Bondholder must have been made and received by the Trustee at least five (5) Business Days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

(Section A-1303)

**Parties of Interest**

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

(Section A-1304)

**No Recourse Under Resolution or on the Bonds**

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption

Price or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

(Section A-1305)

**Publication of Notices**

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

(Section A-1306)

**Successors and Assigns**

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

(Section A-1307)

**Severability of Invalid Provisions**

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

(Section A-1308)

**Other Resolutions**

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the Standard Resolution Provisions.

(Section A-1309)

**Survival of Particular Covenants**

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

(Section A-1310)

**Actions by the Issuer**

Any time the Issuer is permitted or directed to act pursuant to the Standard Resolution Provisions or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution Provisions. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer.

(Section A-1311)

**Governing Laws**

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

(Section A-1312)

**Payments due on Other Than a Business Day**

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

(Section A-1313)

**Effective Date**

The Resolution shall take effect immediately.

(Section A-1314)

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## APPENDIX C

## CONFORMED COPY OF FINANCING AGREEMENT

STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) FINANCING AGREEMENT (the "Financing Agreement") dated as of December 1, 2009, by and between the New York State Urban Development Corporation, a corporate governmental agency of the State of New York (the "Issuer"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State (the "Director of the Budget").

WHEREAS, the Issuer has, pursuant to the New York State Urban Development Corporation Act, being Chapter 174 of the Laws of 1968, as amended, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the "Issuer Act") and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the "Enabling Act", which together with the Issuer Act is referred to herein as the "Acts"), adopted its State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution on November 16, 2009 (including Annex A thereto, as amended and supplemented), and a Supplemental Resolution (collectively, the "Resolution") for the purpose of issuing from time to time one or more series of bonds (the "Bonds"), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act ("Authorized Purposes") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

### I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (General Purpose), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (General Purpose) Bond Anticipation Notes ("BANs") in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other

sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

## II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, provided, however, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-Exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

## III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) Business Days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the statutory audit powers granted the State, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall

provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

## IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

## V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any Supplemental Agreement in any manner; provided that no such amendment, modification or rescission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified

payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or rescission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or rescission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

## VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or

remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of this Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

## VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

## VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

8.3 In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

If to the State: Director of the Budget
State of New York
Executive Department
Division of the Budget
State Capitol, Room 113
Albany, New York 12224

If to the Issuer: General Counsel
New York State Urban Development Corporation
633 Third Avenue
New York, New York 10017

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

8.7 This Financing Agreement shall be construed and interpreted in accordance with the laws of the State of New York and any suits or actions arising out of this Financing Agreement shall be instituted in a court of competent jurisdiction in the State.

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

Approval as to form:
Attorney General

By: _____
Date: _____

State of New York

_____
for the Director of the Budget

Approved:

By: _____
for the State Comptroller
Date: _____

New York State Urban Development Corporation

_____
Chief Financial Officer

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**APPENDIX D**

## PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2010 Bonds, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Corporation, proposes to issue its legal opinion in substantially the following form:

[Date of Closing]

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

Re: New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2010A
New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2010B (Federally Taxable)
New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2010C (Federally Taxable – Build America Bonds)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the New York State Urban Development Corporation (the "Corporation") of $1,109,420,000 aggregate principal amount of its State Personal Income Tax Revenue Bonds (General Purpose) (the "Bonds") comprised of $367,295,000 principal amount of its State Personal Income Tax Revenue Bonds (General Purpose), Series 2010A (the "Series 2010A Bonds"), $328,365,000 principal amount of its State Personal Income Tax Revenue Bonds (General Purpose), Series 2010B (Federally Taxable) (the "Series 2010B Bonds") and $413,760,000 principal amount of its State Personal Income Tax Revenue Bonds (General Purpose), Series 2010C (Federally Taxable – Build America Bonds) (the "Series 2010C Bonds"), issued pursuant to the provisions of the New York State Urban Development Corporation Act, constituting Chapter 174 of the Laws of New York of 1968, as amended (the "UDC Act"), Part I of Chapter 383 of the Laws of New York of 2001 (the "Enabling Act") and the Project Acts, including related appropriations acts, and subject to the provisions, terms and conditions of a resolution of the Corporation adopted on November 16, 2009, entitled "State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution," as amended and supplemented, including a resolution of the Corporation adopted on November 30, 2010, entitled "Series 2010ABC State Personal Income Tax Revenue Bonds (General Purpose) Supplemental Resolution" and by a resolution adopted on November 30, 2010 and entitled "Bond Financing Committee Resolution Concerning the Sale and Issuance of State Personal Income Tax Revenue Bonds (General Purpose), Series 2010" (collectively, the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In that capacity, we have examined the Resolution, the Financing Agreement, opinions of counsel to the Corporation, certificates of the Corporation, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth

herein; including, with respect to the Series 2010A Bonds, the Tax Certificate and Agreement, dated the date hereof (the "Tax Certificate").

Based on our examination, we are of the opinion that:

(a) The Corporation has been duly created and is validly existing as a body corporate and politic constituting a public corporation of the State of New York (the "State").

(b) The Bonds have been duly and validly authorized to be issued and constitute the valid and binding special limited obligations of the Corporation enforceable in accordance with their terms and the terms of the Resolution, except as such enforcement may be limited by applicable bankruptcy, moratorium or other laws of general applicability from time to time in effect which affect the rights and remedies of creditors and secured parties and by the exercise of judicial discretion in accordance with legal and equitable limitations of general applicability. The Bonds will be payable solely from the sources provided therefor in the Resolution, and will be entitled to the benefit of the Resolution, the UDC Act, the Enabling Act and the Project Acts.

(c) The Resolution is in full force and effect, has been duly adopted by, and constitute the valid and binding obligations of, the Corporation, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, moratorium or other laws of general applicability from time to time in effect which affect the rights and remedies of creditors and secured parties and by the exercise of judicial discretion in accordance with legal and equitable limitations of general applicability. The Resolution creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Pledged Property, including the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Resolution, except the Administrative Fund and the Rebate Fund, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

(d) The Financing Agreement has been duly executed and delivered by the Corporation and, assuming due execution and delivery thereof by the State, constitutes the valid and binding agreement of the Corporation, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, moratorium or other laws of general applicability from time to time in effect which affect the rights and remedies of creditors and secured parties and by the exercise of judicial discretion in accordance with legal and equitable limitations of general applicability.

(e) 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.

(f) Neither the Corporation nor the owners of the Bonds have or will have a pledge of or lien on the Revenue Bond Trust Fund established by Section 92-z of the State Finance Law, or of the taxes or fees deposited therein.

(g) (i) Under existing law, interest on the Series 2010A Bonds will be excluded from the gross income of owners of the Series 2010A Bonds for federal income tax purposes. This opinion is rendered subject to the condition that certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") be met subsequent to the date of issuance of the Series 2010A Bonds in order that interest be and remain excluded from gross income for federal income tax purposes. Failure to comply

with such requirements could cause interest on the Series 2010A Bonds to be included in gross income of the holders of the Series 2010A Bonds retroactive to the date of issuance of such Series 2010A Bonds.

(ii) Interest on the Series 2010A Bonds will not constitute a preference item under section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, under section 55 of the Code and will not be included in "adjusted current earnings" when calculating corporate alternative minimum taxable income under section 56(g) of the Code. We express no opinion as to any other federal tax consequences resulting from holding the Series 2010A Bonds.

(iii) Interest on the Series 2010B Bonds and the Series 2010C Bonds will not be excluded from the gross income of the holders of the Series 2010B Bonds and the Series 2010C Bonds for federal income tax purposes.

(h) Under existing law, interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York.

(i) We express no opinion regarding any other Federal, state or local tax consequences with respect to the Bonds. We are rendering this opinion under existing law as of the date hereof, and we assume no obligation to update this opinion after the date hereof to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2010A Bonds, or on the Bonds under state law.

Very truly yours,

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.

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NEW YORK STATE URBAN DEVELOPMENT CORPORATION • STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE), SERIES 2010A, SERIES 2010B AND SERIES 2010C

Empire State Development Corporation

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