NEW ISSUE - BOOK-ENTRY ONLY

In the opinion of Bond Counsel to the Corporation, under existing statutes, regulations, administrative rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2010A Bonds is, however, included in "adjusted current earnings", for purposes of calculating the federal alternative minimum tax liability of certain corporations. Bond Counsel is also of the opinion that under existing statutes, including the New York State Urban Development Corporation Act, interest on the Series 2010A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof. See "TAX MATTERS" herein.

$504,305,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
SERVICE CONTRACT REVENUE REFUNDING BONDS, SERIES 2010A
consisting of

$224,110,000 Subseries 2010A-1 **$280,195,000 Subseries 2010A-2**

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

The New York State Urban Development Corporation's $504,305,000 aggregate principal amount of Service Contract Revenue Refunding Bonds, Series 2010A, consisting of two subseries, Subseries 2010A-1 and Subseries 2010A-2 (collectively, the "Series 2010A Bonds") are special obligations of the New York State Urban Development Corporation (the "Corporation"), doing business as the Empire State Development Corporation.

Interest on the Series 2010A Bonds is computed semi-annually (payable January 1 and July 1 until maturity, commencing on January 1, 2011) on the basis of a 360-day year and 30-day months. The Series 2010A Bonds are issuable only as fully registered bonds without coupons, in denominations of $5,000 or any integral multiple thereof. The Series 2010A Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See "THE SERIES 2010A BONDS-Book-Entry Only System" herein. Principal and premium, if any, and interest on the Series 2010A Bonds will be payable through Manufacturers & Traders Trust Company, Buffalo, New York, as Trustee and Paying Agent.

The Corporation has no taxing power. The Series 2010A Bonds are payable solely from the revenues, funds and assets pledged as security for the payment thereof, including, but not limited to, certain payments made by the State of New York to the Corporation under the Service Contract (as defined herein). Such payments are to be in amounts sufficient to pay when due all installments of principal of, premium, if any, and interest on all Series 2010A Bonds issued by the Corporation. **THE OBLIGATION OF THE STATE OF NEW YORK TO MAKE PAYMENTS PURSUANT TO THE SERVICE CONTRACT IS SUBJECT TO, AND DEPENDENT UPON, THE MAKING OF ANNUAL APPROPRIATIONS BY THE NEW YORK STATE LEGISLATURE FOR SUCH PURPOSE AND THE AVAILABILITY OF MONEYS TO FUND SUCH PAYMENTS.**

The Series 2010A Bonds are subject to redemption prior to maturity as described herein.

The Series 2010A Bonds are not moral or general obligations or debts of the State of New York, and the State of New York is not liable thereon. Neither the faith and credit nor the taxing power of the State of New York is pledged to the payment of principal of, premium, if any, or interest on the Series 2010A Bonds.

The Series 2010A Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and the approval of legality of the Series 2010A Bonds by Harris Beach PLLC, New York, New York, Bond Counsel to the Corporation, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Sidley Austin LLP, New York, New York. It is expected that the Series 2010A Bonds will be available for delivery in New York, New York, through the facilities of DTC on or about June 3, 2010.

Wells Fargo Securities **Siebert Brandford Shank & Co., LLC**

Barclays Capital Inc. **BofA Merrill Lynch** **Citi**
Goldman, Sachs & Co. **Loop Capital Markets, LLC** **J.P. Morgan**
Morgan Stanley **Ramirez & Co., Inc.** **Rice Financial Products Company**

BB&T Capital Markets **M♦R♦ Beal & Company** **Cabrera Capital Markets, LLC**
Fidelity Capital Markets Services **Jackson Securities, LLC** **Janney Montgomery Scott**
Jefferies & Company **Lebenthal & Co.** **Mesirow Financial, Inc.**
Morgan Keegan & Company, Inc. **Piper Jaffray & Co.** **Raymond James**
RBC Capital Markets **Roosevelt & Cross, Incorporated** **Sterne, Agee & Leach, Inc.**
Stifel, Nicolaus & Company, Incorporated **Stone & Youngberg**

May 27, 2010

$504,305,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
SERVICE CONTRACT REVENUE REFUNDING BONDS, SERIES 2010A

consisting of

$224,110,000
SERVICE CONTRACT REVENUE REFUNDING BONDS, SUBSERIES 2010A-1

Due January 1,	Amount	Interest Rate	Yield	CUSIP Number†
2011	$ 7,990,000	1.00%	0.34%	650035TE8
2012	3,895,000	3.00	0.95	650035TF5
2012	9,115,000	4.00	0.95	650035TS7
2013	5,700,000	3.00	1.35	650035TG3
2013	9,970,000	5.00	1.35	650035TT5
2014	855,000	4.00	1.74	650035TH1
2014	14,705,000	5.00	1.74	650035TU2
2015	1,300,000	4.00	2.13	650035TJ7
2015	14,685,000	5.00	2.13	650035TV0
2016	7,205,000	4.00	2.55	650035TK4
2016	13,285,000	5.00	2.55	650035TW8
2017	2,135,000	4.00	2.87	650035TL2
2017	23,790,000	5.00	2.87	650035TX6
2018	3,870,000	4.00	3.06	650035TM0
2018	16,715,000	5.00	3.06	650035TY4
2019	6,220,000	4.00	3.27	650035TN8
2019	15,105,000	5.00	3.27	650035TZ1
2020	25,010,000	5.00	3.45	650035TP3
2021	27,665,000	5.00	3.57*	650035TQ1
2022	14,895,000	5.00	3.68*	650035TR9

*Yield to January 1, 2020 par call date.

$280,195,000
SERVICE CONTRACT REVENUE REFUNDING BONDS, SUBSERIES 2010A-2

Due January 1,	Amount	Interest Rate	Yield	CUSIP Number†
2011	$11,615,000	1.00%	0.34%	650035UA4
2012	13,240,000	4.00	0.95	650035UE6
2013	14,475,000	5.00	1.35	650035UF3
2014	21,350,000	5.00	1.74	650035UG1
2015	21,330,000	5.00	2.13	650035UH9
2016	19,295,000	5.00	2.55	650035UJ5
2017	34,550,000	5.00	2.87	650035UK2
2018	24,275,000	5.00	3.06	650035UL0
2019	21,935,000	5.00	3.27	650035UM8
2020	36,325,000	5.00	3.45	650035UB2
2021	40,175,000	5.00	3.57*	650035UC0
2022	21,630,000	5.00	3.68*	650035UD8

*Yield to January 1, 2020 par call date.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Corporation and are included solely for the convenience of the owners of the Series 2010A Bonds. Neither the State nor the Corporation is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2010A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2010A 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 2010A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Corporation, the State of New York (the "State"), or the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2010A Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the State since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of their responsibilities to investors under, the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the Series 2010A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT

Relating to

EMPIRE STATE DEVELOPMENT CORPORATION

$504,305,000

NEW YORK STATE URBAN DEVELOPMENT CORPORATION
SERVICE CONTRACT REVENUE REFUNDING BONDS, SERIES 2010A

consisting of

$224,110,000 SUBSERIES 2010A-1 **$280,195,000 SUBSERIES 2010A-2**

INTRODUCTION

The purpose of this Official Statement, which includes the inside cover page and appendices, is to set forth certain information concerning the New York State Urban Development Corporation (the "Corporation"), doing business as the Empire State Development Corporation ("ESDC"), and the State of New York (the "State"), all in connection with the offering by the Corporation of its proposed $504,305,000 aggregate principal amount of Service Contract Revenue Refunding Bonds, Series 2010A consisting of two subseries, Subseries 2010A-1 and Subseries 2010A-2 (collectively, the "Series 2010A Bonds").

Interest on both Subseries of the Series 2010A Bonds is computed semi-annually (payable January 1 and July 1, until maturity, commencing on January 1, 2011) on the basis of a 360-day year and 30-day months. The interest rates, maturity dates, prices and yields and CUSIP Numbers of both Subseries of the Series 2010A Bonds being offered hereby are set forth on the inside cover page of this Official Statement.

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

The Series 2010A Bonds are authorized to be issued pursuant to: (i) the New York State Urban Development Corporation Act, Chapter 174 of the Laws of 1968 of the State, as amended (the "UDC Act"); (ii) Section 34 of Part T of Chapter 57 of the Laws of 2007 permitting the Corporation to refund bonds issued by other State entities (the "Consolidation Act"); (iii) Chapter 56 of the Laws of 1983, as amended and supplemented (the "UDC Project Act"); and (iv) Chapter 47-e of the Private Housing Finance Law, as amended and supplemented (the "HFA Project Act" and, collectively with the UDC Project Act, the "Project Acts").

The Series 2010A Bonds are additionally authorized under: (i) the Corporation's Service Contract Revenue Refunding Bond Resolution, adopted by the Corporation on May 12, 2005 (as amended and supplemented, the "General Resolution"); (ii) the Corporation's Series 2010A Service Contract Revenue Refunding Bonds Series Resolution adopted by the Corporation on April 19, 2010 (the "Series Resolution"); (iii) the Corporation's Bond Financing Committee Resolution Concerning the Sale and Issuance of Service Contract Revenue Refunding Bonds, Series 2010A, adopted on April 19, 2010 (the

"Bond Financing Committee Resolution" and, collectively with the General Resolution and the Series Resolution, the "Resolution") and (iv) a certificate of an Authorized Officer of the Corporation (the "Officer's Certificate") delivered pursuant to the Resolution, setting forth certain terms of the Series 2010A Bonds. All bonds issued pursuant to the Resolution, including the Series 2010A Bonds, are herein referred to as the "Bonds".

The Series 2010A Bonds will be the eighth series of bonds issued under the General Resolution. The Corporation has previously issued $2,285,065,000 of its Service Contract Revenue Refunding Bonds, of which $2,213,885,000 is Outstanding as of May 1, 2010. The General Resolution permits the Corporation to issue additional series of Bonds which will be on a parity with all Bonds heretofore or hereafter issued under the General Resolution ("Additional Bonds").

The Series 2010A Bonds are special obligations of the Corporation, secured by and payable solely from the Pledged Property (as hereinafter defined), which includes amounts payable by the Director of the Budget of the State (the "Director of the Budget") to the Corporation relating to principal of, redemption premium, if any, and interest on the Series 2010A Bonds in accordance with the terms and provisions of the Service Contract for the Series 2010A Bonds (the "Service Contract") between the State of New York, acting by and through the Director of the Budget, and the Corporation dated as of the date of delivery of the Series 2010A Bonds, subject to annual appropriation by the New York State Legislature (the "State Legislature"), and the Funds and Accounts (other than the Rebate Fund) established under the General Resolution, subject to the application thereof for the purposes and on the terms and conditions provided in the General Resolution. Pursuant to the Service Contract, the amounts payable by the Director of the Budget, together with certain other funds and investments, are to be sufficient to pay, when due, all installments of principal of, redemption premium, if any, and interest on, the Series 2010A Bonds. The Service Contract provides that the obligation of the Director of the Budget to make the payments thereunder is subject to appropriation by the State Legislature. The Service Contract, together with all service contracts entered into or to be entered into in connection with the issuance and delivery of any Series of outstanding Bonds or any Series of Additional Bonds, are hereinafter referred to collectively as the "Service Contracts." Payments pursuant to the Service Contract relating to principal of, redemption premium, if any, and interest on, the Series 2010A Bonds are referred to as the "Service Contract Payments." All Bonds issued pursuant to the General Resolution shall be equally and ratably secured by and payable from certain amounts received by the Corporation from the State under the Service Contracts. See "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION" and "APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE SERVICE CONTRACT."

The Series 2010A Bonds are being issued for the purpose of (A) currently refunding the Subseries 2008A-2, Subseries 2008A-3 and Subseries 2008A-4 of the Corporation's Service Contract Refunding Bonds, Series 2008A (collectively, the "Refunded Series 2008A Bonds"); (B) currently refunding the New York State Housing Finance Agency's ("HFA") Service Contract Revenue Bonds, 2003 Series A Refunding, 2003 Series B Refunding, 2003 Series C Refunding, 2003 Series D Refunding, 2003 Series E Refunding and 2003 Series G Refunding (collectively, the "Refunded HFA Bonds" and, together with the Refunded Series 2008A Bonds, the "Refunded Bonds"); (C) paying a portion of the costs associated with terminating interest rate exchange agreements relating to certain of the Refunded Bonds (the "Swap Agreements"); and (D) paying the cost of issuance of the Series 2010A Bonds.

The Consolidation Act authorizes issuers of State-supported debt to issue bonds or notes to refund or otherwise pay previously issued State-supported debt, whether issued by such issuer or another issuer of State-supported debt, subject to individual bonding limitations contained therein, and provided that the payment of debt service and related expenses of both the refunding and refunded bonds and notes are subject to appropriation and not otherwise secured by a dedication of specific revenues. The current refunding of the Refunded HFA Bonds is being undertaken pursuant to the Consolidation Act.

The Project Acts authorize the Corporation and HFA, respectively, to issue bonds and notes, subject to individual bonding limitations contained therein. The authorized principal amounts exclude bonds, notes or other obligations issued to refund or otherwise repay bonds, notes or other obligations theretofore issued for the purposes described in the Project Acts. The bonding limitations under the Project Acts will not be exceeded as a result of the issuance of the Series 2010A Bonds.

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

The Corporation has no taxing power. The Series 2010A Bonds will not be obligations or debts of the State and the State will not be liable thereon. Neither the faith and credit nor the taxing power of the State will be pledged to the payment of principal or purchase price of, premium, if any, or interest on the Series 2010A Bonds nor will the Series 2010A Bonds be "moral obligation" bonds secured by a debt service reserve fund to which State funds will be apportionable under the UDC Act.

Capitalized terms used but not defined herein have the same meaning as ascribed to them in the Resolution. See "SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS," "APPENDIX B—CERTAIN DEFINITIONS," and "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS

Pledge Effected by the General Resolution

The Series 2010A Bonds are special obligations of the Corporation, without recourse to other assets of the Corporation, and are secured by a pledge of and payable from: (i) Service Contract Payments; (ii) Recoveries and Awards; (iii) the proceeds of the sale of the Series 2010A Bonds; (iv) the moneys and securities held in the Funds (other than the Rebate Fund) and Accounts established under the General Resolution; and (v) all of the Corporation's right, title and interest in each Security Instrument (collectively, the "Pledged Property"). Under the General Resolution, the Corporation has pledged the Pledged Property to the Trustee for payment of the Bonds. The pledge created by the General Resolution is subject only to the provisions of the General Resolution permitting the application of the Pledged Property for the purposes and conditions set forth therein. The term "Recoveries and Awards" shall mean all amounts arising from or attributable to all amounts realized upon or as a result of the exercise of any right or remedy or enforcement of any security interest under a Security Instrument or the General Resolution, and any proceeds thereof, after deducting from any such amounts, any costs and expenses incurred in the exercise of any such right or remedy or in the enforcement of any such security interest, collecting the proceeds thereof or producing income thereon.

Pursuant to the General Resolution, the Series 2010A Bonds will be equally and ratably secured with any Bonds heretofore or hereafter issued under the General Resolution.

The Corporation has no power to pledge the credit of the State, nor shall any of the Corporation's obligations under the General Resolution and the Security Instruments, including the Series 2010A Bonds, be deemed to be a debt or moral obligation of the State, and the State shall not be liable thereon, and the Series 2010A Bonds shall be payable solely from certain payments received by the Corporation under the Service Contracts and certain amounts held under the General Resolution, and the obligation of the State to make such payments shall not constitute a debt or moral obligation of the State within the meaning of any constitutional or statutory provision and shall be deemed executory only to the extent of moneys made available to the State therefor, and no liability on account thereof shall be incurred by the State beyond the moneys available for the purpose thereof. The Corporation has no taxing power.

The Series 2010A Bonds are not secured by any mortgage on any facilities or any part thereof. In the event that the State fails to make the payments payable under the Service Contract, there can be no assurance that there will be moneys available to provide for the payment of the Series 2010A Bonds.

Service Contract Payments

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

In connection with the issuance of the Series 2010A Bonds, the Corporation and the State will enter into the Service Contract, pursuant to which the State will be obligated to make Service Contract Payments in the amounts necessary to pay, among other things, the principal or purchase price of and interest on the Series 2010A Bonds. Pursuant to the Assignment of Service Contract Payments, from the Corporation to the Trustee, the Corporation will assign to the Trustee as security for the Series 2010A Bonds, the Service Contract Payments payable by the State under the Service Contract. Certain other payments under the Service Contract and future Service Contracts (not relating to the payment of principal or purchase price of, redemption premium, if any, and interest on the Series 2010A Bonds) do not constitute Service Contract Payments as defined herein and will not be pledged under the General Resolution and will not be included in the Pledged Property.

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

In the event that the State fails to make the payments payable under the Service Contract, there can be no assurance that there will be moneys available to provide for the payment of the Series 2010A

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

Additional Bonds

The provisions of the Project Act and the General Resolution permit the Corporation to issue additional series of Bonds on a parity with the Series 2010A Bonds and any other Bonds then Outstanding under the General Resolution, subject to individual bond limitations authorized within the Project Act. See "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

THE SERIES 2010A BONDS

Description of the Series 2010A Bonds

General

Interest on the Series 2010A Bonds is computed semi-annually (payable January 1 and July 1, until maturity, commencing on January 1, 2011) on the basis of a 360-day year and 30-day months. The Series 2010A Bonds are issued in denominations of $5,000 or any integral multiple thereof.

Redemption

The Series 2010A Bonds maturing on or after January 1, 2021 are subject to redemption prior to their maturity in whole or in part and in any order of maturity determined by the Corporation, at any time on or after January 1, 2020 at the option of the Corporation, from any source of funds available for such purpose, at a Redemption Price equal to 100% of the principal amount of Series 2010A Bonds to be redeemed, plus interest, if any, accrued to the redemption date.

Selection of Bonds to be Redeemed; Notice of Redemption

In the case of redemptions of Series 2010A Bonds, the Corporation will select the Series and maturities of the Series 2010A Bonds to be redeemed. If less than all of the Series 2010A Bonds and maturity are to be redeemed, the Trustee shall assign to each Outstanding Bond to be redeemed a distinctive number for each amount representing the lowest denomination in which the Series 2010A Bonds are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds, as many numbers as, at the amount representing the lowest denomination in which the Series 2010A Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2010A Bonds to be redeemed.

Any notice of optional redemption of the Series 2010A Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2010A 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. Notice of such rescission shall be given by the Trustee to affected Series 2010A Bondholders as promptly as practicable upon the failure of such condition or the occurrence of such other event.

When the Trustee shall have received notice from the Corporation that Series 2010A Bonds are to be redeemed, the Trustee shall give notice, in the name of the Corporation, of the redemption of such Series 2010A Bonds, which notice shall specify the maturities and interest rates of the Series 2010A 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 2010A Bonds are to be redeemed, the letters

and numbers or other distinguishing marks of the Series 2010A Bonds to be redeemed, and in the case of Series 2010A 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 2010A 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 2010A Bonds or portions thereof to be redeemed.

Notice of any redemption shall be mailed by the Trustee, postage prepaid, no less than 30 days before the redemption date, to the Owners of any Series 2010A Bonds or portions of Series 2010A 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 2010A Bonds, see "APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

Book-Entry Only System

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

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2010A Bonds. The Series 2010A 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 2010A Bond certificate will be issued for each stated maturity of each Subseries of the Series 2010A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the Series 2010A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010A Bonds on DTC's records. The ownership

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

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

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

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

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

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

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

So long as Cede & Co. is the registered owner of the Series 2010A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2010A Bonds (other than under the captions "Tax Matters" and "Continuing Disclosure" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2010A Bonds.

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

NONE OF THE CORPORATION, THE UNDERWRITERS NOR THE TRUSTEE OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2010A BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2010A BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2010A BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2010A BONDS.

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

THE REFUNDING PLAN

The net proceeds of the Series 2010A Bonds, together with other available moneys, will be used to pay (a) the principal of the Refunded Bonds to the holders thereof on their respective redemption dates of June 21, 2010, with respect to the Refunded Series 2008A Bonds, and on or about June 18, 2010, with respect to the Refunded HFA Bonds and (b) a portion of the costs of terminating the Swap Agreements. Amounts sufficient to pay the interest accruing on the Refunded Bonds to their respective redemption dates and the balance of the costs of terminating the Swap Agreements will be provided from moneys appropriated by the State for such purposes. The proceeds of the Series 2010A Bonds and such other amounts provided by the State to pay the principal of and interest on the Refunded Bonds will be deposited in accounts held by the respective trustees of the Refunded Bonds until so applied. Certain of the Underwriters or their affiliates are counterparties to such Swap Agreements and, in connection with the termination of such Swap Agreements, are expected to receive a portion of the Series 2010A Bond proceeds as swap termination payments. See "UNDERWRITING."

The Refunded Bonds are not being defeased prior to redemption and shall remain outstanding and subject to the benefits of their related resolution until redeemed. Upon the delivery of the Series 2010A Bonds, the Corporation will instruct the trustee for the Refunded Series 2008A Bonds and HFA will instruct the trustee for the Refunded HFA Bonds, to apply amounts on deposit in the applicable accounts

to pay the redemption price of and accrued interest on, the Refunded Bonds on the applicable redemption dates.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of the Series 2010A Bonds	$504,305,000
Original Issuance Premium	54,724,418
State Contribution	11,238,558
Total Sources	$570,267,976
Uses of Funds	
Deposits to Redemption Accounts	$509,000,000
Deposit to Debt Service Fund	31,986
Costs of Terminating the Swap Agreements	51,998,000
Costs of Issuance*	9,237,990
Total Uses	$570,267,976

* Includes the Corporation fee, Underwriters' discount and the New York State bond issuance charge.

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. 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 Barclay's Arena,

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, including the Centers of Excellence program, which is establishing Centers of Excellence in Nanoelectronics in Albany, Wireless and Information Technology at Stony Brook, Photonics and Optoelectronics in Rochester, Bioinformatics in Buffalo and Environmental and Energy Systems at Syracuse. Since January 1, 1977 over 7,660 projects have been approved, totaling more than $6.364 billion in grants and $245.3 million in loans. Thousands of jobs have been created and 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 are a number of vacancies on the Board of Directors.

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

Directors

Dennis M. Mullen, Chairman

Robert Dyson, Chairman and CEO – 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

Senior Officers

Dennis M. Mullen, Chief Executive Officer

Frances A. Walton, Senior Vice President and Chief Financial and Administrative Officer

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

Eileen McEvoy, Corporate Secretary

Kathleen Mize, 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.

AGREEMENT OF THE STATE

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

TAX MATTERS

Federal Income Taxes

In the opinion of Harris Beach PLLC, Bond Counsel to the Corporation, and assuming compliance with the representations, certifications and covenants described in the immediately succeeding paragraph, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes. Furthermore, in the opinion of Bond Counsel, such interest is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2010A Bonds is included in "adjusted current earnings", for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Corporate purchasers of the Series 2010A Bonds should consult their tax advisors regarding the computation of any alternative minimum tax liability.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at the time of, and subsequent to, the issuance and delivery of the Series 2010A Bonds in order that interest on the Series 2010A Bonds be and remain excluded from gross income for federal income tax purposes. Included among these continuing requirements are certain restrictions and

prohibitions on the use of bond proceeds, restrictions on the investment of bond proceeds and other moneys or properties, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2010A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2010A Bonds irrespective of the date on which such noncompliance occurs. The General Resolution and the tax certificate as to arbitrage and use of proceeds delivered by the Corporation at the time of delivery of the Series 2010A Bonds (the "Arbitrage Certificate") contain certain factual certifications, covenants, representations and warranties as to compliance with the requirements of the Code. In rendering the above-described opinions, Bond Counsel will assume the accuracy of such factual certifications and continuing compliance by the Corporation with such covenants, representations, and warranties set forth in the General Resolution and the Arbitrage Certificate.

Each of the maturities of the Series 2010A Bonds are initially offered to the public at prices greater than the amounts payable thereon at maturity. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Series 2010A Bonds may realize a taxable gain upon disposition of such Series 2010A Bonds even though they are sold or redeemed for an amount equal to such owner's original cost of acquiring such Series 2010A Bonds. Owners of Series 2010A Bonds are advised that they should consult with their own tax advisors with respect to the tax consequences of owning such Series 2010A Bonds.

Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or receipt or accrual of interest on, the Series 2010A Bonds. The proposed form of the approving opinion of Bond Counsel relating to the Series 2010A Bonds is attached to this Official Statement as Appendix E.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2010A Bonds should be aware that the accrual or receipt of tax-exempt interest on the Series 2010A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of collateral federal income tax consequences of acquiring or holding the Series 2010A Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2010A Bonds, (ii) interest on the Series 2010A Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2010A Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2010A Bonds. In addition, the Code generally denies the interest deduction for indebtedness incurred or continued by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Series 2010A Bonds.

All prospective purchasers of the Series 2010A Bonds should consult with their tax advisors in order to understand the implications of the Code as to these and other federal and state tax consequences, as well as any local tax consequences, of purchasing or holding the Series 2010A Bonds.

State and Local Income Tax

Bond Counsel is also of the opinion that under existing statutes, including the UDC Act, interest on the Series 2010A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof.

Any noncompliance with the Federal income tax requirements set forth above would not, however, affect the exemption of interest on the Series 2010A Bonds from personal income taxes imposed by New York State or any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2010A Bonds.

Interest on the Series 2010A Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion, however, as to the tax treatment of the Series 2010A Bonds under other state or local jurisdictions. Each purchaser of Series 2010A Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2010A Bonds in a particular state or local jurisdiction other than the State of New York.

Other Considerations

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2010A Bonds may adversely affect the value of, or the tax status of, interest on, the Series 2010A Bonds.

Certain requirements and procedures contained or referred to in the General Resolution, the Arbitrage Certificate and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any federal, state or local tax consequences with respect to the Series 2010A Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of a bond counsel other than Harris Beach PLLC.

No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, regulations, administrative rulings, or court decisions, will not cause interest on the Series 2010A Bonds to be subject, directly or indirectly, to federal or State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decisions or action of the Internal Revenue Service, including but not limited to the promulgation of a regulation or ruling, or the selection of the Series 2010A Bonds for audit examination or the course or result of any Internal Revenue Service examination of the Series 2010A Bonds or obligations which present similar tax issues, will not affect the market price or marketability of the Series 2010A Bonds. Prospective purchasers of the Series 2010A Bonds should consult their own tax advisors regarding the forgoing matters.

See “APPENDIX E—PROPOSED FORM OF OPINION OF BOND COUNSEL.”

LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of the Corporation, threatened in any court, agency or other administrative body (either State or federal) restraining or enjoining the issuance, sale or delivery of the Series 2010A Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2010A Bonds are to be issued, (ii) the pledge effected under the Resolution, or (iii) the validity of any provision of the Series 2010A Bonds, the Resolution or the Service Contracts.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Series 2010A Bonds are subject to the approval of Harris Beach PLLC, New York, New York, Bond Counsel to the Corporation, and to certain other conditions. The approving opinion of Bond Counsel will be delivered with the Series 2010A Bonds. The proposed form of such opinion is included in this Official Statement as Appendix E. Certain legal matters will be passed upon for the Underwriters by their counsel, Sidley Austin LLP, New York, New York.

RATINGS

The Series 2010A Bonds are rated "AA-" by Standard & Poor's and "AA-" by Fitch. Such credit ratings reflect only the view of such credit rating agencies and an explanation of the significance of such credit ratings may be obtained from the rating agency furnishing the same. There is no assurance that such credit ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any such credit rating agencies, if, in their respective judgments, circumstances so warrant. Any downward revision or withdrawal of any such credit rating may have an adverse effect on the market price of the Series 2010A Bonds.

UNDERWRITING

The Underwriters identified on the cover page of this Official Statement, acting through Wells Fargo Bank, National Association, as representative, have jointly and severally agreed, subject to the terms of a Contract of Purchase with the Corporation with respect to the Series 2010A Bonds (the "Contract of Purchase"), 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 Contract of Purchase provides, in part, that the Underwriters, subject to certain conditions, will purchase from the Corporation $504,305,000 aggregate principal amount of Series 2010A Bonds at an aggregate purchase price of $556,794,327.85, which includes net original issue premium of $54,724,417.95 and an Underwriters' discount of $2,235,090.10.

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. Certain of the Underwriters or their affiliates are counterparties to the Swap Agreements and, in connection with the termination of such Swap Agreements, will receive a portion of the Series 2010 Bond proceeds as swap termination payments. See "THE REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS."

The following two sentences have been provided by J.P.Morgan Securities Inc. J.P.Morgan Securities Inc. ("JPMSI"), one of the Underwriters of the Series 2010A 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 2010A Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS& Co. will purchase Series 2010A Bonds from JPMSI at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

The following three sentences have been provided by Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated: Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Series 2010A Bonds, has entered into a retail brokerage joint venture with Morgan Stanley & Co. Incorporated. As part of the joint venture, Citigroup Global Markets Inc. 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, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2010A Bonds.

The following two sentences have been provided by Piper Jaffray & Co. Piper Jaffray & Co. has entered into an agreement (the "Piper Distribution Agreement") with Advisors Asset Management, Inc. for the distribution of certain municipal securities offerings allocated to it at the original offering prices. Under the Piper Distribution Agreement, Piper will share with Advisors Asset Management a portion of its underwriting compensation, exclusive of management fees.

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.

LEGALITY FOR INVESTMENT

The UDC Act provides that the Series 2010A Bonds constitute securities in which all public officers and bodies of the State and all its municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees, and other fiduciaries, and all other persons whatsoever, who are now or may hereafter be authorized to invest in bonds or other obligations of the State, to the extent that the legality of their investments is governed by the laws of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

CONTINUING DISCLOSURE

In order to assist the Underwriters of the Series 2010A Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Corporation, the State and the Trustee will enter into a written agreement for the benefit of the holders of the Series 2010A Bonds to provide continuing disclosure (the "Continuing Disclosure Agreement"). The State will undertake for the benefit of the holders of the Series 2010A Bonds to provide in electronic form to the Electronic Municipal Market Access system ("EMMA") maintained by the Municipal Securities Rulemaking Board ("MSRB"), as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12, on an annual basis on or before 120 days after the end of each fiscal year of the State, commencing with the fiscal year ending March 31, 2011 financial information and operating data concerning the State of the type included in this Official Statement, referred to herein as the "Annual Information" and described in more detail below. The State Comptroller is required by existing law to issue audited annual financial statements of the State prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") 120 days after the close of the State fiscal year, and the State will also undertake to provide to the MSRB in the electronic format prescribed by the MSRB, the State's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, if and when such statements are available. In addition, the Corporation will undertake for the benefit of the holders of the Series 2010A Bonds to provide to the

MSRB in the electronic format prescribed by the MSRB, in a timely manner, the notices described below (the "Notices").

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

The Notices to be provided by the Corporation include notices of any of the following events with respect to the Series 2010A Bonds, if material (each of which is described in the Disclosure Agreement): (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax-exempt status of the securities; (7) modifications to the rights of the security holders; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities; and (11) rating changes. In addition, the Corporation will undertake, for the benefit of the holders of the Series 2010A Bonds, to provide to the MSRB in the electronic format prescribed by 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 Continuing Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to such Agreement and, as a direct or third party beneficiary, as the case may be, any holder of the Series 2010A 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, such 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; *provided* that the sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement to provide the continuing disclosure described above is an action to compel specific performance of the undertakings of the State contained therein, and no person or other entity may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. Beneficial Owners of the Series 2010A Bonds are third party beneficiaries of the Continuing Disclosure Agreement and, as such, are deemed to be the holders of the Series 2010A Bonds for the purpose of exercising remedies. The obligations of the State under the Continuing Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

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

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it is related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Continuing Disclosure Agreement do not anticipate that it often will be necessary to amend the informational undertakings. The Continuing Disclosure Agreement, however, may be amended or modified under certain circumstances set forth therein.

Copies of the Continuing Disclosure Agreement when executed by the parties thereto on the date of delivery of the Series 2010A Bonds will be on file at the office of the Corporation.

MISCELLANEOUS

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

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

The Underwriters have not provided any information contained in this Official Statement except for the information contained under the caption "UNDERWRITING" and except for certain financial and statistical information relating to the Series 2010A Bonds.

Public Resources Advisory Group, New York, New York, is acting as financial advisor to the State in connection with the issuance of the Series 2010A Bonds.

The Director of the Budget is to certify that the information contained in the "Annual Information Statement of the State of New York" in Appendix A, including any updates or supplements, included in this Official Statement, is true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; *provided, however*, that while the statements and information contained in Appendix A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; *provided, further, however*, that with regard to the information and statements in Appendix A hereto under the caption "Litigation," such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2010A Bonds.

The references herein to the Project Acts, the UDC Act, the Consolidation Act, other laws of the State, the Resolution, the Service Contracts and the Assignment of Service Contract Payments are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of the Corporation with the registered Owners of the Series 2010A Bonds are fully set forth in the Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2010A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2010A Bonds. So far as any statements are made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are available for review at the corporate headquarters of the Corporation located at 633 Third Avenue, New York, New York 10017. The Corporation's telephone number at such address is (212) 803-3100.

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

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

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

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APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix A is dated May 15, 2009. It was updated on February 15, 2010 and supplemented on May 12, 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 Update 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, 2009 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, 2009 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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SUPPLEMENT TO THE THIRD QUARTERLY UPDATE TO THE ANNUAL INFORMATION STATEMENT

Supplement Dated May 12, 2010

This is the Second Supplement to the Third Quarterly Update to the Annual Information Statement of the State of New York, dated February 15, 2010 (the "Third Quarterly Update"), and it contains information only through May 12, 2010, and should be read in its entirety, together with the Third Quarterly Update.

Financial Plan

The table below summarizes the changes to the Financial Plan projections for 2009-10 and 2010-11 since the amended Executive Budget.

Impact of 2009-10 Results on 2010-11 Budget Gap
General Fund -- Savings/(Costs)
Dollars in Millions

	2009-10	2010-11	Two-Year Total
Estimated General Fund Budget Gap Before Executive Recommendations (February 2010)	**(1,380)**	**(6,788)**	**(8,168)**
Consensus Revenue Forecast	0	(850)	(850)
Tax Penalty Forgiveness Program	(215)	0	(215)
Other Forecast Reestimates	(39)	94	55
Gaps Before Actions to Carry-Forward 2009-10 Shortfall	**(1,634)**	**(7,544)**	**(9,178)**
Payment of Tax Refunds	500	(500)	0
School Aid End of Year Payment	2,063	(2,063)	0
Cash Reserved to Pay Deferred Payments	(929)	929	0
Revised General Fund Budget Gap Before Executive Recommendations	**0**	**(9,178)**	**(9,178)**
2010-11 Executive Budget Gap-Closing Proposals			
Executive Budget Proposal *	0	8,654	8,654
Federal Aid **		(96)	(96)
Supplemental Executive Gap-Closing Proposals	0	620	620
General Fund Budget Gap After Executive Proposals	**0**	**0**	**0**

* Includes the recurring value of the December 2009 Deficit Reduction Plan ($692M).

** The estimated value of enhanced FMAP and other federal aid has been reduced by a net $96M based on the potential impact of certain proposals under consideration by Congress and other changes.

The Executive Budget Financial Plan for 2010-11, as amended,[1] included $8.7 billion in recommendations to eliminate a projected General Fund budget gap of $8.2 billion for 2010-11. This projected budget gap included an estimated budget shortfall of $1.4 billion in 2009-10 that the State

[1] 2010-11 Executive Budget Financial Plan: Updated for Forecast Revisions and Governor's Amendments, February 9, 2010. See the Third Quarterly Update to the AIS for an in-depth discussion of the Executive Budget Financial Plan.

expected to carry forward into 2010-11 through the deferral of payments scheduled for 2009-10 but not due by law until 2010-11.

Since the submission of the amended Executive Budget Financial Plan on February 9, 2010, the Division of the Budget ("DOB") has increased the projected General Fund budget gap for 2010-11 by approximately $1 billion, to $9.2 billion. The change in the projected budget gap reflects the impact of (a) the consensus revenue forecast for the economy and estimates of receipts for the 2009-10 and 2010-11 fiscal years, dated March 1, 2010 (the "Consensus Forecast"), and (b) a $160 million increase in the budget shortfall for 2009-10 that was carried forward into 2010-11. As required by State law, the Executive and Legislature issued the Consensus Forecast, which concluded that tax receipts in fiscal year 2010-11 would be approximately $850 million lower than the levels forecast in the amended Executive Budget Financial Plan.

In addition, based on the evaluation of preliminary, unaudited results for the State's 2009-10 fiscal year, DOB estimates that the size of the 2009-10 budget shortfall contributing to the 2010-11 budget gap increased to approximately $1.6 billion, or $160 million more than the $1.4 billion estimated in the amended Executive Budget Financial Plan. The increase in the shortfall was due to lower than expected receipts in March 2010 from a tax penalty forgiveness program ($215 million) that was enacted as part of a mid-year deficit reduction plan for 2009-10, offset by positive forecast revisions based on year-end results ($55 million over two years).

The gap-closing plan continues to assume that the Federal government will extend, for six months, the temporary increase in the Federal Medical Assistance Percentage ("FMAP") originally authorized in the American Recovery and Reinvestment Act. However, based on current proposals in Congress and other information, DOB has reduced the estimated FMAP benefit in 2010-11 by approximately $300 million. This estimated reduction is offset in part by anticipated additional Federal reimbursement of $204 million in 2010-11 related to the Medicare Part D program, resulting in a net loss in recommended savings of $96 million.

To maintain a balanced Executive Budget Financial Plan, the Governor on April 26, 2010 proposed an additional $620 million in gap-closing actions for legislative consideration. The actions included reductions to existing programs, new revenues, and other resources. The total gap-closing plan proposed by the Governor now totals $9.2 billion, consistent with the updated budget gap projected for 2010-11.

To carry the budget shortfall across the fiscal years, DOB directed the deferral of a planned payment to school districts ($2.1 billion) and certain tax refunds ($500 million). Both the school aid payment and the tax refunds were scheduled to be paid in 2009-10 but, by statute, are not due until June 1, 2010. Due to the foregoing deferral of school aid payment and tax refunds, the total amount of the deferrals exceeded the level of the budget shortfall in 2009-10. This greater deferral had the effect of increasing the closing balance in the General Fund for 2009-10 to $2.3 billion, or $929 million above the level projected in the amended Executive Budget Financial Plan. However, the higher closing balance is due exclusively to the cash management actions described above and does not represent an improvement in the State's financial operations. In early April 2010, the State paid the $500 million in tax refunds that had been deferred from 2009-10 to 2010-11. The school aid deferred from 2009-10 has not yet been paid.

Status of Budget Negotiations

On March 17, 2010, the Legislature enacted the debt service appropriation bill, which includes appropriations for all existing and planned State-supported, contingent-contractual, and other debt obligations for the State's 2010-11 fiscal year, which began on April 1, 2010. The Legislature has not yet enacted the remainder of the annual budget for 2010-11.

In the absence of an adopted State budget for the current fiscal year, interim appropriation bills have been enacted weekly to provide for the payment of certain personal service costs, certain grants to local governments, and other items deemed necessary for legal or contractual reasons. The limited scope of interim appropriation bills is intended to help the State to maintain its cash position.

As in prior years when the State has not adopted a budget by April 1, DOB expects that the Governor will continue to submit, and the Legislature will continue to approve, interim appropriation bills to permit governmental operations to continue until a complete annual budget for 2010-11 is adopted. However, there can be no assurance that the Legislature will continue to approve interim appropriations. DOB expects that the Governor will propose budgetary measures to achieve annual savings in 2010-11 in future interim appropriation bills and as stand-alone legislative proposals.

Furloughs

The amended Executive Budget Financial Plan included a savings target of $250 million from wage concessions to be negotiated with the unionized State Workforce. On May 10, 2010, the Governor submitted, and the Legislature approved, an interim appropriation bill, for the period of May 17 through May 23, which included a provision requiring furloughs equal to a 20 percent reduction in the work week for certain executive branch employees. However, on May 12, 2010, the U.S District Court for the Northern District of New York issued a temporary restraining order preventing the implementation of the furloughs, pending a final determination.

Cash Position

The State's cash position continues to be a significant concern. The amended Executive Budget Financial Plan, submitted on February 9, 2010, estimated that the General Fund would end June 2010 with a negative cash balance of $777 million. The June 2010 closing balance in All Governmental Funds (the most comprehensive view of the financial operations of the State which includes the General Fund and funds specified for dedicated purposes, as well as Federal funds and capital projects funds) was estimated at $1.2 billion. It was expected that the State would need to manage a very tight cash position throughout the first half of the 2010-11 fiscal year, until the significant savings recommended in the Executive Budget began to provide relief. At the time, however, it was expected that the State's Short-Term Investment Pool ("STIP") would generally have balances on hand to permit the State to meet payments as they came due.

However, the revenue revisions associated with the consensus forecast, the effect of the ongoing budget impasse, and the uncertainties surrounding the timing and content of an annual budget are expected to further weaken the State's cash position and increase the need for more extensive cash management actions. DOB currently estimates that, absent additional cash management actions, the State will not have sufficient cash on hand to make all the local assistance payments that are currently due on or around June 1, 2010, the largest of which is State aid to public schools. DOB anticipates that State payments scheduled for June 1, 2010 could exceed available funds, including STIP, by approximately $1 billion. Furthermore, enactment of a budget for 2010-11 would not be expected to

materially improve the cash situation in early June 2010 due to the timetable for implementing any approved gap-closing measures. DOB anticipates that the cash situation will improve temporarily in the later part of the month, based on the expected timing of tax collections. Beyond June, DOB expects the State to continue to experience significant intermittent cash-flow difficulties, especially during the months of September and December 2010. It should be noted, however, that the estimate of daily cash needs for the coming months is subject to considerable variability and may be substantially affected by, among other things, actual receipts collections, the content of interim appropriation bills, and the content of an annual budget agreement.

In response to the cash situation, DOB expects to take one or more of the following cash management actions to maintain adequate operating margins: (1) recommend that payment dates for certain local assistance payments, including school aid, be amended to better match the flow of tax receipts, (2) further limit the scope of interim appropriations to the level supportable by estimates of available funds, or (3) use the budget director's certificate authority to limit payments as needed to ensure the orderly operation of government. DOB anticipates that such actions, if implemented, are likely to be sufficient to permit the State to make substantially all the payments scheduled for June 2010 by the end of the month.

The State continues to reserve money to make debt service payments through August 2010 that are financed with General Fund resources, and portions of debt service payments becoming due during this period have already been deposited with the respective trustees. DOB expects to continue this practice, regardless of the State's cash position. Sufficient cash to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and applicable bond covenants.

The State's ability to issue general obligation tax and revenue anticipation notes is limited by State law and bond covenants contained in the New York Local Government Assistance Corporation ("LGAC") bond resolutions. LGAC eliminated annual general obligation borrowing by the State for cash-flow ("seasonal") purposes, except in cases where the Governor and the legislative leaders (i) certify the need for additional seasonal borrowing, based on emergency or extraordinary factors, or factors unanticipated at the time of adoption of the budget, and (ii) provide a schedule for eliminating it over time. Pursuant to the LGAC statute and bond covenants, any general obligation seasonal borrowing is required to be eliminated by the fourth fiscal year after the limit was first exceeded. This provision limiting the State’s seasonal borrowing practices was included as a covenant with LGAC's bondholders in the General Bond Resolution and General Subordinate Lien Bond Resolution authorizing such bonds. Apart from the LGAC provisions, general obligation tax and revenue anticipation notes for seasonal purposes may not be issued unless the State has adopted a balanced budget for the fiscal year. A statutory amendment to Section 67-b(3) of the State Finance Law would also be necessary to allow the issuance of short-term cash flow notes, since pursuant to the Debt Reform Act of 2000, State debt may only be issued for capital purposes.

Special Considerations

It is uncertain when an annual budget for the 2010-11 fiscal year will be adopted. DOB estimates that the Executive Budget recommendations, if enacted in their entirety, would leave projected budget gaps in the range of $6 billion in 2011-12, $11 billion in 2012-13, and $13 billion in 2013-14. There can be no assurance that a budget, whenever adopted, will not materially increase the budget gaps that must be addressed in future years.

The savings estimates in the Executive Budget Financial Plan assumed the enactment of a budget by April 1, 2010. As a result of the budget impasse, certain proposals that were expected to begin generating additional revenues or savings in April 2010 have not yet been authorized. DOB estimates that the budget delay has reduced the Financial Plan benefit of these proposals (most of which would increase revenues) by approximately $40 million to $50 million through May 10, 2010. The cost of the budget delay is expected to continue to increase in future weeks, absent approval of gap-closing measures. Accordingly, DOB expects that the Governor will begin to include certain gap-closing measures proposed in the Executive Budget in interim appropriation bills and related legislation in the coming weeks. However, there can be no assurance that such gap-closing measures will be approved by the Legislature or that such measures will achieve savings at the levels projected in the amended Executive Budget Financial Plan. Any savings that are unrecoverable as a result of the budget delay will need to be financed by alternative gap-closing measures agreed to in an adopted budget.

Arbitration Related to Tobacco Master Settlement Agreement ("MSA")

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. Two of the panel of three arbitrators have been selected and it is anticipated that the third will be selected and the arbitration will actually begin sometime in the next several weeks.

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

February 15, 2010

This quarterly update (the "AIS Update") is the third quarterly update to the Annual Information Statement of the State of New York that was dated May 15, 2009 (the "AIS") and contains information only through February 15, 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 Governor's Executive Budget Financial Plan for 2010-11, as updated for forecast revisions and Governor's amendments (the "Updated Financial Plan"), which the Division of the Budget ("DOB") presented to the Legislature on February 9, 2010. The Updated Financial Plan includes (a) a summary of recent events and changes to the Financial Plan made since the second quarterly update to the AIS dated November 3, 2009 (the "Second Quarterly Update"), (b) preliminary operating results through the first ten months of fiscal year 2009-10, (c) an updated economic forecast, (d) estimates for the State's current fiscal year (2009-10) and detailed projections for fiscal years 2010-11 through 2013-14, which reflect the 2010-11 Executive Budget recommendations and the State's approved Deficit Reduction Plan ("DRP"), and (e) the Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2009-10 and 2010-11. 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 2009-10.

3. A summary of GAAP-basis results for the 2008-09 fiscal year (the full statements are available on the State Comptroller's website, www.osc.state.ny.us).

4. Updated information regarding the State Retirement Systems.

5. 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 the EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-7705.

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 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 Update on the DOB website, or on the EMMA website, is not intended as a republication of the information therein on any date subsequent to its release date.

Neither this AIS Update nor any portion thereof may be (i) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224 or (ii) considered to be continuing disclosure in connection with any offering unless a CDA relating to the series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS Update or any portion thereof in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing 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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Updated Financial Plan

Note: *DOB issued the 2010-11 Executive Budget Financial Plan, updated for forecast revisions and Governor's amendments, on February 9, 2010, extracts of which are set forth below. The Updated Financial Plan includes estimates and proposals for 2009-10 and 2010-11, and projections for 2011-12 through 2013-14. 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 changes to the proposed budget by the State Legislature, 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 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 long-term bonds issued by the State and its public authorities.

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

2009-10 Updated Financial Plan Highlights

EXECUTIVE BUDGET FINANCIAL PLAN (AS AMENDED) AT-A-GLANCE: KEY MEASURES (millions of dollars)	2008-09 Actual	2009-10 2nd Qtr. Update[1]	2009-10 Revised [2]	2010-11 Executive [3]
State Operating Funds Budget				
Size of Budget [3,4]	$78,168	$79,970	$79,267	$79,286
Annual Growth	1.5%	2.3%	1.4%	0.0%
Other Budget Measures (Annual Growth)				
General Fund (with transfers) [3]	$54,607	$54,610	$54,167	$53,388
	2.3%	0.0%	-0.8%	-1.4%
State Funds (Including Capital) [3,4]	$83,146	$85,505	$84,724	$85,508
	2.2%	2.8%	1.9%	0.9%
Capital Budget (Federal and State)	$6,829	$8,053	$7,975	$8,858
	11.4%	17.9%	16.8%	11.1%
Federal Operating	$36,574	$45,162	$46,776	$47,105
	11.1%	23.5%	27.9%	0.7%
All Funds [3,4]	$121,571	$133,185	$134,018	$135,249
	4.8%	9.6%	10.2%	0.9%
All Funds (Including "Off-Budget" Capital) [4,5]	$123,833	$135,276	$136,036	$137,149
	5.2%	9.2%	9.9%	0.8%
Inflation (CPI) Growth	2.7%	0.0%	0.3%	2.0%
All Funds Receipts (Annual Growth)				
Taxes	$60,337	$59,383	$58,779	$63,768
	-0.9%	-1.6%	-2.6%	8.5%
Miscellaneous Receipts	$20,064	$21,385	$22,383	$21,707
	2.1%	6.6%	11.6%	-3.0%
Federal Grants	$38,834	$48,087	$49,848	$50,179
	11.2%	23.8%	28.4%	0.7%
Total Receipts	$119,235	$128,855	$131,010	$135,654
	3.3%	8.1%	9.9%	3.5%
Base Tax Growth/(Decline)[6]	-3.0%	-11.0%	-11.0%	3.1%
Combined General Fund/HCRA Outyear Gap Forecast				
2009-10	N/A	($3,159)	$0	$0
2010-11	N/A	($6,796)	($8,168)	$0
2011-12	N/A	($14,775)	($14,481)	($5,386)
2012-13	N/A	($19,520)	($18,501)	($10,656)
2013-14	N/A	N/A	($20,883)	($12,397)
Total General Fund Reserves	$1,948	$1,372	$1,373	$1,906
Rainy Day Reserve Funds	$1,206	$1,206	$1,206	$1,206
Reserved for Fiscal Uncertainties	$0	$0	$0	$485
All Other Reserves	$742	$166	$167	$215
State Workforce (Subject to Executive Control)	136,490	134,698	132,517	131,906
Debt				
Debt Service as % All Funds	4.3%	4.4%	4.3%	4.8%
State Related Debt Outstanding	$52,150	$55,218	$54,831	$57,482

[1] Before impact of any Deficit Reduction Plan ("DRP") actions.

[2] Includes the impact of the DRP approved in December 2009. Gaps assume remaining 2009-10 budget shortfall is carried forward into 2010-11.

[3] Executive Budget Financial Plan, as revised and amended through February 9, 2010.

[4] Adjusted to exclude the impact on spending of carrying forward a portion of the 2009-10 budget shortfall into 2010-11.

[5] Approximately $1.2 billion in 2009-10 and $1.6 billion in 2010-11 have been added to special revenue fund receipts and disbursements for the new Metropolitan Commuter Transportation Mobility Tax, a tax which is collected by the State on behalf of, and transferred in its entirety to, the MTA.

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

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Summary

The following information on the Updated Financial Plan describes changes to the State's multi-year Financial Plan since the Second Quarterly Update released in November 2009 and summarizes the Executive Budget proposal, as updated for forecast revisions and Governor's amendments, for the 2010-11 fiscal year.

On January 19, 2010, the Governor presented his Executive Budget for 2010-11 to the Legislature. The Executive Budget Financial Plan (the "Initial Executive Budget Financial Plan" or "Initial Plan") reflected recommendations to eliminate a General Fund budget gap in 2010-11 that was then estimated at approximately $7.4 billion. The budget gap included an estimated budget shortfall of $500 million in 2009-10 (the current fiscal year) that was expected to be carried forward into 2010-11.

On February 9, 2010, the Governor submitted amendments to the Executive Budget. The Updated Financial Plan reflects the (a) impact of the Governor's amendments and (b) substantive forecast revisions to the multi-year projections of receipts and disbursements that were set forth in the Initial Plan, based on updated information through January 2010.

The Updated Financial Plan projects that the budget gap that must be addressed in 2010-11 increased by $750 million to $8.2 billion. The increase from the Initial Plan was due to downward revisions to the PIT forecast based on January 2010 results, and higher expected spending for Medicaid. The revisions increased the current-year budget shortfall that is expected to be carried into 2010-11 to $1.4 billion, an increase of $880 million from the Initial Plan.

The Updated Financial Plan identifies additional gap-closing resources and actions to fully eliminate the additional General Fund gap (including the 2009-10 budget shortfall) and maintain a balanced Executive Budget proposal, as required by law. The table below summarizes the revisions to the Financial Plan since the Second Quarterly Update to the AIS.

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SUMMARY GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS
CHANGES FROM MID-YEAR UPDATE TO AMENDED EXECUTIVE BUDGET PROPOSAL
(millions of dollars)

	2009-10	2010-11	Two-Year Total
MID-YEAR SURPLUS/(GAP) ESTIMATES (Before Any Actions)	**(3,159)**	**(6,796)**	**(9,955)**
Forecast Revisions	(86)	(122)	(208)
Carry-Forward 2009-10 Budget Shortfall into 2010-11	500	(500)	0
Gap-Closing Actions:	2,745	7,418	10,163
Approved Deficit Reduction Plan (December 2009)	*2,745*	*692*	*3,437*
Initial Executive Budget Financial Plan	*0*	*6,726*	*6,726*
INITIAL EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATES	**0**	**0**	**0**
FORECAST REVISIONS (AFTER INITIAL PLAN):			
Receipts:	**(850)**	**300**	**(550)**
PIT Withholding	(450)	0	(450)
PIT Estimated	(400)	300	(100)
Disbursements:	**(30)**	**(170)**	**(200)**
Additional Medicaid Costs	(230)	(170)	(400)
VLT Franchise Valuation ($300M total)	100	0	100
Other Spending	100	0	100
Cash Management to Carry Additional Shortfall into 2010-11	**880**	**(880)**	**0**
2010-11 SURPLUS/(GAP) TO CLOSE IN AMENDMENT PERIOD	**0**	**(750)**	**(750)**
GAP-CLOSING RECOMMENDATIONS	**0**	**1,235**	**1,235**
Anticipated Federal FMAP Extension (6 mos. Starting Jan. 2011)	0	1,060	1,060
Adjust Franchise Fee for Wine in Grocery Stores ($300M total)	0	162	162
All Other Amendments	0	13	13
REVISED SURPLUS/(GAP) AFTER RECOMMENDATIONS	**0**	**485**	**485**
Reserved for Fiscal Uncertainties	**0**	**(485)**	**(485)**
AMENDED EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATES	**0**	**0**	**0**

The most significant new gap-closing resource is an anticipated six-month extension of a higher Federal Medical Assistance Percentage ("FMAP") for eligible State Medicaid expenditures. On February 1, 2010, President Obama released his Executive Budget for Fiscal Year 2011. The President's Budget recommends a six-month extension of the temporary increase in the FMAP that was authorized in the American Recovery and Reinvestment Act ("ARRA"). Under the ARRA, the higher FMAP for eligible Medicaid expenditures currently in effect would expire on December 31, 2010. DOB estimates that, if approved, the extension of higher FMAP through June 30, 2011 would provide approximately $1.1 billion in Financial Plan savings in both the 2010-11 and 2011-12 fiscal years.

I. Update on General Fund Budget Gaps (Before Gap-Closing Actions)

A. Current Fiscal Year (2009-10)

In the Second Quarterly Update, DOB estimated a General Fund budget gap of $3.2 billion in the current year. The Governor proposed a Deficit Reduction Plan ("DRP") to eliminate the gap. The proposed DRP included actions that could be implemented administratively and actions that required the approval of the Legislature. In December 2009, the Governor and Legislature approved a DRP that provided an estimated $2.7 billion in 2009-10 savings (including approximately $800 million in savings from administrative actions), leaving a shortfall of $414 million. (See "Deficit Reduction Plan" herein.)

Since the Second Quarterly Update, DOB has made several substantive revisions to the current-services forecast for the current year that, taken together, increase the estimate of the General Fund shortfall by $966 million (to a total of $1.4 billion). The estimate for tax collections has been reduced by $1.1 billion, based on collections experience to date, and the estimate for Medicaid expenditures has been increased by $580 million, based on an increase in weekly payments to providers and updated enrollment data. An increase in the expected value of the VLT franchise payment and lower estimated spending across a range of programs and activities offset in part the lower receipts and higher Medicaid spending. The following table summarizes the changes to the 2009-10 forecast since the Second Quarterly Update.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) ESTIMATE FOR 2009-10
SUMMARY OF CHANGES FROM MID-YEAR UPDATE
(millions of dollars)

	2009-10
MID-YEAR UPDATE (OCTOBER 2009) [1]	**(3,159)**
Approved Deficit Reduction Plan (Dec. 2009)	**2,745**
State Agency Reductions	454
Aid to Localities Reductions	629
All Other Actions	1,662
Forecast Revisions	**(966)**
Tax Receipts [2]	(1,053)
Miscellaneous Receipts	78
Revised Valuation of VLT Franchise Payment ($300M total)	100
Spending Revisions	(91)
ESTIMATED CARRY-FORWARD OF 2009-10 BUDGET SHORTFALL	**(1,380)**

[1] Excludes impact of any Deficit Reduction Plan actions, including administrative actions.

[2] Excludes impact of debt service re-estimates.

After accounting for the DRP and the forecast revisions, the General Fund has an estimated shortfall of $1.4 billion remaining in the current fiscal year.[1] This estimate assumes the successful completion of, among other things, transactions related to the VLT franchise payment and the Battery Park City Authority. (See "Special Considerations" herein.) Rather than proposing additional gap-closing measures in the current fiscal year, when the range of options for achieving recurring savings is increasingly limited, the State expects to carry the budget shortfall forward into 2010-11, and address it in the Executive Budget as part of a multi-year plan that emphasizes recurring savings.[2] The State expects to

[1] By law, the General Fund is considered "balanced" on a cash-basis of accounting, if at the end of the fiscal year, all planned payments, including tax refunds, have been made without the issuance of deficit notes or bonds, and the balances in the Tax Stabilization Reserve and Rainy Day Reserve have been restored to the level they were at the start of the fiscal year.

[2] In practice, the State expects to carry the budget shortfall into 2010-11 by not making certain payments that had initially been scheduled to be made in 2009-10 but are not due by law until 2010-11. For planning purposes, the Updated Financial Plan assumes this will be done through the management of tax refunds and aid payments scheduled to be made in 2009-10 but due by law in 2010-11.

end 2009-10 with a cash balance of $1.4 billion in the General Fund, including $1.2 billion in the State's rainy day reserves. (See "Projected Closing Balances" herein.)

B. Fiscal Year 2010-11

The General Fund had a projected current-services budget gap of $8.2 billion for 2010-11.[3] The current-services gap for 2010-11 has increased by $1.4 billion compared to the Second Quarterly Update forecast. The growth in the gap is due almost exclusively to the $1.4 billion budget shortfall that is expected to be carried forward from 2009-10 into 2010-11, as described above. There were also a number of substantive current-services revisions based on updated information, that, in total, result in no material change to the gap. These include a reduction in projected tax receipts in 2010-11, based on updated economic data and collections experience ($202 million); a change in the timing (from 2010-11 to 2011-12) of estimated receipts related to conversions of health insurance companies to for-profit status ($242 million); an increase in the estimate for Medicaid expenditures ($170 million); and the elimination of a requirement for motorists to renew their license plates ($93 million). These reduced receipts are offset in part by downward revisions to the spending estimates for school aid, based on the latest database update, and for a number of other programs, based on updated program data and spending trends.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS
SUMMARY OF CHANGES FROM MID-YEAR UPDATE
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14[1]
Mid-Year Budget Surplus/(Gap) Estimates[2]	**(6,796)**	**(14,775)**	**(19,520)**	
Current-Services Revisions	**8**	**294**	**1,019**	
Tax Receipts	(202)	(160)	(41)	
School Aid - Database Update	372	389	468	
Employee Pension Contribution	0	186	402	
Medicaid	(170)	(170)	(170)	
All Other	8	49	360	
Remaining Carry-Forward Budget Shortfall from 2009-10	**(1,380)**			
Current-Services Surplus/(Gap) Estimates	**(8,168)**	**(14,481)**	**(18,501)**	**(20,883)**

[1] The 2013-14 gap estimates are published for the first time in the 2010-11 Executive Budget.

[2] Before the impact of DRP savings approved in December 2009.

As the preceding table shows, the current-services gap in the General Fund is projected to nearly double between 2010-11 and 2011-12, increasing from $8.2 billion to $14.5 billion. This is caused in large part by the assumed expiration, at the end of calendar year 2010, of Federal stimulus funding[4] for Medicaid, education, and other governmental purposes in the current-services forecast, which would result in approximately $4.4 billion in costs reverting to the General Fund, starting in 2011-12. The assumption related to Federal Medicaid funding has been modified in the Updated Financial Plan, as

[3] The 2010-11 current-services gap represents (a) the difference between the General Fund disbursements, including transfers to other funds, that are expected to be needed to maintain current-services levels and specific commitments, and the expected level of resources to pay for them, plus (b) the operating deficit projected in the Health Care Reform Act ("HCRA"), which helps finance a number of State health care programs, including a share of the Medicaid program. It does not reflect the benefit of actions taken in the DRP or proposed in the Executive Budget, as amended.

[4] The American Recovery and Reinvestment Act ("ARRA") enacted in February 2009.

described elsewhere, based on the President's Executive Budget dated February 1, 2010. 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.

II. Amended Executive Budget Financial Plan

A. Overview

The Updated Financial Plan would fully eliminate the 2010-11 budget gap of $8.2 billion (which includes the $1.4 billion shortfall carried forward from 2009-10), and reduce the projected gap in 2011-12 from $14.5 billion to $5.4 billion.[5] The table below summarizes the gap-closing plan.

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

	2010-11	2011-12	2012-13	2013-14
REVISED CURRENT-SERVICES ESTIMATE (BEFORE ACTIONS)	**(8,168)**	**(14,481)**	**(18,501)**	**(20,883)**
Approved Deficit Reduction Plan (Dec. 2009)	**692**	**811**	**876**	**854**
State Agency Reductions	360	385	385	385
Aid to Localities Reductions	427	426	491	469
All Other Actions	(95)	0	0	0
Executive Budget Recommendations	**7,476**	**8,284**	**6,969**	**7,632**
Spending Control:	4,871	5,343	5,360	6,184
Aid to Localities Reductions	3,642	3,903	3,787	4,433
State Agency Reductions/Fringe Benefits	1,219	1,403	1,495	1,651
Bonded Capital Reductions of $1.8 B (Debt Service Savings)	10	37	78	100
Tax/Fee Changes	1,244	1,660	1,388	1,227
Tax Audits/Recoveries	221	221	221	221
Non-Recurring Resources	565	0	0	0
Anticipated Federal FMAP Extension	1,060	1,060	0	0
Reserved for Fiscal Uncertainties	(485)	0	0	0
BUDGET SURPLUS/(GAPS) AFTER ACTIONS	**0**	**(5,386)**	**(10,656)**	**(12,397)**

The plan would, if enacted in its entirety:

- Provide over $8.7 billion in gap-closing actions and resources, which, if approved, would permit the State to set aside nearly $500 million in resources above what is needed to balance the 2010-11 budget to deal with fiscal uncertainties;

- Reduce spending from the current-services forecast by approximately $5.0 billion in 2010-11, in both the General Fund and in State Operating Funds;[6]

- Hold spending on all measures at well below the rate of inflation, excluding the impact of payment deferrals that artificially lower spending in 2009-10 and increase it in 2010-11; and

[5] The gap-closing plan consists of two parts: the Executive Budget proposals introduced on January 19, 2010, as updated by the Governor's amendments on February 9, 2010 and the recurring value of the DRP approved in December 2009.

[6] 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).

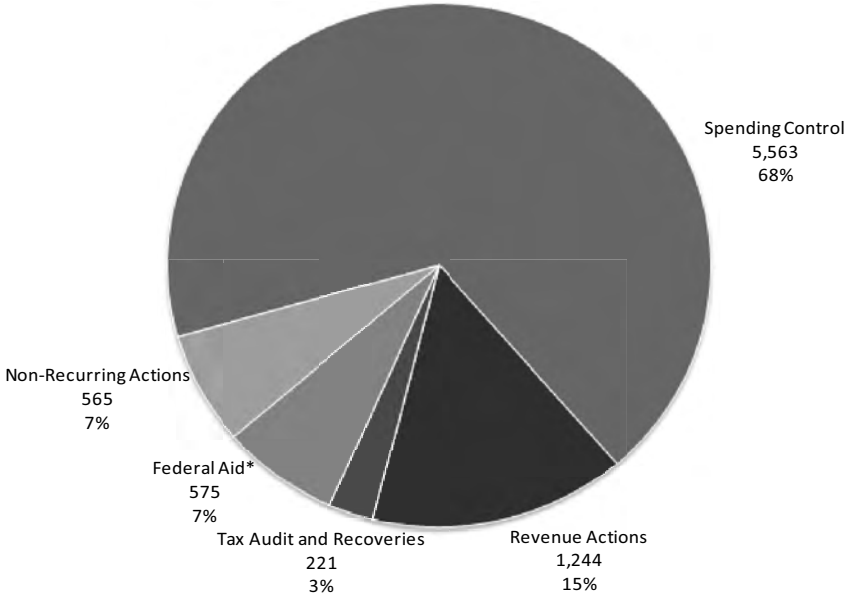
- Maintain the State's rainy day reserves at $1.2 billion.

The Updated Financial Plan does not advance any proposals to close the budget gaps with deficit borrowing, which would likely have an immediate adverse impact on the State's credit rating and add to the long-term budget imbalance.

B. Composition of the Proposed Gap-Closing Plan

Under the proposed plan, the combined four-year gap (2010-11 through 2013-14) is reduced by more than half, declining from $62 billion to $28 billion. The chart below summarizes the shares of the gap-closing plan by broad category.

Shares of 2010-11 Gap-Closing Plan ($8.2 Billion)
(millions of dollars)



*Portion of anticipated FMAP extension required to close estimated budget gap. Remainder would be set aside for fiscal uncertainties.

Reductions to current-services spending total approximately $5 billion in the State Operating Funds ($5.9 billion in the General Fund)[7] and constitute 68 percent of the gap-closing plan. The proposed reductions 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 $1.2 billion in tax and fee increases. These include a new excise tax on syrup used in soft drinks and other beverages ($465 million), a franchise fee paid by grocery stores to allow the sale of wine ($254 million), a $1 per pack increase in the cigarette tax ($210 million), and an assessment on health care providers ($216 million), all of which are earmarked to help pay for existing health care expenses. In addition, audit and compliance activities are expected to increase the tax base by approximately $221 million annually. (See "Detailed Explanation of Gap-Closing Plan - Tax and Fee Increases" herein.)

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

Non-recurring resources, which comprise 7 percent of the actions proposed in the Executive Budget, total $565 million. Importantly, this is less than the annual growth in savings achieved by recurring gap-closing actions which grow in value by approximately $1.4 billion from 2010-11 to 2011-12.[8] As a result, the non-recurring actions will not increase the budget gap in 2011-12. (See "Detailed Explanation of Gap-Closing Plan - Non-Recurring Resources" herein.)

Anticipated Federal aid accounts for the balance of the gap-closing plan. On February 1, 2010, President Obama released his Executive Budget for Fiscal Year 2011. The President's Budget recommends a six month extension of the temporary increase in the FMAP that was authorized in the American Recovery and Reinvestment Act ("ARRA"). If approved by Congress, the proposed FMAP extension would help states maintain their Medicaid programs during a period of high enrollment growth and reduced state revenue.

Under the ARRA, the higher FMAP for eligible Medicaid expenditures currently in effect would expire on December 31, 2010. DOB estimates that, if approved, the extension of higher FMAP through June 30, 2010 would provide approximately $1.1 billion in Financial Plan savings in both the 2010-11 and 2011-12 fiscal years. If the extension of FMAP were not approved, the State would be required to take an additional $575 million in gap-closing actions, as well as eliminate the resources reserved for fiscal uncertainties.

C. Detailed Explanation of Gap-Closing Plan

As noted above, the gap-closing plan consists of two parts, the UpdatedFinancial Plan proposals and the recurring impact of the DRP. This section describes the gap-closing actions proposed in the UpdatedFinancial Plan. It is followed by a summary of the estimated effects of the DRP.

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").

The sections below provide details on the actions that are recommended for 2010-11 under each category. Additional information on the Executive Budget recommendations for major programs and activities appears in the sections entitled "2010-11 All Funds Financial Plan" and "Out-year Projections" herein.

[8] Excludes FMAP extension.

i. Spending Restraint

The Executive Budget gap-closing plan for 2010-11 focuses foremost on actions that reduce the growth in State spending on a recurring basis. Actions to restrain spending account for 68 percent of the gap-closing plan and will affect most activities funded by the State. The following table summarizes the recurring spending actions in the General Fund by major function or activity.

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

	2010-11	2011-12	2012-13	2013-14
Spending Control[1]	**4,871**	**5,343**	**5,360**	**6,184**
Local Assistance	**3,642**	**3,903**	**3,787**	**4,433**
School Aid/Lottery Aid	1,625	1,549	1,450	2,054
Gap Elimination Adjustment	1,497	641	0	0
Delay Foundation Aid Phase-In	0	688	1,193	1,791
Lottery Aid	128	149	149	149
Other	0	71	108	114
Health Care	822	1,187	1,169	1,169
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
HCRA Financing	249	421	423	423
Public Health/Aging *	23	69	71	71
Other	90	202	180	180
Higher Education	208	209	212	214
SUNY Community College Base Aid	107	75	75	75
CUNY Senior College	48	64	64	64
HESC (primarily TAP) *	53	70	73	75
Local Government Aid	325	331	331	321
School Tax Relief Program	213	250	267	288
Human Services/Labor/Housing	201	201	193	223
Education/Special Education	139	38	45	46
Mental Hygiene *	49	63	48	39
All Other Local Assistance	60	75	72	79
State Operations	**1,219**	**1,403**	**1,495**	**1,651**
State Agency Operational Reductions *	707	742	703	734
Workforce Savings	250	125	0	0
Fringe Benefits/Pension Amortization	262	536	792	917
Bonded Capital Spending Reductions	**10**	**37**	**78**	**100**

[1] Net of new funding initiatives.

* Includes amendments to the Executive Budget recomendations submitted on January 19, 2010.

Local Assistance

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. Excluding the impact of potential payment deferrals from 2009-10 into 2010-11 and the extension of enhanced FMAP, State Operating Funds spending for local assistance is estimated at $54.2 billion in 2010-11, an increase of $244 million (0.5 percent) from the current year. The most significant gap-closing actions in local assistance include the following:

- **School aid/lottery aid ($1.6 billion on a State fiscal year basis)** by imposing a one-time adjustment to formula-based school aid on a wealth-equalized basis ($1.4 billion); extending the phase-in of the Foundation Aid program from seven to ten years; and 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 ($128 million).

- **Health Care ($822 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. Absent the tax increases on beverage syrup and cigarettes, and the imposition of the assessments, further reductions in health care would need to have been proposed.

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

- **Higher Education ($208 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 the TAP program spending by changing eligibility standards and reducing overall grant awards. The savings would be offset in part by new tuition funding for students enrolled in certain religious studies programs.

- **Local Government Aid ($325 million)** primarily by eliminating AIM funding for New York City and Erie County, and by reducing AIM funding to other municipalities by 2 or 5 percent, depending on their reliance on this revenue.

- **STAR ($213 million)** by reducing the New York City benefit on income above $250,000; limiting the protection against annual declines in the value of the benefit; and eliminating the benefit for homes valued at $1.5 million or more.

- **Human Services ($201 million)** by reallocating Title XX funding from non-mandated services to pay for State and local Adult Protective/Domestic Violence program costs; stretching the implementation of the planned annual increase in public assistance grants by two years; restructuring the adult shelter program; reducing spending in non-core-mission programs; and rightsizing youth facilities.

- **Education/Special Education/Arts ($139 million)** by changing the reimbursement method for summer school special education costs from a flat rate to a wealth-adjusted reimbursement rate; using available ARRA funding to help support preschool special education costs; reducing reimbursement under the comprehensive attendance program to non-public schools; reducing funding for grants to the Arts Council; and other measures.

- **Mental Hygiene ($49 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 ($59 million)** by reducing subsidies to businesses that provide mental health coverage under Timothy's Law and a wide range of other program reductions.

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.[9] State Operating Funds spending for these purposes is expected to total approximately $20.4 billion, a slight decrease from 2009-10. After actions, personal service and non-personal service expenses are projected to decline by $448 million, but this is nearly offset by growth in fringe benefit costs of $439 million.

The Updated Financial Plan recommends $1.2 billion in savings from efficiency measures in State agencies, wage concessions, most of which must be negotiated with the unions representing State employees, and controls to slow the growth in fringe benefit costs.

- **Efficiency Measures ($707 million):** 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. The Updated Financial Plan also proposes merging several agencies.

- **Wage Concessions ($250 million):** The gap-closing plan sets a target of $250 million in savings in 2010-11 from concessions from the unionized workforce. Options under consideration include a salary deferral and delay or reduction of the 4 percent general salary increase for union employees. Any concessions are subject to collective bargaining. The Governor is also rescinding, 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 ($262 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 proposes giving local governments and the State the option to amortize a portion of their pension costs from 2010-11 through 2015-16. Repayment of the amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. In addition, the budget proposes requiring employees and retirees to pay a portion of Medicare Part B premiums and giving the State the option of self-insuring all or parts of the New York State Health Insurance Plan.

The State workforce subject to Executive control is expected to total 131,906[10] at the end of 2010-11, a reduction of approximately 600 from the estimated total for 2009-10. The projected decline mainly reflects recommended rightsizing of certain youth facilities, agency consolidations, and the continuation of statewide hiring controls.

Capital Reduction Program

The gap-closing plan recommends reducing planned capital projects spending financed with debt by $1.8 billion over the five-year period, from 2010-11 through 2014-15. 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.[11] Without the Capital Reduction Program, projections show that the State's statutory cap on debt outstanding would be reached by 2012-13.

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[9] The Financial Plan tables presentation includes three separate Financial Plan categories: Personal Service, Non-Personal Service and General State Charges (Fringe Benefits).
[10] Full-time equivalent positions ("FTEs")
[11] 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.

ii. Tax and Fee increases

The Updated Financial Plan recommends $1.2 billion in tax and fee increases for 2010-11. More than 90 percent of the increased revenue will be earmarked to finance existing health care spending. The "health care" taxes include an excise tax on syrup for soft drinks and other beverages, an increase in the cigarette tax, a franchise fee to sell wine in grocery stores, and an assessment on health care providers.

The table below summarizes the specific proposals.

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

	2010-11	2011-12	2012-13	2013-14
Revenue Actions	**1,244**	**1,660**	**1,388**	**1,227**
Tax Actions	961	1,312	1,073	942
Syrup Excise Tax	465	1,000	1,000	1,000
Cigarette Tax	210	205	201	197
Sale of Wine in Grocery Stores *	254	58	6	5
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	32	49	49	49
Medicaid Provider Assessment	216	235	235	235
Work-Zone Cameras for Speed Enforcement	25	71	38	23
Civil Court Filing Fees	31	44	44	44
All Other Revenue Actions *	11	(2)	(2)	(17)
Tax Audit and Recoveries	**221**	**221**	**221**	**221**

* Includes amendments to the Executive Budget recomendations submitted on January 19, 2010.

Tax credits extended to the film industry and as part of a new Empire Zone program would result in additional costs to the Updated Financial Plan, beginning in 2012-13. (See "All Funds Receipts Projections" herein for a complete summary of all revenue actions included in the 2010-11 Executive Budget.)

iii. Non-Recurring Resources

The Executive Budget relies on $565 million in non-recurring resources in 2010-11 (excluding extraordinary Federal aid). 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 in the Executive Budget.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11
NON-RECURRING RESOURCES SAVINGS/(COSTS)
(millions of dollars)

	2010-11
Non-Recurring Resources	**565**
Federal TANF Resources	261
Physician Excess Medical Malpractice Payment (Timing)	127
Lottery Investment Flexibility	50
School Aid Overpayment Recoveries	32
Available Fund Balances/Resources	95

Other non-recurring resources include altering the timing of a planned payment under the Physician's Excess Medical Malpractice program; investing a portion of lottery prize fund receipts in AAA-rated municipal bonds instead of U.S. Treasury bonds, subject to market conditions, to realize a one-time benefit due to differences in market rates; and recovering excess aid payments made to school districts in prior years.

III. Amended Executive Budget Impact on Projected Budget Gaps

DOB believes that the gap-closing plan would, if enacted in its entirety, provide for balanced operations in the General Fund in 2010-11. The budget gap for 2011-12 would be reduced by more than half, declining from $14.5 billion to $5.4 billion. Future budget gaps would total $10.7 billion in 2012-13 (a reduction of $7.8 billion from projected current-services levels) and $12.4 billion in 2013-14 (a reduction of $8.5 billion from current-services levels).

These budget gaps, which remain relatively high by historical standards even after the substantial reductions recommended in the gap-closing plan, are significantly affected by the expected end of extraordinary Federal stimulus aid for Medicaid, education, and other governmental purposes. Governor Paterson has asked Lieutenant Governor Ravitch to develop a plan to eliminate the structural imbalance within four years. The Lieutenant Governor has assembled a working group of fiscal experts to develop and evaluate options to help bring the long-term growth in spending in line with receipts.

IV. Amended Executive Budget Impact on Spending

State Operating Funds spending, which excludes Federal operating aid and capital spending, is projected to total $80.2 billion in 2010-11, an increase of $1.8 billion (2.3 percent) over the revised estimate for 2009-10. Compared to the current-services forecast, State Operating Funds spending would be reduced by approximately $6 billion, including the extension of enhanced FMAP. Excluding the deferral of $880 million in planned spending from 2009-10 to 2010-11, State Operating Funds spending is held flat compared to 2009-10 levels, and all other measures would be held below the rate of inflation. The table below summarizes the projected annual change in spending.

TOTAL DISBURSEMENTS
(millions of dollars)

			Before Actions			After Actions		
	2009-10 Revised	2010-11 Base	Annual $ Change	Annual % Change	2010-11 Proposed	Annual $ Change	Annual % Change	Adjusted Annual % Change [1]
State Operating Funds	**78,387**	**86,211**	**7,824**	**10.0%**	**80,166**	**1,779**	**2.3%**	**0.0%**
General Fund (Excludes Transfers)	47,871	54,931	7,060	14.7%	48,034	163	0.3%	-3.3%
Other State Funds	25,520	25,412	(108)	-0.4%	26,274	754	3.0%	3.0%
Debt Service Funds	4,996	5,868	872	17.5%	5,858	862	17.3%	17.3%
All Governmental Funds	**133,138**	**141,497**	**8,359**	**6.3%**	**136,129**	**2,991**	**2.2%**	**0.9%**
State Operating Funds	78,387	86,211	7,824	10.0%	80,166	1,779	2.3%	0.0%
Capital Projects Funds	7,975	9,070	1,095	13.7%	8,858	883	11.1%	11.1%
Federal Operating Funds	46,776	46,216	(560)	-1.2%	47,105	329	0.7%	0.7%
General Fund, including Transfers	**53,287**	**61,195**	**7,908**	**14.8%**	**54,268**	**981**	**1.8%**	**-1.4%**
State Funds	**83,844**	**92,660**	**8,816**	**10.5%**	**86,388**	**2,544**	**3.0%**	**0.9%**

[1] Adjusted to exclude the impact of $880 million in potential payment deferrals from 2009-10 into 2010-11.

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 $1.3 billion in 2010-11. Debt service on State-supported debt is projected to increase by $844 million (17.1

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. Spending on fringe benefits is projected to increase by $439 million, an increase of 9.9 percent. Growth in fringe benefits is principally due to increases in the State's annual contribution to the State Retirement System and the cost of providing health insurance for active and retired State employees. Pension costs are expected to increase by $374 million (32.7 percent) in 2010-11, even with the amortization in 2010-11 of contributions in excess of 9.5 percent, as proposed in the gap-closing plan. This is the fastest-growing major portion of the budget.

In contrast, spending for agency operations would decline by $448 million from 2009-10 levels, assuming the Updated Financial Plan is enacted in its entirety. Local assistance spending, excluding the impact of FMAP and payment deferrals, would increase by 0.5 percent.

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The following table summarizes the major sources of annual change. It is adjusted to account for the impact of the ARRA funding on Medicaid and school aid, and other significant cash-basis transactions that affect annual change (see notes to the table).

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

			Before Actions			After Actions	
	2009-10 Revised	2010-11 Base [1]	Annual $ Change	Annual % Change	2010-11 Proposed	Annual $ Change	Annual % Change
Local Assistance:	**53,029**	**58,910**	**5,881**	**11.1%**	**53,973**	**944**	**1.8%**
School Aid [2]	20,385	21,468	1,083	5.3%	19,939	(446)	-2.2%
School Aid Without ARRA Funding	21,643	22,406	763	3.5%	20,848	(795)	-3.7%
ARRA Funding	(1,258)	(938)	320	-25.4%	(909)	349	-27.7%
STAR	3,419	3,421	2	0.1%	3,208	(211)	-6.2%
Other Education Aid	1,606	1,608	2	0.1%	1,475	(131)	-8.2%
Medicaid (incl. administration) [3]	11,364	12,901	1,537	13.5%	11,152	(212)	-1.9%
Medicaid Without Enhanced FMAP	14,566	15,784	1,218	8.4%	15,095	529	3.6%
Enhanced FMAP	(3,202)	(2,883)	319	-10.0%	(3,943)	(741)	23.1%
Public Health/Aging/Insurance	2,512	2,627	115	4.6%	2,353	(159)	-6.3%
Higher Education	2,822	2,633	(189)	-6.7%	2,411	(411)	-14.6%
Higher Education	2,522	2,633	111	4.4%	2,411	(111)	-4.4%
2008-09 CUNY Payment Deferral [4]	300	0	(300)	-100.0%	0	(300)	-100.0%
Mental Hygiene	3,285	3,517	232	7.1%	3,469	184	5.6%
Social Services	3,084	3,393	309	10.0%	2,964	(120)	-3.9%
Local Government Assistance	1,085	1,094	9	0.8%	768	(317)	-29.2%
Transportation	3,833	4,559	726	18.9%	4,509	676	17.6%
2009-10 Payment Deferrals [5]	(880)	880	1,760	-200.0%	880	1,760	-200.0%
All Other	514	809	295	57.4%	845	331	64.4%
State Operations:	**20,436**	**21,525**	**1,089**	**5.3%**	**20,427**	**(9)**	**0.0%**
Wages/Fringe Benefits	15,224	16,095	871	5.7%	15,339	115	0.8%
Personal Service:	10,807	10,938	131	1.2%	10,483	(324)	-3.0%
Executive Agencies	5,227	5,425	198	3.8%	5,106	(121)	-2.3%
Exec. Agencies - Retroactive Settlements [6]	320	0	(320)	-100.0%	0	(320)	-100.0%
SUNY	3,310	3,293	(17)	-0.5%	3,162	(148)	-4.5%
Judiciary	1,539	1,547	8	0.5%	1,547	8	0.5%
Legislature	170	165	(5)	-2.9%	165	(5)	-2.9%
Department of Law	126	118	(8)	-6.3%	115	(11)	-8.7%
Audit & Control	115	116	1	0.9%	114	(1)	-0.9%
Collective Bargaining Reserve	0	274	274	100.0%	274	274	100.0%
Fringe Benefits:	4,417	5,157	740	16.8%	4,856	439	9.9%
Pensions	1,145	1,736	591	51.6%	1,519	374	32.7%
Health Insurance	2,788	3,056	268	9.6%	3,010	222	8.0%
All Other Fringe Benefits	484	365	(119)	-24.6%	327	(157)	-32.4%
Non-Personal Service/Fixed Costs	5,212	5,430	218	4.2%	5,088	(124)	-2.4%
Debt Service	**4,922**	**5,776**	**854**	**17.4%**	**5,766**	**844**	**17.1%**
TOTAL STATE OPERATING FUNDS	**78,387**	**86,211**	**7,824**	**10.0%**	**80,166**	**1,779**	**2.3%**
Capital Projects (State Funded)	**5,457**	**6,449**	**992**	**18.2%**	**6,222**	**765**	**14.0%**
TOTAL STATE FUNDS	**83,844**	**92,660**	**8,816**	**10.5%**	**86,388**	**2,544**	**3.0%**
Federal Aid (Including Capital Grants)	**49,294**	**48,837**	**(457)**	**-0.9%**	**49,741**	**447**	**0.9%**
TOTAL ALL FUNDS	**133,138**	**141,497**	**8,359**	**6.3%**	**136,129**	**2,991**	**2.2%**

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

[2] State fiscal year basis. ARRA funding represents State-financed gap-closing benefit. Spending from Federal Funds will differ.

[3] Department of Health Medicaid spending only; excludes other State agency spending. FMAP benefit represents State Medicaid costs financed by the Federal government beyond the normal 50 percent matching rate.

[4] A payment of $300 million to CUNY scheduled for 2008-09 was deferred to 2009-10 as part of the 2008-09 Deficit Reduction Plan.

[5] Carry-forward of budget shortfall achieved through management of aid payments scheduled for 2009-10 but not due by law until 2010-11.

[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.

V. Projected Closing Balances

DOB estimates the State will end 2009-10 with a General Fund balance of $1.4 billion, including $1.2 billion in the rainy day reserves. This assumes that the shortfall for 2009-10 is carried forward into 2010-11 and that the DRP actions planned for the current year are achieved in their entirety.

After gap-closing actions, the year-end balance for 2010-11 would total $1.9 billion, an increase of $533 million from 2009-10. The State's principal reserve funds are expected to remain unchanged, but approximately $485 million in additional General Fund resources would be expected to be available if (a) the Executive Budget was enacted in its entirety and (b) the Congress were to approve a six month extension for FMAP at the levels expected in the Updated Financial Plan. In addition, the balance in the Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor, is expected to increase by $48 million from 2009-10. The table below summarizes the projected balances.

GENERAL FUND ESTIMATED CLOSING BALANCE
(millions of dollars)

	2009-10	2010-11	Change
Projected Year-End Fund Balance	**1,373**	**1,906**	**533**
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	73	121	48
Reserved for Fiscal Uncertainties	0	485	485
Reserved for Debt Reduction	73	73	0

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2009-10 Deficit Reduction Plan

DOB estimates that the DRP approved on December 2, 2009 will generate savings of $2.7 billion in 2009-10, and recurring annual savings in the range of $700 million to $875 million. The following table summarizes the DRP. It is followed by an explanation of specific actions.

2009-10 DEFICIT REDUCTION PLAN SUMMARY
SAVINGS/(COSTS)
(millions of dollars)

	2009-10	2010-11	2011-12	2012-13	2013-14
Total Deficit Reduction Plan Savings	**2,745**	**692**	**811**	**876**	**854**
Administrative Actions :	**803**	**360**	**385**	**385**	**385**
Agency Operational Reductions	454	360	385	385	385
Medicaid Fraud Targets	150	0	0	0	0
Debt Management	100	0	0	0	0
All Other	99	0	0	0	0
Legislative Actions:	**1,942**	**332**	**426**	**491**	**469**
Spending Controls [1]	629	427	426	491	469
Health Care	153	177	161	201	201
Transportation	157	0	0	0	0
Mental Hygiene	112	57	55	53	32
Education/Arts	38	39	42	43	43
Local Government Assistance	32	32	32	32	32
Higher Education Aid	21	36	36	36	36
Tier V Pension	0	6	20	40	60
All Other	116	80	80	86	65
School Aid - Federal ARRA	391	0	0	0	0
Tax Penalty Forgiveness Program	250	0	0	0	0
Battery Park City Authority Resources	200	0	0	0	0
Regional Greenhouse Gas Initiative/EPF	100	0	0	0	0
Aqueduct Franchise Payment	200	(145)	0	0	0
Fringe Benefit Dividends	50	50	0	0	0
Statewide Wireless Network	50	0	0	0	0
Workers' Compensation Board	46	0	0	0	0
Dormitory Authority Resources	26	0	0	0	0

[1] Includes spending reductions in other State Funds that reduce General Fund costs through transfers from the accounts where savings are realized.

Administrative actions taken with the DRP included reductions of up to 11 percent of agency operating budgets; enhanced activities by the State Office of the Medicaid Inspector General to eliminate waste, fraud, and abuse; debt service savings achieved through refundings, the use of Build America Bonds, and the relatively low interest rates on the State's variable rate bonds; additional revenue expected from an increased assessment on utilities enacted in 2009-10; and the use of other available resources.

The enacted DRP approved a 12.5 percent reduction to remaining, undisbursed local assistance spending in the current fiscal year for various programs, including transit aid, mental hygiene, health care and aging (excluding Medicaid), education and arts (excluding school aid), certain social services programs, and higher education (excluding TAP). In addition, targeted local reductions included:

- Reducing AIM funding for non-calendar year cities on a sliding scale based on the city's overall reliance on that aid. Municipalities with a higher reliance on AIM received smaller percentage reductions ($32 million).

- Reducing anti-tobacco funding ($10 million).

- Eliminating the 2010 trend (inflation) factor for hospital, nursing home, home care, and personal care providers during the first quarter of the calendar year ($12 million).

- Authorizing nurses to increase the supply of prescription medicine for home care patients from 8 days to 15 days, thus lowering the frequency of necessary visits ($3 million).

- Realizing additional Medicaid and EPIC pharmacy reimbursement as a result of a Federal litigation settlement related to First Data Bank ($19 million).

- Delaying scheduled HEAL NY spending in the current year ($45 million).

- Lowering State subsidies for costs associated with mental health parity coverage by 30 percent ($10 million).

- Reducing funding for managed care quality incentives ($5 million); pay-for-performance incentives to health care providers ($4 million); teacher centers ($4 million); mortgage foreclosure assistance ($3 million); a disease management demonstration program ($3 million); cervical vaccines ($2 million); emergency contraception; and new shared services efficiency grants.

Other actions include the use of $391 million in ARRA funding for school aid; authorization of a tax amnesty program for the final quarter of 2009-10; the planned receipt of $200 million in excess revenues from the Battery Park City Authority (subject to agreement with New York City and the Authority); a planned franchise payment from the bidder who wins VLT development rights at Aqueduct (previously assumed to be received by the State in the amount of $145 million during 2010-11); transfers of $90 million in RGGI proceeds and $10 million from the EPF; the use of earned dividends to offset employee health and dental insurance costs; and Tier V pension reform savings. (See "Special Considerations" herein.)

General Fund Outyear Budget Projections

DOB has revised its forecasts of receipts and disbursements across all funds through 2012-13 and calculated projections for 2013-14. The outyear forecast is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current-services costs of program activities. The forecast assumes the Legislature will enact the 2010-11 Executive Budget recommendations in their entirety.

The budget imbalances projected for the General Fund and State Operating Funds 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 recommendations set forth in the Updated Financial Planresult in a balanced General Fund Financial Plan in 2010-11 and leave projected outyear budget gaps of $5.4 billion in 2011-12, $10.7 billion in 2012-13, and $12.4 billion in 2013-14. By comparison, the net operating deficits in State Operating Funds are projected at $5.8 billion in 2011-12, $11.0 billion in 2012-13, and $12.5 billion in 2013-14.

General Fund spending is projected to grow at an average annual rate of 7.6 percent from 2009-10 through 2013-14, excluding the expected deferral of $880 million in planned disbursements from 2009-10 to 2010-11. 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 on June 30, 2011, which will increase the share of Medicaid costs that must be financed by State resources, and the loss of

temporary Federal aid for education. Excluding these stimulus-related effects, which temporarily suppress General Fund costs in 2009-10 through 2010-11, General Fund spending grows at approximately 5.1 percent on a compound annual basis.

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 2010-11; and any costs for future collective bargaining agreements beyond the March 31, 2011 expiration of the current four-year contracts with most unions. In addition, the forecast does not include any additional health care costs that may materialize from any health care reform at the Federal level of government.

State tax receipts growth in the three fiscal years following 2010-11 is expected to range from 1.3 percent to 4.8 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 supported by proposals that create or increase levies intended to deter unhealthy behavior, eliminate unintended tax loopholes, and supplement Department of Taxation and Finance compliance and anti-fraud efforts. These factors are expected to continue to enhance expected receipt growth through 2013-14.

The following table summarizes the General Fund multi-year projections.

OUTYEAR GENERAL FUND PROJECTIONS
(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)	50,405	52,577	2,172	4.3%	52,998	421	0.8%	55,765	2,767	5.2%
Personal Income Tax	32,767	34,126	1,359	4.1%	33,442	(684)	-2.0%	35,313	1,871	5.6%
User Taxes and Fees	10,750	11,275	525	4.9%	11,839	564	5.0%	12,347	508	4.3%
Business Taxes	5,710	5,901	191	3.3%	6,333	432	7.3%	6,621	288	4.5%
Other Taxes	1,178	1,275	97	8.2%	1,384	109	8.5%	1,484	100	7.2%
Miscellaneous Receipts/Federal Grants	2,975	2,857	(118)	-4.0%	2,825	(32)	-1.1%	2,822	(3)	-0.1%
Other Transfers	1,421	1,508	87	6.1%	1,529	21	1.4%	1,518	(11)	-0.7%
Total Receipts	**54,801**	**56,942**	**2,141**	**3.9%**	**57,352**	**410**	**0.7%**	**60,105**	**2,753**	**4.8%**
Disbursements										
Grants to Local Governments:	**35,596**	**41,707**	**6,111**	**17.2%**	**46,477**	**4,770**	**11.4%**	**49,963**	**3,486**	**7.5%**
School Aid	17,096	18,801	1,705	10.0%	20,728	1,927	10.2%	22,339	1,611	7.8%
Medicaid (incl. administration)	5,934	10,155	4,221	71.1%	12,300	2,145	21.1%	13,792	1,492	12.1%
Higher Education	2,389	2,558	169	7.1%	2,645	87	3.4%	2,732	87	3.3%
Mental Hygiene	2,258	2,395	137	6.1%	2,530	135	5.6%	2,669	139	5.5%
Children and Family Services	1,856	2,076	220	11.9%	2,281	205	9.9%	2,508	227	10.0%
Other Education Aid	1,460	1,807	347	23.8%	1,885	78	4.3%	1,941	56	3.0%
Temporary and Disability Assistance	1,106	1,435	329	29.7%	1,572	137	9.5%	1,581	9	0.6%
All Other	3,497	2,480	(1,017)	-29.1%	2,536	56	2.3%	2,401	(135)	-5.3%
State Operations:	**8,319**	**8,760**	**441**	**5.3%**	**9,009**	**249**	**2.8%**	**9,101**	**92**	**1.0%**
Personal Service	6,399	6,690	291	4.5%	6,889	199	3.0%	6,904	15	0.2%
Non-Personal Service	1,920	2,070	150	7.8%	2,120	50	2.4%	2,197	77	3.6%
General State Charges	**4,119**	**4,393**	**274**	**6.7%**	**4,597**	**204**	**4.6%**	**4,991**	**394**	**8.6%**
Pensions	1,519	1,673	154	10.1%	1,870	197	11.8%	2,334	464	24.8%
Health Insurance (Active Employees)	1,826	2,009	183	10.0%	2,177	168	8.4%	2,357	180	8.3%
Health Insurance (Retired Employees)	1,184	1,304	120	10.1%	1,416	112	8.6%	1,536	120	8.5%
Fringe Benefit Escrow	(2,334)	(2,535)	(201)	8.6%	(2,731)	(196)	7.7%	(2,819)	(88)	3.2%
All Other	1,924	1,942	18	0.9%	1,865	(77)	-4.0%	1,583	(282)	-15.1%
Transfers to Other Funds:	**6,234**	**7,516**	**1,282**	**20.6%**	**7,996**	**480**	**6.4%**	**8,447**	**451**	**5.6%**
State Share Medicaid	2,536	3,115	579	22.8%	3,117	2	0.1%	3,083	(34)	-1.1%
Debt Service	1,831	1,757	(74)	-4.0%	1,743	(14)	-0.8%	1,675	(68)	-3.9%
Capital Projects	1,084	1,337	253	23.3%	1,485	148	11.1%	1,646	161	10.8%
All Other	783	1,307	524	66.9%	1,651	344	26.3%	2,043	392	23.7%
Total Disbursements	**54,268**	**62,376**	**8,108**	**14.9%**	**68,079**	**5,703**	**9.1%**	**72,502**	**4,423**	**6.5%**
Change in Reserves	**533**	**(48)**			**(71)**			**0**		
Budget Surplus/(Gap) Estimate	**0**	**(5,386)**			**(10,656)**			**(12,397)**		

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 December 31, 2010. The Updated Financial Plan assumes that the Federal government will extend the enhanced financing another six months 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 Operated Funds (Before FMAP)	**15,095**	**16,916**	**1,821**	**12.1%**	**18,198**	**7.6%**	**19,897**	**9.3%**
Enhanced FMAP -- State Share*	**(3,943)**	**(1,060)**	**2,883**	**-73.1%**	**0**	**0.0%**	**0**	**0.0%**
State Operating Funds (After FMAP)	**11,152**	**15,856**	**4,704**	**42.2%**	**18,198**	**14.8%**	**19,897**	**9.3%**
Other State Funds Support	**(5,218)**	**(5,701)**	**(483)**	**9.3%**	**(5,898)**	**3.5%**	**(6,105)**	**3.5%**
HCRA Financing	(3,243)	(3,752)	(509)	15.7%	(3,949)	5.3%	(4,156)	5.2%
Provider Assessment Revenue	(965)	(985)	(20)	2.1%	(985)	0.0%	(985)	0.0%
Indigent Care Revenue	(1,010)	(964)	46	-4.6%	(964)	0.0%	(964)	0.0%
Total General Fund	**5,934**	**10,155**	**4,221**	**71.1%**	**12,300**	**21.1%**	**13,792**	**12.1%**

* Excludes Medicaid spending in other State agencies, including enhanced FMAP for other state agencies.

Medicaid growth over the plan period is affected by increasing Medicaid enrollment, rising costs of provider health care services, higher levels of utilization, and expiration of the temporarily enhanced levels of Federal aid.

The expiration of the higher Federal share in 2010-11 substantially increases spending in 2011-12. Excluding 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 $15.1 billion in 2010-11 to $19.9 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 $500 million annually attributable to the State cap on local government Medicaid cost increases and takeover of local FHP costs. Also, the payment of an extra weekly cycle to providers adds an estimated $400 million in 2011-12.

The number of Medicaid recipients is expected to grow to 4.73 million in 2010-11, an increase of 9.5 percent from the estimated 2009-10 caseload of 4.32 million.

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, as well as lottery revenues (including VLTs). On a school-year basis, school aid is projected to grow from $20.5 billion in 2010-11 to $26 billion in 2013-14, an average annual rate of 8.2 percent.

Growth in 2011-12 is primarily due to increases in expense-based aid. Growth in 2012-13 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.

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	14,893	14,893	0	0.0%	16,100	8.1%	17,070	6.0%
Universal Pre-kindergarten	400	400	0	0.0%	444	11.0%	490	10.4%
Expense-Based Aids [1]	5,848	6,340	492	8.4%	6,880	8.5%	7,460	8.4%
Other Aid Categories/Initiatives	798	867	69	8.6%	926	6.8%	980	5.8%
Deficit Reduction Assessment	(1,412)	0	1,412	-100.0%	0	0.0%	0	0.0%
Total School Aid	**20,527**	**22,500**	**1,973**	**9.6%**	**24,350**	**8.2%**	**26,000**	**6.8%**

[1] Includes building, transportation, high cost and private special education, and BOCES.

On a State fiscal-year basis, school aid spending is projected to grow by $1.8 billion in 2011-12, $2.1 billion in 2012-13, and $1.7 billion in 2013-14. Over the multi-year Financial Plan period, revenues available to finance school aid are expected to increase by $86 million from core lottery sales, and by $283 million from VLTs, consistent with 2010-11 Executive Budget recommendations to bolster revenues.

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

	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
General Fund Local Aid	17,096	18,801	1,705	10.0%	20,728	10.2%	22,338	7.8%
Core Lottery Aid	2,281	2,284	3	0.1%	2,325	1.8%	2,367	1.8%
VLT Lottery Aid	562	645	83	14.8%	783	21.4%	845	7.9%
Total State Funds	**19,939**	**21,730**	**1,791**	**9.0%**	**23,836**	**9.7%**	**25,550**	**7.2%**

The Updated Financial Plan currently assumes a one-time franchise payment from the sale of VLT development rights at Aqueduct in 2009-10, and operations are expected to begin there in 2011.

Mental Hygiene

Mental hygiene spending is projected to grow on average by $200 million annually to total $4.1 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 Office of Mental Retardation and Developmental Disabilities NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline; and several chemical dependence treatment and prevention initiatives in OASAS, including treatment costs associated with recent drug law reform.

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. Welfare spending is projected to increase by $475 million from $1.1 billion in 2010-11 to $1.6 billion by 2013-14, consistent with the projected increase in the public assistance caseload, based on the latest economic forecast and updated program data.

State Operations

State Operations spending growth over the multi-year Financial Plan period is concentrated in agencies with large operational facility-based budgets such as Corrections, SUNY, and the mental hygiene agencies, as well as the Judiciary. The main causes of growth include expiration of the enhanced Federal Medicaid share (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.

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 8.1 percent from 2010-11 through 2013-14. The growth is mainly due to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's 2010-11 ERS pension contribution rate as a percentage of salary is expected to grow from 12.2 percent in 2010-11 to 23.5 percent in 2013-14. The Police and Fire Retirement System pension contribution rate is expected to be 18.4 percent in 2010-11, growing to 31.4 percent by 2013-14. In addition to savings expected from the new tier of pension benefits enacted in December 2009, the Executive Budget recommends amortization of a portion of future costs. After these savings actions, pension costs grow from $1.5 billion in 2011-12 to $2.3 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 an annual premium increase of roughly 9 percent. Spending for employee and retiree health care costs is detailed below.

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 (Projected)	1,693	1,095	2,788
2010-11 (Projected)	1,826	1,184	3,010
2011-12 (Projected)	2,009	1,304	3,313
2012-13 (Projected)	2,177	1,416	3,593
2013-14 (Projected)	2,357	1,536	3,893

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

See the discussion of the GASB Statement 45 later in this AIS Update for the valuation of future State health insurance and other post-employment benefits costs for State employees.

Transfers to Other Funds

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:	**6,234**	**7,516**	**1,282**	**7,996**	**480**	**8,447**	**451**
Medicaid State Share	2,536	3,115	579	3,117	2	3,083	(34)
Debt Service	1,831	1,757	(74)	1,743	(14)	1,675	(68)
Capital Projects	1,084	1,337	253	1,485	148	1,646	161
Dedicated Highway and Bridge Trust Fund	695	785	90	890	105	979	89
All Other Capital	389	552	163	595	43	667	72
All Other Transfers	783	1,307	524	1,651	344	2,043	392
Mental Hygiene	8	463	455	786	323	1,171	385
Medicaid Payments for State Facility Patients	193	193	0	193	0	193	0
Judiciary Funds	153	156	3	157	1	163	6
SUNY- Hospital Operations	134	167	33	167	0	167	0
Banking Services	66	66	0	66	0	66	0
Indigent Legal Services	43	43	0	43	0	43	0
Mass Transportation Operating Assistance	38	38	0	38	0	38	0
Alcoholic Beverage Control	20	21	1	21	0	22	1
Correctional Industries	14	14	0	14	0	14	0
Statewide Financial System	11	45	34	55	10	60	5
All Other	103	101	(2)	111	10	106	(5)

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

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 Updated Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds. The Updated Financial Plan revises the forecast for the General Fund subsidy to reflect Executive Budget recommendations. The General Fund subsidy is projected at $785 million for 2011-12, $890 million for 2012-13, and $979 million in 2013-14, with continued growth thereafter.

Year-to-Date Operating Results

General Fund

The State took several actions, subsequent to the cash-flow forecast in the Second Quarterly Update, to improve its cash position, which continues to be a concern. On December 14, 2009 the Governor directed the Budget Director to delay the certification of $750 million in local assistance payments, subject to authority over the spending of appropriations (known as the Certificate of Approval) granted to the Director in the Enacted Budget. This action was intended to preserve the State's liquidity position in light of the volatility of month-end revenue collections and the potential shortfalls in available cash that were at risk of occurring during a short period from mid-December 2009 to early January 2010. In addition, the 2009-10 DRP approved in December 2009 provided approximately $285 million in savings that were not counted on in the Second Quarterly Update cash-flow forecast.

Based on preliminary results, the General Fund ended January 2010 with a cash balance of $3.2 billion, $693 million lower than projected in the Second Quarterly Update.

GENERAL FUND PRELIMINARY RESULTS: APRIL 2009 THROUGH JANUARY 2010
(millions of dollars)

	2nd Qtr Projections	Results	Favorable/ (unfavorable) Variance
Opening Balance (April 1, 2009)	**1,948**	**1,948**	
Receipts	**42,556**	**41,483**	**(1,073)**
Personal Income Tax*	26,310	24,737	(1,573)
User Taxes and Fees*	8,861	8,813	(48)
Business Taxes	3,651	3,701	50
Other Taxes*	874	884	10
Non-Tax Revenue	2,860	3,348	488
Disbursements	**40,572**	**40,192**	**380**
Public Health	617	536	81
All Other Education	1,412	1,246	166
School Aid	10,552	10,411	141
Children and Families	1,326	1,288	38
Medicaid (including admin)	5,647	6,015	(368)
All Other Local	6,389	6,337	52
Personal Service	5,642	5,572	70
Non-Personal Service	1,723	1,587	136
General State Charges	2,556	2,574	(18)
Transfers To Other Funds	4,708	4,626	82
Change in Operations	**1,984**	**1,291**	**(693)**
Closing Balance (Jan 31, 2010)	**3,932**	**3,239**	**(693)**

* Includes transfers from other funds after debt service.

Receipts Variance from Second Quarterly Update

Through January 2010, General Fund receipts, including transfers from other funds, were $1.1 billion below the Second Quarterly Update projections. PIT receipts were $1.6 billion below planned levels, partly offset by higher miscellaneous receipts of $488 million, as a result of the DRP and the partial receipt of a legal settlement from Credit Suisse that was previously expected in March 2010. Other tax variances were modest.

Disbursements Variance from Second Quarterly Update

Through January 2010, disbursements, including transfers to other funds, were below the 2010-11 Executive Budget forecast. This is due mostly to routine variances in the timing of payments and is not expected to affect annual totals. The most significant variances include:

- **Medicaid:** Spending exceeded the forecast due to a spike in enrollment, which is resulting in higher spending for prescription drugs and premium costs, as well as fee-for-service delivery.
- **Education:** Spending was lower due to the timing of Special Education Summer School payments and categorical spending for Aid to Public Libraries, Non-Public School Aid, and Higher Education Opportunity Programs.
- **School Aid:** Lower spending was due to the use of ARRA funds approved as part of the DRP and slower than anticipated claims for categorical programs.
- **Non-Personal Service:** Lower spending reflects ongoing Statewide management of expenses.
- **Transfers:** Spending was lower than projected due to timing-related issues and claims processing delays.

General Fund Annual Change

Through January 2010, receipts were $4.0 billion, or 8.9 percent, below the same period in 2008-2009. All tax categories reflect an annual decline, but most of the drop is attributable to PIT collections ($3.6 billion).

Through January 2010, spending was $2.3 billion, or 5.5 percent, lower than for the same period in the prior year. This is due primarily to the timing of the pension payment; reductions in Medicaid spending resulting from the FMAP increase that lowers State-share spending; ongoing efforts to reduce agency operational spending; and reductions in transfers to other funds to support capital projects spending and State-share Medicaid costs. These declines are partly offset by growth in school aid, higher education, and mental hygiene spending.

All Governmental Funds

PRELIMINARY SPENDING RESULTS: APRIL 2009 THROUGH JANUARY 2010
(millions of dollars)

	2nd Qtr Projections	Results	Favorable/ (unfavorable) Variance
State Operating Funds	**61,803**	**60,619**	**1,184**
General Fund (excl. transfers)	35,864	35,566	298
Other State Funds	22,273	21,623	650
Debt Service Funds	3,666	3,430	236
All Governmental Funds	**103,705**	**100,577**	**3,128**
State Operating Funds	61,803	60,619	1,184
Capital Projects Funds	6,131	5,557	574
Federal Operating Funds	35,771	34,401	1,370

State Operating Funds spending was $1.2 billion below the Second Quarterly Update forecast and includes the General Fund spending variances described above. Significant variances in other State funds include lower-than-anticipated debt service as the result of an administrative processing delay ($179 million), lower than expected Transportation spending due to reduced level of payments to MTA from the MTA Financial Assistance Fund due to lower mobility tax receipts.

Capital Projects spending was below the Second Quarterly Update due to slower than expected spending across all areas. The largest variances occurred in Transportation, Parks and the Environment, and Economic Development. The Federal Operating variance is largely attributable to slower-than-expected spending of Federal ARRA funds for education.

Economic Outlook

The National Economy

The release by the U.S. Bureau of Economic Analysis of its first estimate of economic growth for the fourth quarter of 2009 reinforces the belief that the national recovery that began in the third quarter of last year picked up substantial momentum by the end of the year. The national economy expanded 5.7 percent in the fourth quarter of 2009. Real household spending grew 2.0 percent, which is still weaker than most prior recoveries, indicating the continued impact of a historically weak labor market and tight credit markets. The strengthening global economy resulted in export growth, and nonresidential fixed investment, led by investment in equipment and software, ended its five-quarter string of declines with fourth quarter growth of 2.9 percent. Finally, a change in inventories of over $100 billion made a substantial contribution to fourth quarter growth. DOB now projects growth of 3.1 percent in real U.S. Gross Domestic Product for 2010, following a decline of 2.4 percent for 2009.

The U.S. Bureau of Labor Statistics has released its 2009 benchmark revision to the national employment data. The revised data indicate that about 8.4 million jobs have been lost since the start of the recession of 2008-09. Only 20,000 jobs were lost in January, indicating a labor market turning point in the first quarter of 2010. On an annual average basis, DOB projects a decline of 0.3 percent for 2010, following a historic decline of 4.3 percent for 2009. The projection reflects the Census Bureau's current estimate that 1.2 million temporary jobs will be created to conduct the Census.

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

	2009 (Estimated)	2010 (Forecast)	2011 (Forecast)
Real U.S. Gross Domestic Product	(2.4)	3.1	3.4
Consumer Price Index (CPI)	(0.3)	2.2	2.0
Personal Income	(1.4)	4.3	4.8
Nonagricultural Employment	(4.3)	(0.3)	1.5

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

The current outlook calls for the national recovery to gain momentum throughout 2010, in large part led by a turnaround in business equipment and software spending and the end of the largest inventory

correction since the 1930s. However, there are significant risks to this forecast. Although credit markets have improved substantially since a year ago, uncertainty remains about the quality of bank assets throughout the global financial system. The growing international volume of sovereign debt reflecting attempts by governments, including the United States, to hasten the pace of economic recovery, continues to create uncertainty. The large overhang of commercial real estate and related debt remains yet another source of risk. A negative credit market shock could result in a major setback to recoveries around the globe. Similarly, if the labor market fails to recover as projected, household spending, which still accounts for about two-thirds of the economy, could falter. On the positive side, lower than expected energy prices and inflation would give households more power to spend and could increase the speed of the recovery. The current forecast reflects continued spending under the Federal stimulus package as passed in February 2009. If the U.S. Congress should enact more stimulus spending than currently assumed, the recovery could proceed more quickly than is reflected in this forecast.

New York State Economy

The most recent data indicate that employment and wages for the second half of 2009 were weak. The release of the 2009 benchmark revision to the national employment data showed steep year-over-year declines in the third and fourth quarters of 2009. National employment trends represent key inputs to DOB's forecast for the State labor market. The DOB estimates State employment to have fallen 2.9 percent for 2009, to be followed by a decline of 0.6 percent for 2010. Private employment is expected to decline by 3.5 percent for 2009, followed by a decline of 0.9 percent for 2010. Correspondingly, the expected decline in State wages estimated for 2009 reflects a historic decline of 7.0 percent. Total State wages are projected to rise 3.5 percent for 2010.

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

	2009 (Estimated)	2010 (Forecast)	2011 (Forecast)
Personal Income	(4.0)	3.6	4.0
Wages	(7.0)	3.5	3.1
Nonagricultural Employment	(2.9)	(0.6)	0.8

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

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, the credit crisis and equity market volatility pose a particularly large degree of uncertainty for New York. If political pressures result in financial sector firms reducing the cash portion of bonuses further than projected, State wages and the economic activity generated by the spending of those wages could be lower than expected. An even weaker labor market than projected could also result in lower wages, which in turn could result in weaker household consumption. Similarly, should the State's commercial real estate market weaken further than anticipated, taxable capital gains realizations could be negatively affected. These effects would ripple though the State economy, depressing both employment and wage growth. In contrast, stronger national and world economic growth, or a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

All Funds Receipts Projections

With New York as the world's financial capital, the impact of the most recent financial crisis on the State's fiscal condition has been severe. Base receipts – adjusted for State law changes – are estimated to decline 10.5 percent in 2009-10, following a 3.0 percent decline for 2008-09. Consistent with an economic recovery projected to begin during the first quarter of this year, base tax receipts growth is expected to rebound to 3.1 percent in 2010-11 and 6.4 percent in 2011-12. But there are significant risks to this forecast, as there always are around business cycle turning points. Wall Street bonus payments are always difficult to predict given the volatile nature of the financial markets, but particularly in the current environment given the political environment Wall Street now finds itself in. Moreover, the State's real estate market is still in decline, with the commercial sector especially at risk. Even though the labor market may have neared its trough, job growth is expected to remain weak over the next few years. Therefore, it will take some time for household spending to regain its pre-recession level. Corporate profits are expected to continue growing, consistent with the strengthening of the national recovery, but the lag between the realization of profits and the tax payments generated by those profits has made business tax receipts especially difficult to project.

The end of the State's economic downturn, the full-year impact of the temporary rate increase, the stock market recovery, and the sunset at the end of 2010 of preferential Federal tax rates on both capital gains and ordinary income are expected to provide growth of 5.4 percent in personal income tax receipts in 2010-11. Projected corporate profits growth for the 2010 calendar year should result in a return to growth in business tax receipts beginning in 2010-11. With the recovery in household spending, sales tax growth is expected to turn positive in 2010-11, after posting one of the worst annual sales tax declines on record in 2009-10. Lastly, the Tax Department will add over 300 employees to its compliance staff, which is expected to increase audit and compliance collections by $221 million annually.

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GOVERNMENTAL FUNDS
ACTUAL AND BASE TAX RECEIPTS GROWTH
(percent growth)

State Fiscal Year	Actual Receipts	Base Receipts	Inflation Adjusted Base Receipts
1987-88	6.2	6.4	2.4
1988-89	1.6	2.9	(1.3)
1989-90	6.8	8.3	3.3
1990-91	(0.8)	(3.8)	(9.2)
1991-92	7.2	1.4	(2.3)
1992-93	6.1	5.0	1.8
1993-94	4.3	0.7	(2.2)
1994-95	0.1	1.5	(1.1)
1995-96	2.6	3.6	0.8
1996-97	2.0	2.6	(0.4)
1997-98	3.7	5.6	3.6
1998-99	7.2	7.9	6.3
1999-00	7.5	9.1	6.5
2000-01	7.9	10.1	6.7
2001-02	(4.9)	(4.2)	(6.4)
2002-03	(6.7)	(8.0)	(10.0)
2003-04	8.2	5.8	3.8
2004-05	13.4	11.4	8.4
2005-06	10.2	9.5	5.9
2006-07	9.6	12.9	10.0
2007-08	3.6	6.0	2.7
2008-09	(0.9)	(3.0)	(5.7)
2009-10*	(2.6)	(10.8)	(10.8)
2010-11**	7.3	3.5	1.1
2011-12**	4.3	6.4	4.3
2012-13**	1.4	7.6	5.2
2013-14**	4.8	4.8	2.5

	Actual Change	Base Change	Adjusted Base Change
Historical Average (87-88 to 08-09)	**4.3**	**4.2**	**1.1**
Forecast Average (09-10 to 13-14)	**3.0**	**2.3**	**0.5**
Forecast Average (10-11 to 13-14)	**4.5**	**5.6**	**3.3**
Recessions	**1.4**	**(1.0)**	**(3.9)**
Expansions	**5.7**	**6.4**	**3.4**

*Estimated Receipts

** Projected Receipts

TOTAL RECEIPTS (millions of dollars)							
	2008-09 Actual	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund	**53,801**	**52,712**	**(1,089)**	**-2.0%**	**54,801**	**2,089**	**4.0%**
Taxes	38,301	37,234	(1,067)	-2.8%	40,064	2,830	7.6%
Miscellaneous Receipts	3,105	3,508	403	13.0%	2,915	(593)	-16.9%
Federal Grants	45	68	23	51.1%	60	(8)	-11.8%
Transfers	12,350	11,902	(448)	-3.6%	11,762	(140)	-1.2%
State Funds	**80,265**	**81,001**	**736**	**0.9%**	**85,346**	**4,345**	**5.4%**
Taxes	60,337	58,779	(1,558)	-2.6%	63,768	4,989	8.5%
Miscellaneous Receipts	19,883	22,153	2,270	11.4%	21,518	(635)	-2.9%
Federal Grants	45	69	24	53.3%	60	(9)	-13.0%
All Funds	**119,235**	**131,010**	**11,775**	**9.9%**	**135,652**	**4,642**	**3.5%**
Taxes	60,337	58,779	(1,558)	-2.6%	63,768	4,989	8.5%
Miscellaneous Receipts	20,064	22,383	2,319	11.6%	21,706	(677)	-3.0%
Federal Grants	38,834	49,848	11,014	28.4%	50,178	330	0.7%

Fiscal Year 2009-10 Overview

- Total All Funds receipts are estimated to reach $131.0 billion, an increase of $11.8 billion, or a 9.9 percent increase from 2008-09 results. All Funds tax receipts are estimated to decrease by $1.6 billion, or 2.6 percent. The majority of the decrease in tax receipts is attributable to declines in the personal income tax.

- All Funds miscellaneous receipts are projected to reach $22.4 billion in 2009-10, an increase of nearly $2.3 billion from 2008-09, largely driven by growth in the General Fund ($403 million), special revenues from the lottery and VLT's ($387 million) and State University income ($410 million), and capital project funds ($433 million)..

- Total State Funds receipts are estimated to reach nearly $81 billion in 2009-10, an increase of $736 million, or 0.9 percent.

- Total General Fund receipts are estimated at nearly $53 billion, a decrease of $1.1 billion, or 2.0 percent from 2008-09 results. General Fund tax receipts are estimated to decrease by 2.8 percent, reflecting declines in the economy partially offset by STAR program savings. General Fund miscellaneous receipts are estimated to increase by 13.0 percent, reflecting actions taken with the 2009-10 Enacted Budget, as well as actions taken with this Budget.

- Base tax receipts growth, which nets out the impact of law changes, is expected to decrease by an estimated 10.8 percent in 2009-10 after a base decline of 3.0 percent in 2008-09.

Fiscal Year 2010-11 Overview

- Total All Funds receipts are expected to reach $135.7 billion, an increase of $4.6 billion, or 3.5 percent from 2009-10 estimates. All Funds tax receipts are projected to grow by nearly $5 billion or 8.5 percent. This increase is attributable to the full year impact of the temporary personal income tax rate increase, expiring Federal tax laws, and positive revenue actions proposed with the Updated Financial Plan. All Funds Miscellaneous receipts are projected to decrease by $677

million, or 3.0 percent. All Funds Federal grants are expected to increase by $330 million, or 0.7 percent.

- Total State Funds receipts are projected to be nearly $85 billion, an increase of $2.8 billion, or 3.4 percent from the 2009-10 estimate.

- Total General Fund receipts are projected to be nearly $55 billion, an increase of $2.1 billion, or 4.0 percent from 2009-10 estimates. General Fund tax receipts are projected to grow by 7.6 percent, while General Fund miscellaneous receipts are projected to decline by 16.9 percent, reflecting the loss of several one-time payments. Federal grants revenues are projected to decline by 11.8 percent due to a shift in the timing of payments.

- After controlling for the impact of policy changes, base tax revenue growth is estimated to increase by 3.5 percent for fiscal year 2010-11. The expected rebound in economic activity is expected to increase base growth in tax receipts for the first time since 2007-08.

Change from Second Quarterly Update

Revised Estimates and Projections:

CHANGE FROM MID-YEAR UPDATE FORECAST
(millions of dollars)

	2009-10 Mid-Year Update	2009-10 Executive Amendments	$ Change	% Change	2010-11 Mid-Year Update	2010-11 Executive Amendments	$ Change	% Change
General Fund*	**40,454**	**40,810**	**356**	**0.9**	**42,848**	**43,039**	**191**	**0.4%**
Taxes	37,272	37,234	(38)	(0.1)	40,101	40,064	(37)	-0.1%
Miscellaneous Receipts	3,114	3,508	394	12.7	2,687	2,915	228	8.5%
Federal Grants	68	68	0	0.0	60	60	0	0.0%
State Funds	**80,608**	**81,001**	**393**	**0.5**	**84,587**	**85,346**	**759**	**0.9%**
Taxes	59,383	58,779	(604)	(1.0)	63,346	63,768	422	0.7%
Miscellaneous Receipts	21,156	22,153	997	4.7	21,180	21,518	338	1.6%
Federal Grants	69	69	0	0.0	61	60	(1)	-1.6%
All Funds	**128,855**	**131,010**	**2,155**	**1.7**	**133,599**	**135,652**	**2,053**	**1.5%**
Taxes	59,383	58,779	(604)	(1.0)	63,346	63,768	422	0.7%
Miscellaneous Receipts	21,385	22,383	998	4.7	21,366	21,706	340	1.6%
Federal Grants	48,087	49,848	1,761	3.7	48,887	50,178	1,291	2.6%

* Excludes Transfers

All Funds receipts estimates have been revised upward by $2.2 billion for fiscal year 2009-10 from the Mid-Year Financial Plan Update. The upward tax revision is mostly due to the tax amnesty program ("PAID") and a significant bank tax reestimate. Miscellaneous receipts and Federal grants were revised upward by over $1.7 billion due to increases in current-year Federal spending, as well as revenue advanced to 2009-10 from the Aqueduct VLT contract, sweeps from the Battery Park funds, and timing-related changes to capital project revenue.

General Fund receipts for fiscal year 2009-10 have been revised upward by $356 million, reflecting increased one-time payments in miscellaneous receipts.

All Funds receipts estimates have been increased by $2.1 billion for fiscal year 2010-11 from the Second Quarterly Update. The majority of this increase is attributable to a $1.3 billion expected increase in Federal grants.

General Fund receipts for fiscal year 2010-11 have been revised upward by $191 million. Tax revisions account for a decrease of $37 million, while miscellaneous receipts increase by $228 million.

Proposed Law Changes

The 2010-11 Executive Budget includes changes to tax law that would: reform certain components of our tax structure to ensure that the tax burden is fairly distributed, that our tax incentive programs are most efficiently utilized and that taxpayers remit the proper amount of tax that is owed; close unintended tax loopholes to improve the equity of the tax code; and generate additional recurring revenues to help close the State's financial gaps in 2010-11 and beyond.

ALL FUNDS LEGISLATION ($ in millions)	2010-11	2011-12	2012-13	2013-14
Revenue Enhancements	**1,194**	**1,551**	**1,528**	**1,574**
Personal Income Tax	**30**	**44**	**44**	**44**
Define Flow-Through Entities as Taxpayers For QETC and Biofuel Credit Claims	0	2	2	2
Treat S-Corp Gains and Installment Income as Taxable To Non Residents	30	12	12	12
Close Resident Trust Loophole	0	25	25	25
Treat Compensation For Past Services as Taxable To Non Residents	0	5	5	5
User Taxes and Fees	**941**	**1,283**	**1,258**	**1,302**
Allow the Sale of Wine in Grocery Stores	255	61	5	5
Impose a New Excise Tax on Beverage Syrups and Soft Drinks	465	1,000	1,000	1,000
Increase the Cigarette Tax by $1.00 per Pack	218	215	211	207
Narrow Affiliate Nexus Provisions	(5)	(5)	(5)	(5)
Require Informational Returns for Credit and Debit Cards	0	0	35	83
Allow the Use of Statistical Sampling for Certain Sales Tax Audits	8	12	12	12
Business Taxes	**0**	**1**	**3**	**5**
Severance Tax on Natural Gas Production	0	1	3	5
Other Taxes	**2**	**2**	**2**	**2**
Legalize Mixed Martial Arts In New York	2	2	2	2
Improve Audit and Compliance	**221**	**221**	**221**	**221**
Tax Reductions	**(4)**	**(4)**	**(197)**	**(346)**
Expand the Low Income Housing Tax Credit Program	(4)	(4)	(4)	(4)
Empire Zones Replacement Program	0	0	(25)	(50)
Extend and Expand Film Tax Credit	0	0	(168)	(292)
Total All Funds Legislation Change	**1,190**	**1,547**	**1,331**	**1,228**

Fiscal Years 2011-12, 2012-13 and 2013-14 Overview

TOTAL RECEIPTS (millions of dollars)							
	2010-11 Projected	2011-12 Projected	Annual $ Change	2012-13 Projected	Annual $ Change	2013-14 Projected	Annual $ Change
General Fund	**54,801**	**56,942**	**2,141**	**57,352**	**410**	**60,104**	**2,752**
Taxes	40,064	41,855	1,791	42,333	478	44,475	2,142
State Funds	**85,346**	**88,606**	**3,260**	**89,419**	**813**	**92,909**	**3,490**
Taxes	63,768	66,800	3,032	67,701	901	70,907	3,206
All Funds	**135,652**	**133,532**	**(2,120)**	**133,835**	**303**	**138,812**	**4,977**
Taxes	63,768	66,800	3,032	67,701	901	70,907	3,206

Overall, tax receipts growth in the three fiscal years following 2010-11 is expected to remain in the range of 1.3 percent to 4.8 percent. This is consistent with a projected return to modest economic growth in the New York economy in the second half of 2010. Receipt growth is supported by proposals contained with the Executive Budget that create or increase levies intended to deter unhealthy behavior, eliminate unintended tax loopholes and supplement Department of Taxation and Finance efforts to find non-compliant and fraudulent taxpayers. These factors are expected to continue to enhance expected receipt growth through 2013-14.

- Total All Funds receipts in 2011-12 are projected to be $133.5 billion, a decrease of $2.1 billion over the prior year. All Funds receipts in 2012-13 are expected to increase by $303 million over 2011-12 projections. In 2013-14, receipts are expected to increase by nearly $5.0 billion over 2012-13 projections;

- Total State Funds receipts are projected to be over $88.6 billion in 2011-12, $89.4 billion in 2012-13 and nearly $93 billion in 2013-14;

- Total General Fund receipts are projected to reach nearly $57 billion in 2011-12, $57 billion in 2012-13 and $60 billion in 2013-14; and

- All Funds tax receipts are expected to increase by 4.8 percent in 2011-12, 1.3 percent in 2012-13 and 4.7 percent in 2013-14. Again, the growth pattern is consistent with an economic forecast of continued but slower economic growth.

Base Growth

Base growth, adjusted for law changes, in tax receipts for fiscal year 2009-10 is estimated to decline 10.8 percent before rebounding to grow 3.5 percent in 2010-11. Overall base growth in tax receipts is dependent on a multitude of factors. The causes of the decline in 2009-10 include the disappearance of major investment banks and their payrolls, the decline in the value of residential real estate during the 2008-2009 period, and the retreat of consumer spending in the face of job losses during the past 18 months. The expected rebound in base receipts growth in 2010-11 results from a return to cash bonus growth from the financial services industry, strong corporate profits growth, positive capital gains from a resurgent stock market, and an end to consumption declines.

Executive Budget GAAP-Basis Financial Plans

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, in accordance with standards and regulations set forth by GASB. Thus, the GAAP projections provided herein are intended to supplement, for informational purposes, the cash-basis Financial Plan. The GAAP-basis plans model the accounting principles applied by OSC in preparation of the 2008-09 Financial Statements. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided at the end of this AIS Update.

In 2009-10, the General Fund GAAP Financial Plan shows total revenues of $44.7 billion, total expenditures of $54.8 billion, and net other financing sources of $9.5 billion, resulting in an operating deficit of $578 million and a projected 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 $46.4 billion, total expenditures of $53.6 billion, and net other financing sources of $9.0 billion, resulting in an operating surplus of $1.8 billion, which reduces the projected accumulated deficit to $1.7 billion. These results reflect the impact of the Updated Financial Plan gap-closing actions, and the carry-forward of the cash shortfall into 2010-11.

GASBS 45

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, 2009 at $55.4 billion ($46.3 billion for the State and $9.1 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method.

This liability was disclosed in the 2008-09 basic GAAP financial statements issued by the State Comptroller in July 2009. GASB rules indicate the 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 2008-09 liability totaled $4.2 billion ($3.2 billion for the State and $1 billion for SUNY) under the Frozen Entry Age actuarial cost method, amortized based on a level percent of salary. This was $3 billion ($2.3 billion for the State and $0.7 billion for SUNY) above the payments for retiree costs made by the State in 2008-09. 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 2008-09 by $3 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 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. See "Outyear Financial Plan Projections" for a summary of projected spending for this purpose over the Financial Plan period.

As noted, there is no provision in the Updated 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

The Updated Financial Plan forecast is subject to many complex economic, social, and political risks and uncertainties, 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 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; the impact of consumer spending on State tax collections; increased demand in entitlement- and claims-based programs such as Medicaid, public assistance and general public health; access to the capital markets in light of disruptions in the municipal bond market; litigation against the State, including, but not limited to, potential challenges to the constitutionality of certain tax actions authorized in the budget, the method of calculating the local share of FMAP, and the outcome of a class action suit alleging discrimination in the administration of a civil service test between 1996 and 2006; and actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules.

There can be no assurance that the Legislature will not make changes to the Executive Budget that have an adverse impact on the budgetary projections set forth herein, or that it will take final action on the Executive Budget before the start of the new fiscal year on April 1, 2010. Furthermore, 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. 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 Governor.

The forecast contains specific transaction risks and other uncertainties including, but not limited to, full implementation of the DRP in the current year, including transactions related to BPCA ($200 million) and the VLT franchise payment ($300 million) which, if these do not occur as planned, would require additional cash management actions in the current year; 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. Several transactions are dependent upon the actions of third parties, including those involving the BPCA, the VLT franchise payment, and certain workforce management actions that need to be negotiated with the unions representing State employees. Ongoing delays continue to surround the award of the VLT franchise and have the potential to impact the timing of the expected franchise payment. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan in the current year.

The Updated Financial Plan assumes the Federal government will authorize a six-month extension (January 1, 2011 through June 30, 2011) of the higher FMAP authorized in ARRA. If the FMAP extension is not approved, or approved at a reduced level, then additional gap-closing actions will be required by the State.

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 2009-10 and beyond. The Updated 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 Updated 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.

At this time, the Updated Financial Plan does not include estimates of the costs or savings, if any, that may result if the Federal government were to approve comprehensive changes to the nation's health-care financing system. There is a risk that Federal changes could have a materially adverse impact on the State's Financial Plan projections in future years. DOB expects to provide a more comprehensive assessment as events warrant.

In any year, the Financial Plan is subject to risks, that, if they were to materialize, could affect operating results. Special considerations include the following:

State Cash Flow Projections

The Enacted Budget for 2009-10 authorized the General Fund to borrow resources temporarily from other available funds in the State's Short-Term Investment Pool ("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 ten months of 2009-10, the General Fund used this authorization to meet payment obligations in May, June, September, November, and December 2009, as well as January 2010. The General Fund may need to rely on this borrowing authority at times during the remainder of the fiscal year.

During the fiscal year, the State has taken actions to maintain adequate operating margins, and expects to continue to do so as events warrant. For example, the State plans to make its contribution of approximately $960 million to the State Retirement System on March 1, 2010, the statutory payment date, rather than in September 2009, as originally planned. In addition, in December 2009, the Budget Director deferred a portion of certain payments to school districts, counties, and other entities to preserve liquidity during the month.

The State has reserved money to make the debt service payments scheduled for February and March 2010 that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants.

The General Fund ended December 2009 with a negative balance of approximately $205 million. Absent the specific cash management actions outlined above and the benefit of certain actions approved in the DRP, the negative balance would have exceeded $1.5 billion. Preliminary results for January 2010 indicate the General Fund had a balance of $3.3 billion. (See "Year-to-Date Operating Results" herein.)

The projected month-end balances for 2010-11 are shown in the table below. The projections assume that the gap-closing plan is enacted in its entirety by the start of the fiscal year. Cash balances are expected to continue to be relatively low, especially during the first half of the fiscal year, including projected month-end negative balances in the General Fund for May through August 2010. The balances assume that all payments related to the carry-forward of the $1.4 billion General Fund shortfall in 2009-10 are made no later than June 2010. The Updated Financial Plan assumes that the General Fund will continue to borrow periodically from STIP.

ALL FUNDS MONTH-END BALANCES
FISCAL YEAR 2010-11
(millions of dollars)

	General Fund	Other Funds	All Funds	SUNY Adjustment	Adjusted All Funds
April	3,094	2,696	5,790	0	5,790
May	(298)	2,631	2,333	0	2,333
June	(777)	2,020	1,243	0	1,243
July	(75)	2,940	2,865	(655)	2,210
August	(60)	3,412	3,352	(646)	2,706
September	2,049	1,210	3,259	(799)	2,460
October	1,784	2,546	4,330	(778)	3,552
November	1,346	2,649	3,995	(737)	3,258
December	1,676	1,853	3,529	(663)	2,866
January	6,780	2,735	9,515	(640)	8,875
February	7,018	2,664	9,682	(577)	9,105
March	1,906	1,094	3,000	(623)	2,377

The Amended Executive Budget proposes legislation that would, among other things, remove certain resources of the State University from the governmental funds of the State. If this were to occur, the available balances in STIP would be substantially reduced. 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.

Structural Budget Gap

Spending continues to increase at a faster rate than receipts. The State-financed portion of the budget has grown faster than both personal income and inflation over the past ten years. From 1998-99 through 2008-09, overall spending has grown at a compound annual rate of 5.6 percent.[12] By comparison, the growth in personal income, which is a reasonable approximation for long-term receipts growth, averaged approximately 4.5 percent over the same period. The following table summarizes ten-year spending growth by major function.

[12] The growth rate is 5.8 percent adjusted for the impact of the FMAP increase under the ARRA in 2008-09.

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

	10-Year Growth		
	1998-99	**2008-09**	**Compound Annual Growth**
Local Assistance:	**29,454**	**53,984**	**6.2%**
School Aid	11,214	20,710	6.3%
Medicaid (incl. administration):	6,631	11,555	5.7%
Medicaid Before Enhanced FMAP	*6,631*	*12,647*	*6.7%*
Federal ARRA: Enhanced FMAP	*0*	*(1,092)*	*N/A*
School Tax Relief Program	582	4,435	22.5%
Property Tax Exemption/NYC Credit	*582*	*3,223*	*18.7%*
STAR Rebate Program	*0*	*1,212*	*N/A*
Mental Hygiene	1,378	3,091	8.4%
Transportation	1,673	2,982	6.0%
Public Health/Aging/Insurance	706	2,506	13.5%
Public Health/Aging Programs	*706*	*1,552*	*8.2%*
HCRA Programs (On-Budget in 2005-06)	*0*	*954*	*N/A*
Higher Education	1,645	2,235	3.1%
Higher Education Before Payment Rolls	*1,645*	*2,535*	*4.4%*
Roll 2008-09 CUNY Payment to 2009-10	*0*	*(300)*	*N/A*
Special/Other Education	1,237	1,650	2.9%
Local Government Assistance	823	1,037	2.3%
All Other	3,565	3,783	0.6%
State Operations:	**12,452**	**19,654**	**4.7%**
Wages/Fringe Benefits	**8,983**	**14,482**	**4.9%**
Personal Service:	**6,803**	**10,329**	**4.3%**
Executive Agencies	3,869	5,363	3.3%
SUNY	1,780	3,003	5.4%
Judiciary	878	1,453	5.2%
Legislature	138	167	1.9%
Department of Law	72	124	5.6%
Audit & Control	66	110	5.2%
Retro Settlements (All Agencies) [1]	0	109	N/A
Fringe Benefits:	**2,180**	**4,153**	**6.7%**
Pensions	245	1,056	15.7%
Health Insurance [2]	1,089	2,707	9.5%
Health Insurance (Active Employees)	*700*	*1,639*	*8.9%*
Health Insurance (Retired Employees)	*389*	*1,068*	*10.6%*
All Other Fringe Benefits	846	390	-7.5%
Non-Personal Service/Fixed Costs	**3,469**	**5,172**	**4.1%**
Debt Service	**3,275**	**4,530**	**3.3%**
Total State Operating Funds Spending	**45,181**	**78,168**	**5.6%**
Capital Projects (State Funded)	2,855	4,978	5.7%
Total State Funds Spending	**48,036**	**83,146**	**5.6%**
Federal Aid (Including Capital Grants)	22,619	38,425	5.4%
Total All Governmental Funds Spending	**70,655**	**121,571**	**5.6%**
	Personal Income Growth (10-Year)		**4.5%**
	Inflation (CPI) Growth (10-Year)		**2.8%**

[1] Reflects payment of 2007-08 retroactive salary increases pursuant to collective bargaining settlements with unions (for PEF, DC-37, UUP, PBA and Judiciary) that have been excluded from agency totals above.

[2] Reflects estimated shares of health insurance costs for 1998-99, as actual data is unavailable.

Before accounting for the impact of the gap-closing plan, State Operating Funds disbursements are projected to increase at approximately 7.6 percent annually over the next four years. The gap-closing plan would reduce the growth rate to approximately 6.2 percent annually. In comparison, State receipts over the plan period are projected to grow at approximately 4 percent annually, consistent with DOB's economic forecast for the recession and recovery. See "Outyear Financial Plan Projections" herein.

Budget Process

Legislation enacted in 2007 requires that, by March 1, 2010, the Executive and the majority parties in each house of the Legislature reach consensus on the changes, if any, to the Executive Budget forecast for receipts in the current year and for 2010-11. If no consensus is reached, the State Comptroller must establish the receipts forecast by no later than March 5. The State's new fiscal year begins on April 1.

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and other Supplementary Information on a GAAP basis for governments as promulgated by GASB. The Basic Financial Statements, released in July each year, include the Statement of Net Assets and Activities, the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, the Statements of Net Assets, Revenues, Expenses and Changes in Fund Net Assets and Cash Flows for the Enterprise Funds, the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets for the Fiduciary Funds and the Combining Statements of Net Assets and Activities for Discretely Presented Component Units. These statements are audited by independent certified public accountants. The Comptroller also prepares and issues a Comprehensive Annual Financial Report, which includes a management discussion and analysis (MD&A), the Basic Financial Statements, required supplementary information, other supplementary information which includes individual fund combining statements, and a statistical section. For information regarding the State's accounting and financial reporting requirements, see the section in the AIS dated May 15, 2009 entitled "State Organization—Accounting, Financial Reporting and Budgeting."

Both the Basic Financial Statements and Other Supplementary Information and Comprehensive Annual Financial Reports for prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the OSC website at www.osc.state.ny.us. The following table summarizes recent governmental funds results on a GAAP basis.

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

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2009	(6,895)	(1,183)	35	44	(7,999)	(2,944)
March 31, 2008	1,567	(1,328)	(293)	(306)	(360)	3,951
March 31, 2007	202	(840)	92	501	(45)	2,384

Summary of Net Assets
(millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2009	30,894	3,031	33,925
March 31, 2008	43,510	4,217	47,727
March 31, 2007	45,327	3,599	48,926

State Organization

State Government

The State has a centralized administrative system with most executive powers vested in the Governor. The State has four officials elected in statewide elections, the Governor, Lieutenant Governor, Comptroller and Attorney General. These officials serve four-year terms that next expire on December 31, 2010.

Name	Office	Party Affiliation	First Elected
David A. Paterson*	Governor	Democrat	N/A
Richard Ravitch**	Lieutenant Governor	Democrat	N/A
Thomas P. DiNapoli***	Comptroller	Democrat	2007
Andrew M. Cuomo	Attorney General	Democrat	2006

*Sworn in as Governor on March 17, 2008 following resignation of Governor Spitzer.

**Appointed by the Governor on July 8, 2009. The Governor's authority to appoint a Lieutenant Governor was challenged in court. See Dean G. Skelos, et al. v. David A. Paterson, et al. (Nassau Co. Sup. Ct. Index no. 13426-2009). On September 22, 2009, the State Court of Appeals upheld Governor Paterson's right to appoint Richard Ravitch as Lieutenant Governor.

***Elected by the State Legislature.

The Governor and Lieutenant Governor are elected jointly. David A. Paterson became Governor under provisions of the State Constitution following the resignation of former Governor Spitzer. The vacancy created in the office of Lieutenant Governor was filled on July 8, 2009 when the Governor appointed Richard Ravitch to serve as Lieutenant Governor. The Comptroller and Attorney General are chosen separately by the voters during the election of the Governor. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Robert L. Megna). DOB is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. DOB is also responsible for coordinating the State's capital program and debt financing activities. The Comptroller is responsible for auditing the disbursements, receipts and accounts of the State, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's general obligation debt and most of its investments. The Attorney General is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State general obligations.

The State Legislature is composed of a 62-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2010. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current majority leaders are Pedro Espada Jr. (Democrat) in the Senate and Sheldon Silver (Democrat), Speaker of the Assembly. The Temporary President of the Senate is Malcolm Smith (Democrat). The minority leaders are Dean Skelos (Republican) in the Senate and Brian Kolb (Republican) in the Assembly.

State Retirement Systems

General

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System (PFRS). The Comptroller is the administrative head of the Systems. State employees made up about 33 percent of the membership during the 2008-09 fiscal year. There were 3,025 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and a large number of local authorities of the State.

As of March 31, 2009, 679,908 persons were members and 366,178 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

Recent market volatility and the recent decline in the market value of many equity investments have negatively impacted the assets held for the Systems. The current actuarial smoothing method spreads the impact over a 5-year period, and thus contribution rate increases are expected for fiscal year 2012 through 2015. The amount of such increases would depend, in part, on the value of the pension fund as of each April 1 as well as on the present value of the anticipated benefits to be paid by the pension fund as of each April 1. Final contribution rates for fiscal year 2011 were released in early September 2009. The average 2011 ERS rate increased from 7.4 percent of salary in fiscal year 2010 to 11.9 percent of salary in fiscal year 2011, while the average 2011 PFRS rate increased from 15.1 percent of salary in fiscal year 2010 to 18.2 percent of salary in fiscal year 2011.

On December 10, 2009, the Governor signed a bill that amended Articles 14, 15 and 19 and created Article 22 of the Retirement and Social Security Law (RSSL). This resulted in significant changes to benefits for members of the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS). ERS members joining on or after January 1, 2010 will be covered by these benefits and will be in Tier 5. PFRS members joining on or after January 9, 2010 may also be covered by these benefits and may also be in Tier 5.

Contributions

Funding is provided in large part by employer and employee contributions. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 are required to contribute 3 percent of their salaries for the first 10 years of membership. All ERS members joining after 2009 are required to contribute 3 percent of their salaries for their career. Certain PFRS members joining since mid-2009 are required to contribute 3 percent of their salaries for their career, depending upon their contract.

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

The State paid, in full, its employer contributions for the fiscal year ended March 31, 2009. Payments totaled $1.06 billion. This amount included amounts required to be paid by the Judiciary bill and the amortization payments for the 2005 and 2006 bills.

The State bill for the current fiscal year ending March 31, 2010 is $956.1 million, assuming a payment on March 1, 2010.

Assets and Liabilities

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the Common Retirement Fund, a pooled investment vehicle. OSC reports that the net assets available for benefits as of March 31, 2009 were $110.9 billion (including $2.9 billion in receivables), a decrease of $44.9 billion or 28.8 percent from the 2007-08 level of $155.8 billion, reflecting, in large part, equity market performance. OSC reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $170.5 billion on April 1, 2008 to $176.6 billion (including $69.0 billion for current retirees and beneficiaries) on April 1, 2009. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2009 in that amortized cost was used instead of market value for bonds and mortgages and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for the 2009 fiscal year, 40 percent of the unexpected gain for the 2008 fiscal year, 60 percent of the unexpected gain for the 2007 fiscal year and 80 percent of the unexpected gain for the 2006 fiscal year. Actuarial assets decreased from $151.8 billion on April 1, 2008 to $149.0 billion on April 1, 2009. The funded ratio, as of April 1, 2009, using the entry age normal funding method, was 101 percent. The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last ten years. See also "Contributions" above.

Net Assets Available for Benefits of the
New York State and Local Retirement Systems (1)
(millions of dollars)

Fiscal Year Ended March 31	Total Assets(2)	Percent Increase/ (Decrease) From Prior Year
2000	128,889	14.3
2001	114,044	(11.5)
2002	112,725	(1.2)
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2009 includes approximately $2.9 billion of receivables.

(2) Includes certain accrued employer contributions to be paid with respect to service rendered during fiscal years other than the year shown.

Contributions and Benefits
New York State and Local Retirement Systems
(millions of dollars)

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

(1) Includes employer premiums to Group Life Insurance Plan.
(2) Includes payments from Group Life Insurance Plan.

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Authorities and Localities

Public Authorities

For the purposes of this disclosure, public authorities refer to certain of the State's public benefit corporations, created pursuant to State law. Public authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State's access to the public credit markets could be impaired and the market price of its outstanding debt may be materially and adversely affected if certain of its public authorities were to default on their respective obligations, particularly those using the financing techniques referred to as State-supported or State-related debt under the section entitled "Debt and Other Financing Activities" in this statement. As of December 31, 2008, each of the 19 public authorities below had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, of these public authorities was approximately $140 billion, only a portion of which constitutes State-supported or State-related debt. The table below summarizes the outstanding debt of these public authorities.

Outstanding Debt of Certain Public Authorities (1) (2) (3)
As of December 31, 2008
(millions of dollars)

Public Authority	State-Related Conduit (4)	Authority Revenue Bonding	Other Conduit Bonding	Total
Dormitory Authority (5)	17,109	0	20,983	**38,092**
Metropolitan Transportation Authority	2,194	15,827	0	**18,021**
Port Authority of NY & NJ	0	12,991	0	**12,991**
Thruway Authority	10,312	2,328	0	**12,640**
Housing Finance Agency	1,497	7,754	0	**9,251**
Triborough Bridge and Tunnel Authority	119	8,307	0	**8,426**
Environmental Facilities Corporation	830	7,070	267	**8,167**
Long Island Power Authority (6)	0	6,864	0	**6,864**
UDC/ESDC	6,348	307	0	**6,655**
Local Government Assistance Corporation	3,848	0	0	**3,848**
Energy Research and Development Authority (6)	2	0	3,630	**3,632**
Tobacco Settlement Financing Corporation	3,588	0	0	**3,588**
State of New York Mortgage Agency	0	3,237	0	**3,237**
Power Authority	0	2,096	0	**2,096**
Battery Park City Authority	0	1,023	0	**1,023**
Convention Center Development Corporation	0	700	0	**700**
Municipal Bond Bank Agency	442	39	0	**481**
Niagara Frontier Transportation Authority	0	185	0	**185**
United Nations Development Corporation	0	123	0	**123**
TOTAL OUTSTANDING	46,289	68,851	24,880	**140,020**

Source: Office of the State Comptroller. Debt Classifications are estimated by Budget Division.

(1) Includes only certain of the public authorities which have more than $100 million in outstanding debt.

(2) Reflects original par amounts for bonds and financing arrangements or original gross proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received.

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

(4) Reflects debt for which the primary repayment source is from State appropriations or assigned revenues of the State.

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

(6) Includes $155 million in bonds issued by the New York State Energy Research and Development Authority and included in amounts reported for both NYSERDA and LIPA.

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

Also, there are statutory arrangements providing for State local assistance payments otherwise payable to localities to be made under certain circumstances to public authorities. Although the State has no obligation to provide additional assistance to localities whose local assistance payments have been paid to public authorities under these arrangements, the affected localities may seek additional State assistance if local assistance payments are diverted. Some authorities also receive moneys from State appropriations to pay for the operating costs of certain of their programs.

The City of New York

The fiscal demands on the State may be affected by the fiscal condition of the City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of the City, and certain entities issuing debt for the benefit of the City, to market securities successfully in the public credit markets. The official financial disclosure of The City of New York and the financing entities issuing debt on its behalf is available by contacting Raymond J. Orlando, City Director of Investor Relations, (212) 788-5875 or contacting the City Office of Management and Budget, 75 Park Place, 6th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by The City of New York. The following table summarizes the debt of New York City.

Debt of New York City
as of June 30 of each year
(millions of dollars)

Year	General Obligation Bonds	Obligations of TFA (1)	Obligations of MAC	Obligations of STAR Corp. (2)	Obligations of TSASC, Inc.	HYIC (3)	Other(4) Obligations	Treasury Obligations	Total
1980	6,179	---	6,116	---	---	---	995	(295)	12,995
1990	13,499	---	7,122	---	---	---	1,077	(1,671)	20,027
1995	24,992	---	4,882	---	---	---	1,299	(1,243)	29,930
1996	26,627	---	4,724	---	---	---	1,394	(1,122)	31,623
1997	27,549	---	4,424	---	---	---	1,464	(391)	33,046
1998	27,310	2,150	4,066	---	---	---	1,529	(365)	34,690
1999	27,834	4,150	3,832	---	---	---	1,835	(299)	37,352
2000	27,245	6,438 (5)	3,532	---	709	---	2,065	(230)	39,759
2001	27,147	7,386	3,217	---	704	---	2,019	(168)	40,305
2002	28,465	10,489 (6)	2,880	---	740	---	2,463	(116)	44,921
2003	29,679	13,134 (7)	2,151	---	1,258	---	2,328	(64)	48,486
2004	31,378	13,364	1,758	---	1,256	---	2,561	(52)	50,265
2005	33,903	12,977	---	2,551	1,283	---	3,746	(39)	54,421
2006	35,844	12,233	---	2,470	1,334	---	3,500	---	55,381
2007	34,506	14,607	---	2,368	1,317	2,100	3,394	---	58,292
2008	36,100	14,828	---	2,339	1,297	2,067	2,556	---	59,187
2009	39,991	16,913	---	2,253	1,274	2,033	2,442	---	64,906

Source: Office of the State Comptroller.

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

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

(3) Includes a $100 million obligation to the MTA.

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

(5) Includes $515 million of bond anticipation notes issued to finance the City's capital expenditures.

(6) Includes $2.2 billion of bond anticipation notes used to finance the City's capital expenditures in the amount of $1.2 billion and Recovery notes for costs related to and arising from events on September 11, 2001 at the World Trade Center in the amount of $1 billion.

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

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

Other Localities

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing has become more common in recent years. Between 2004 and 2008, the State Legislature authorized 17 bond issuances to finance local government operating deficits. There were no additional authorizations in 2009. In addition, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality. Currently, the City of Buffalo operates under a control board. The counties of Nassau and Erie as well as the cities of New York and Troy have advisory boards. The City of Yonkers no longer operates under an oversight board but must adhere to a separate fiscal agent act. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's 2009-10 fiscal year or thereafter.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. Such changes may adversely affect the financial condition of certain local governments. For example, the State or Federal government may reduce (or in some cases eliminate) funding of some local programs or disallow certain claims which, in turn, may require local governments to fund these expenditures from their own resources. Similarly, State policymakers have expressed interest in implementing a property tax cap for local governments. Adoption of a property tax cap would affect the amount of property tax revenue available for local government purposes and could adversely affect their operations, particularly those that are heavily dependent on property tax revenue such as school districts. Ultimately, localities or any of their respective public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, increasing expenditures, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate State assistance.

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

Debt of New York Localities (1)
(millions of dollars)

Locality Fiscal Year Ending	Combined New York City Debt (2)(3)		Other Localities Debt(4)		Total Locality Debt(4)	
	Bonds	Notes	Bonds(5)	Notes(5)	Bonds(4)(5)	Notes(5)
1980	12,995	---	6,835	1,793	19,830	1,793
1990	20,027	---	10,253	3,082	30,280	3,082
1995	29,930	---	15,829	3,219	45,759	3,219
1996	31,623	---	16,414	3,590	48,037	3,590
1997	33,046	---	17,526	3,208	50,572	3,208
1998	34,690	---	17,100	3,203	51,790	3,203
1999	37,352	---	18,448	3,420	55,800	3,420
2000	39,244	515	19,082	4,005	58,326	4,520
2001	40,305	---	20,303	4,745	60,608	4,745
2002	42,721	2,200	21,721	5,184	64,442	7,384
2003	47,376	1,110	23,951	6,447	71,327	7,557
2004	50,265	---	26,679	5,120	76,944	5,120
2005	54,421	---	29,240	4,852	83,661	4,852
2006	55,381	---	30,745	4,766	86,126	4,766
2007	58,292	---	32,193	4,523	90,485	4,523

Source: Office of the State Comptroller.

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 through 1997 may include debt that has been defeased through the issuance of refunding bonds.

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

(2) New York City's debt outstanding has been revised as presented in the FY 2004 City Comptroller's Comprehensive Annual Financial Report.

(3) Includes New York City capital leases obligations which were not reflected in previous years. Includes bonds issued by the Dormitory Authority of the State of New York for education, health and courts capital projects, the Samurai Funding Corporation and other long-term financing leases which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.

(4) Outstanding bonded debt shown includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Starting in 2001, debt for other localities includes Installment Purchase Contracts.

(5) Does not include the indebtedness of certain localities that did not file annual financial reports with the Comptroller.

Litigation

Tobacco Master Settlement Agreement

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 and are awaiting the scheduling of oral argument.

West Valley Litigation

In *State of New York, et al. v. The United States of America, et al*., 06-CV-810 (WDNY), the State and the New York State Energy Research and Development Authority have filed suit seeking (1) a declaration that defendants are liable under CERCLA for the State's response costs and for damages to the State's natural resources resulting from releases from the site in Cattaraugus County, New York, and a judgment reimbursing the State for these costs and damages, (2) a declaration of defendants' responsibilities under the West Valley Demonstration Project Act to decontaminate and decommission the site and for future site monitoring and maintenance, and (3) a declaration that the defendants are responsible for paying the fees for disposal of solidified high level radioactive waste at the West Valley site. The parties have agreed to stay the litigation and submit the issues in (1) and (2) to non-binding arbitration and early neutral evaluation.

As a result of mediation, the parties filed a proposed Consent Decree on October 27, 2009, resolving part of the litigation. The order will propose to settle the claims for CERCLA allocation of costs and the obligations of the United States under the West Valley Demonstration Project by allocating among the parties specific percentages of the cost of each potential remedy for the various structures and contaminated areas on the site. The claim for natural resource damages would be dismissed pursuant to a tolling agreement that would give the plaintiffs three years in which to file a new action or seek another tolling period. The claim regarding the Federal government's obligation to pay fees for disposal of high

level radioactive waste from the West Valley Demonstration Project under the Nuclear Waste Policy Act is neither settled nor dismissed and will remain in litigation.

The parties will ask the court to allow a thirty day period for the public to send comments to the State regarding the terms of the proposed Consent Decree. The State will review the comments and, if appropriate, move for entry of the Consent Decree.

Representative Payees

In *Weaver v. State of New York*, filed in the New York State Court of Claims on July 17, 2008, the claimant alleges that executive directors of Office of Mental Health facilities, acting as representative payees under the Federal Social Security Act, have improperly received benefits due to patients and former patients and improperly applied those benefits to defray the cost of patient care and maintenance. The named claimant seeks benefits on her own behalf as well as certification of a class of claimants.

On September 26, 2008, the State moved to dismiss the claim on the grounds that (i) claimant failed to file a motion to certify the class in a timely manner and (ii) claimant's failure to identify the time and place in which each claim arose violates the provisions of Court of Claims Act §11(b). Claimant has opposed the motion and cross-moved, seeking certification of the class, pre-certification discovery, and partial summary judgment. The State submitted reply papers on April 1, 2009. The State has also opposed Claimant's cross-motions, and has submitted a motion for summary judgment. On July 7, 2009, Claimant moved to amend the complaint.

On October 14, 2009, claimant filed an amended complaint, which, among other things, added a claimant, changed the class representative, revised the definition of the proposed class of claimants to include only in-patients treated at Office of Mental Health facilities, and dropped certain claims. The State resubmitted its motion to dismiss the class claims, and that motion is sub-judice. After the court rules on the motion to dismiss, the State will file an answer with respect to the individual claims. After the answer is filed, the parties can move for summary judgment.

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.

Civil Service Litigation

In *Simpson v. New York State Department of Civil Service et ano.,* plaintiffs have brought a class action under 42 U.S.C 2000d et seq., claiming that a civil service test administered between 1996 and 2006 resulted in a disparate impact upon the class. Cross motions for summary judgment are currently pending in the United States District Court for the Northern District of New York.

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.

The plaintiffs have perfected an appeal of the dismissal of their complaint. Opposing briefs are due on March 1, 2010.

Metropolitan Transportation Authority

In *Hampton Transportation Ventures, Inc. et al. v. Silver et al. (Sup. Ct, Suffolk Co.),* plaintiffs challenge the constitutionality of 2009 Laws of New York chapter 29, 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 29 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 29 violated provisions of the Public Authority Law § 1266 requiring that the Metropolitan Transportation Authority be self-sustaining.

School Aid

In *Becker et al. v. Paterson et al. (Sup. Ct, Albany Co.),* plaintiffs seek a judgement 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. Under the schedule set by the court, defendents will answer the amended complaint on February 18, 2010. The plaintiffs will have until March 5, 2010 to move for summary judgment and the defendants will have until April 15, 2010 to cross move or reply. The plaintiffs will then have until May 7, 2010 to reply and defendants will have until May 21, 2010 to sur-reply.

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
(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
(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) ..... Comprehensive Outpatient Program 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
(ESDC).....Empire State Development Corporation
(ERS) .....Employees' Retirement System
(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

(HFA).....Housing Finance Agency
(HHC) .....Health and Hospital Corporation
(HESC).....Higher Education Services 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
(IME) .....Indirect Medical Expense
(IPO) .....Initial Public Offering
(IGT/DSH).....Intergovernmental Disproportionate Share
(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
(MTA).....Metropolitan Transportation Authority
(MTASP) .....Metropolitan Transport Authority Support Program
(MTOA).....Mass Transportation Operating Assistance Fund
(MOU) .....Memorandum of Understanding
(MSC) .....Medicaid Service Coordination
(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
(NYRA) .....New York Racing Authority
(NYSTAR).....Office of Science, Technology and Academic Research
(NYSCOPBRA).....New York State Correctional Officers and Police Benevolent Association
(NYHELPS).....New York Higher Education Loan Program
(NYS-OPTS).....New York State Options for People Through Services
(OASAS).....Office of Alcoholism and Substance Abuse Services
(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
(OMRDD).....Office of Mental Retardation and Developmental Disabilities
(OPDV).....Office for the Prevention of Domestic Violence
(ORPS).....Office of Real Property Services

(OSC) ..... Office of the State Comptroller
(OTDA) ..... Office of Temporary and Disability Assistance
(OCA) ..... Office of Court Administration
(PACB) ..... Public Authorities Control Board
(PAYGO) ..... Pay-as-you-go
(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
(QPAI) ..... Qualified Production Activity Income
(QCEW) ..... Quarterly Census of Employment and Wages
(REIT) ..... Real Estate Investment Fund
(RESCUE) ..... Rebuilding Schools to Uphold Education
(RIC) ..... Regulated Investment Company
(RBTF) ..... Revenue Bond Tax Fund
(RGGI) ..... Regional Greenhouse Gas Initiative
(SAFETEA-LU) ..... Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
(SBE) ..... Sound Basic Education
(SEIP) ..... Supplemental Education Improvement Program
(SEMO) ..... State Emergency Management Office
(SFSF) ..... State Fiscal Stabilization Fund
(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
(PAID) ..... Penalty and Interest Discount Program
(PASNY) ..... Power Authority of the State of New York
(SED) ..... State Education Department
(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
(millions of dollars)

	2nd Quarter	Change	Exec. (Amended)
Opening fund balance	1,948	0	1,948
Receipts:			
Taxes:			
Personal income tax	22,831	(467)	22,364
User taxes and fees	8,194	35	8,229
Business taxes	5,321	367	5,688
Other taxes	926	27	953
Miscellaneous receipts	3,114	394	3,508
Federal Grants	68	0	68
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,641	(129)	7,512
Sales tax in excess of LGAC debt service	2,108	26	2,134
Real estate taxes in excess of CW/CA debt service	106	37	143
All other	1,399	714	2,113
Total receipts	51,708	1,004	52,712
Disbursements:			
Grants to local governments	36,818	(1,303)	35,515
State operations:			
Personal service	6,560	9	6,569
Non-personal service	1,926	67	1,993
General State charges	3,869	(75)	3,794
Transfers to other funds:			
Debt service	1,695	1	1,696
Capital projects	525	(11)	514
State Share Medicaid	2,292	96	2,388
Other purposes	925	(107)	818
Total disbursements	54,610	(1,323)	53,287
Change in fund balance	(2,902)	2,327	(575)
Legislative Actions Needed to Close Gap	2,326	(2,326)	0
Closing fund balance	1,372	1	1,373
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	72	1	73
Reserved for Debt Reduction	73	0	73

Source: NYS DOB

*Second quarter projections include the value of administrative actions authorized in the 2009 Deficit Reduction Plan. Discussion of budget gaps in the text excludes savings from the second quarter gap estimates in order to display the actions distinctly as part of the State's overall gap-closing plan.

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

	2nd Quarter	Change	Exec. (Amended)
Receipts:			
Taxes:			
Personal income tax	24,996	(122)	24,874
User taxes and fees	8,554	(7)	8,547
Business taxes	5,617	93	5,710
Other taxes	934	(1)	933
Miscellaneous receipts	2,687	228	2,915
Federal Grants	60	0	60
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,958	(65)	7,893
Sales tax in excess of LGAC debt service	2,178	25	2,203
Real estate taxes in excess of CW/CA debt service	150	95	245
All other	848	573	1,421
Total receipts	53,982	819	54,801
Disbursements:			
Grants to local governments	40,600	(5,004)	35,596
State operations:			
Personal service	6,878	(479)	6,399
Non-personal service	2,070	(150)	1,920
General State charges	4,386	(267)	4,119
Transfers to other funds:			
Debt service	1,774	57	1,831
Capital projects	1,165	(81)	1,084
State Share Medicaid	2,331	205	2,536
Other purposes	1,092	(309)	783
Total disbursements	60,296	(6,028)	54,268
Deposit to/(use of) Community Projects Fund	48	0	48
Deposit to/(use of) Reserve for Fiscal Uncertainties	0	485	485
HCRA Operating Surplus/(Gap)	0	0	0
Cash Surplus/(Gap)	(6,362)	6,362	0

Source: NYS DOB

*Second quarter projections include the value of administrative actions authorized in the 2009 Deficit Reduction Plan. Discussion of budget gaps in the text excludes savings from the second quarter gap estimates in order to display the actions distinctly as part of the State's overall gap-closing plan.

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

	2nd Quarter	Change	Exec. (Amended)
Receipts:			
Taxes:			
Personal income tax	25,830	223	26,053
User taxes and fees	8,976	(32)	8,944
Business taxes	5,594	307	5,901
Other taxes	959	(1)	958
Miscellaneous receipts	2,583	214	2,797
Federal Grants	60	0	60
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,994	79	8,073
Sales tax in excess of LGAC debt service	2,304	27	2,331
Real estate taxes in excess of CW/CA debt service	244	73	317
All other	798	710	1,508
Total receipts	55,342	1,600	56,942
Disbursements:			
Grants to local governments	48,124	(6,417)	41,707
State operations:			
Personal service	6,961	(271)	6,690
Non-personal service	2,168	(98)	2,070
General State charges	5,136	(743)	4,393
Transfers to other funds:			
Debt service	1,728	29	1,757
Capital projects	1,335	2	1,337
State Share Medicaid	2,867	248	3,115
Other purposes	1,387	(80)	1,307
Total disbursements	69,706	(7,330)	62,376
Deposit to/(use of) Community Projects Fund	(48)	0	(48)
HCRA Operating Surplus/(Gap)	0	0	0
Cash Surplus/(Gap)	(14,316)	8,930	(5,386)

Source: NYS DOB

*Second quarter projections include the value of administrative actions authorized in the 2009 Deficit Reduction Plan. Discussion of budget gaps in the text excludes savings from the second quarter gap estimates in order to display the actions distinctly as part of the State's overall gap-closing plan.

CASH FINANCIAL PLAN
GENERAL FUND
2012-2013
(millions of dollars)

	2nd Quarter	Change	Exec. (Amended)
Receipts:			
Taxes:			
Personal income tax	25,278	357	25,635
User taxes and fees	9,295	64	9,359
Business taxes	6,207	126	6,333
Other taxes	1,007	(1)	1,006
Miscellaneous receipts	2,584	181	2,765
Federal Grants	60	0	60
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,657	150	7,807
Sales tax in excess of LGAC debt service	2,453	27	2,480
Real estate taxes in excess of CW/CA debt service	330	48	378
All other	777	752	1,529
Total receipts	55,648	1,704	57,352
Disbursements:			
Grants to local governments	51,869	(5,392)	46,477
State operations:			
Personal service	7,029	(140)	6,889
Non-personal service	2,228	(108)	2,120
General State charges	5,872	(1,275)	4,597
Transfers to other funds:			
Debt service	1,728	15	1,743
Capital projects	1,518	(33)	1,485
State Share Medicaid	2,868	249	3,117
Other purposes	1,695	(44)	1,651
Total disbursements	74,807	(6,728)	68,079
Deposit to/(use of) Community Projects Fund	(98)	27	(71)
HCRA Operating Surplus/(Gap)	0	0	0
Cash Surplus/(Gap)	(19,061)	8,405	(10,656)

Source: NYS DOB

*Second quarter projections include the value of administrative actions authorized in the 2009 Deficit Reduction Plan. Discussion of budget gaps in the text excludes savings from the second quarter gap estimates in order to display the actions distinctly as part of the State's overall gap-closing plan.

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

	2010-2011 Exec. (Amended)	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Receipts:				
Taxes:				
Personal income tax	24,874	26,053	25,635	27,072
User taxes and fees	8,547	8,944	9,359	9,718
Business taxes	5,710	5,901	6,333	6,621
Other taxes	933	958	1,006	1,064
Miscellaneous receipts	2,915	2,797	2,765	2,762
Federal grants	60	60	60	60
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,893	8,073	7,807	8,241
Sales tax in excess of LGAC debt service	2,203	2,331	2,480	2,629
Real estate taxes in excess of CW/CA debt service	245	317	378	420
All other transfers	1,421	1,508	1,529	1,518
Total receipts	54,801	56,942	57,352	60,105
Disbursements:				
Grants to local governments	35,596	41,707	46,477	49,963
State operations:				
Personal service	6,399	6,690	6,889	6,904
Non-personal service	1,920	2,070	2,120	2,197
General State charges	4,119	4,393	4,597	4,991
Transfers to other funds:				
Debt service	1,831	1,757	1,743	1,675
Capital projects	1,084	1,337	1,485	1,646
State Share Medicaid	2,536	3,115	3,117	3,083
Other purposes	783	1,307	1,651	2,043
Total disbursements	54,268	62,376	68,079	72,502
Deposit to/(use of) Community Projects Fund	48	(48)	(71)	0
Deposit to/(use of) Reserve for Fiscal Uncertainties	485	0	0	0
HCRA Operating Surplus/(Gap)	0	0	0	0
Cash Surplus/(Gap)	0	(5,386)	(10,656)	(12,397)

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,948	2,471	298	4,717
Receipts:				
Taxes	37,234	8,143	11,354	56,731
Miscellaneous receipts	3,508	14,369	817	18,694
Federal grants	68	1	0	69
Total receipts	40,810	22,513	12,171	75,494
Disbursements:				
Grants to local governments	35,515	17,514	0	53,029
State operations:				
Personal service	6,569	4,238	0	10,807
Non-personal service	1,993	2,781	74	4,848
General State charges	3,794	984	0	4,778
Debt service	0	0	4,922	4,922
Capital projects	0	3	0	3
Total disbursements	47,871	25,520	4,996	78,387
Other financing sources (uses):				
Transfers from other funds	11,902	3,889	6,605	22,396
Transfers to other funds	(5,416)	(1,922)	(13,795)	(21,133)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,486	1,967	(7,190)	1,263
Change in fund balance	(575)	(1,040)	(15)	(1,630)
Closing fund balance	1,373	1,431	283	3,087

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	1,373	1,431	283	3,087
Receipts:				
Taxes	40,064	9,351	12,317	61,732
Miscellaneous receipts	2,915	14,228	779	17,922
Federal grants	60	1	0	61
Total receipts	43,039	23,580	13,096	79,715
Disbursements:				
Grants to local governments	35,596	18,377	0	53,973
State operations:				
Personal service	6,399	4,084	0	10,483
Non-personal service	1,920	2,767	92	4,779
General State charges	4,119	1,044	0	5,163
Debt service	0	0	5,766	5,766
Capital projects	0	2	0	2
Total disbursements	48,034	26,274	5,858	80,166
Other financing sources (uses):				
Transfers from other funds	11,762	3,983	7,114	22,859
Transfers to other funds	(6,234)	(1,636)	(14,386)	(22,256)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,528	2,347	(7,272)	603
Change in fund balance	533	(347)	(34)	152
Closing fund balance	1,906	1,084	249	3,239

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	1,084	249	1,333
Receipts:				
Taxes	41,856	9,914	12,959	64,729
Miscellaneous receipts	2,797	14,845	805	18,447
Federal grants	60	1	0	61
Total receipts	44,713	24,760	13,764	83,237
Disbursements:				
Grants to local governments	41,707	19,425	0	61,132
State operations:				
Personal service	6,690	4,629	0	11,319
Non-personal service	2,070	2,855	92	5,017
General State charges	4,393	1,283	0	5,676
Debt service	0	0	6,088	6,088
Capital projects	0	2	0	2
Total disbursements	54,860	28,194	6,180	89,234
Other financing sources (uses):				
Transfers from other funds	12,229	4,727	6,639	23,595
Transfers to other funds	(7,516)	(1,612)	(14,245)	(23,373)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,713	3,115	(7,606)	222
Deposit to/(use of) Reserves	(48)	0	0	(48)
Change in fund balance	(5,386)	(319)	(22)	(5,727)
Closing fund balance	(5,386)	765	227	(4,394)

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	765	227	992
Receipts:				
Taxes	42,333	10,213	13,075	65,621
Miscellaneous receipts	2,765	15,244	829	18,838
Federal grants	60	1	0	61
Total receipts	45,158	25,458	13,904	84,520
Disbursements:				
Grants to local governments	46,477	20,172	0	66,649
State operations:				
Personal service	6,889	4,663	0	11,552
Non-personal service	2,120	2,935	92	5,147
General State charges	4,597	1,457	0	6,054
Debt service	0	0	6,363	6,363
Capital projects	0	2	0	2
Total disbursements	60,083	29,229	6,455	95,767
Other financing sources (uses):				
Transfers from other funds	12,194	4,959	6,697	23,850
Transfers to other funds	(7,996)	(1,388)	(14,170)	(23,554)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,198	3,571	(7,473)	296
Deposit to/(use of) Reserves	(71)	0	0	(71)
Change in fund balance	(10,656)	(200)	(24)	(10,880)
Closing fund balance	(10,656)	565	203	(9,888)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,948	2,846	(506)	298	4,586
Receipts:					
Taxes	37,234	8,143	2,048	11,354	58,779
Miscellaneous receipts	3,508	14,599	3,459	817	22,383
Federal grants	68	47,236	2,544	0	49,848
Total receipts	40,810	69,978	8,051	12,171	131,010
Disbursements:					
Grants to local governments	35,515	59,009	1,244	0	95,768
State operations:					
Personal service	6,569	6,827	0	0	13,396
Non-personal service	1,993	4,469	0	74	6,536
General State charges	3,794	1,988	0	0	5,782
Debt service	0	0	0	4,922	4,922
Capital projects	0	3	6,731	0	6,734
Total disbursements	47,871	72,296	7,975	4,996	133,138
Other financing sources (uses):					
Transfers from other funds	11,902	7,082	663	6,605	26,252
Transfers to other funds	(5,416)	(5,855)	(1,211)	(13,795)	(26,277)
Bond and note proceeds	0	0	470	0	470
Net other financing sources (uses)	6,486	1,227	(78)	(7,190)	445
Change in fund balance	(575)	(1,091)	(2)	(15)	(1,683)
Closing fund balance	1,373	1,755	(508)	283	2,903

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,373	1,755	(508)	283	2,903
Receipts:					
Taxes	40,064	9,351	2,036	12,317	63,768
Miscellaneous receipts	2,915	14,416	3,597	779	21,707
Federal grants	60	47,496	2,623	0	50,179
Total receipts	43,039	71,263	8,256	13,096	135,654
Disbursements:					
Grants to local governments	35,596	59,941	1,095	0	96,632
State operations:					
Personal service	6,399	6,729	0	0	13,128
Non-personal service	1,920	4,527	0	92	6,539
General State charges	4,119	2,180	0	0	6,299
Debt service	0	0	0	5,766	5,766
Capital projects	0	2	7,763	0	7,765
Total disbursements	48,034	73,379	8,858	5,858	136,129
Other financing sources (uses):					
Transfers from other funds	11,762	7,219	1,391	7,114	27,486
Transfers to other funds	(6,234)	(5,462)	(1,418)	(14,386)	(27,500)
Bond and note proceeds	0	0	586	0	586
Net other financing sources (uses)	5,528	1,757	559	(7,272)	572
Change in fund balance	533	(359)	(43)	(34)	97
Closing fund balance	1,906	1,396	(551)	249	3,000

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	1,396	(551)	249	1,094
Receipts:					
Taxes	41,856	9,914	2,072	12,959	66,801
Miscellaneous receipts	2,797	14,983	3,298	805	21,883
Federal grants	60	42,234	2,555	0	44,849
Total receipts	44,713	67,131	7,925	13,764	133,533
Disbursements:					
Grants to local governments	41,707	56,304	1,190	0	99,201
State operations:					
Personal service	6,690	6,905	0	0	13,595
Non-personal service	2,070	4,472	0	92	6,634
General State charges	4,393	2,397	0	0	6,790
Debt service	0	0	0	6,088	6,088
Capital projects	0	2	7,553	0	7,555
Total disbursements	54,860	70,080	8,743	6,180	139,863
Other financing sources (uses):					
Transfers from other funds	12,229	7,814	1,741	6,639	28,423
Transfers to other funds	(7,516)	(5,191)	(1,470)	(14,245)	(28,422)
Bond and note proceeds	0	0	495	0	495
Net other financing sources (uses)	4,713	2,623	766	(7,606)	496
Deposit to/(use of) Reserves	(48)	0	0	0	(48)
Change in fund balance	(5,386)	(326)	(52)	(22)	(5,786)
Closing fund balance	(5,386)	1,070	(603)	227	(4,692)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	1,070	(603)	227	694
Receipts:					
Taxes	42,333	10,213	2,080	13,075	67,701
Miscellaneous receipts	2,765	15,382	2,819	829	21,795
Federal grants	60	41,697	2,581	0	44,338
Total receipts	45,158	67,292	7,480	13,904	133,834
Disbursements:					
Grants to local governments	46,477	56,503	1,157	0	104,137
State operations:					
Personal service	6,889	6,947	0	0	13,836
Non-personal service	2,120	4,557	0	92	6,769
General State charges	4,597	2,668	0	0	7,265
Debt service	0	0	0	6,363	6,363
Capital projects	0	2	6,922	0	6,924
Total disbursements	60,083	70,677	8,079	6,455	145,294
Other financing sources (uses):					
Transfers from other funds	12,194	8,142	1,622	6,697	28,655
Transfers to other funds	(7,996)	(4,967)	(1,506)	(14,170)	(28,639)
Bond and note proceeds	0	0	428	0	428
Net other financing sources (uses)	4,198	3,175	544	(7,473)	444
Deposit to/(use of) Reserves	(71)	0	0	0	(71)
Change in fund balance	(10,656)	(210)	(55)	(24)	(10,945)
Closing fund balance	(10,656)	860	(658)	203	(10,251)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2009-2010
(dollars in millions)

	2009 April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	September Actuals	October Actuals	November Actuals	December Actuals	2010 January Actuals	February Projected	March Projected	Total
OPENING BALANCE	1,948	2,799	37	1,027	1,013	713	2,430	1,234	157	(205)	3,238	3,625	1,948
RECEIPTS:													
Personal Income Tax	2,867	744	2,058	1,630	1,478	2,352	1,415	1,264	718	3,908	2,145	1,785	22,364
User Taxes and Fees	614	594	804	613	618	860	635	607	820	672	572	820	8,229
Business Taxes	61	(16)	1,195	35	108	1,010	155	82	918	154	126	1,860	5,688
Other Taxes	51	96	65	83	63	139	61	67	72	50	90	116	953
Total Taxes	3,593	1,418	4,122	2,361	2,267	4,361	2,266	2,020	2,528	4,784	2,933	4,581	37,234
Licenses, Fees, etc.	28	64	44	42	57	79	45	50	105	72	5	7	598
Abandoned Property	9	0	29	0	28	83	58	106	40	18	42	137	550
Reimbursements	10	11	33	10	45	45	22	9	35	9	15	28	272
Investment Income	3	0	3	1	2	1	0	0	1	1	4	9	25
Other Transactions	31	125	144	(100)	60	783	28	25	312	41	29	585	2,063
Total Miscellaneous Receipts	81	200	253	(47)	192	991	153	190	493	141	95	766	3,508
Federal Grants	5	24	0	0	16	0	0	14	0	0	0	9	68
PIT in Excess of Revenue Bond Debt Service	954	165	928	542	213	953	447	121	917	1,064	333	875	7,512
Sales Tax in Excess of LGAC Debt Service	159	66	363	185	119	273	190	178	253	189	2	157	2,134
Real Estate Taxes in Excess of CW/CA Debt Service	20	12	10	(3)	16	17	18	16	16	15	6	0	143
All Other	16	193	91	37	25	8	99	1	55	115	145	1,328	2,113
Total Transfers from Other Funds	1,149	436	1,392	761	373	1,251	754	316	1,241	1,383	486	2,360	11,902
TOTAL RECEIPTS	4,828	2,078	5,767	3,075	2,848	6,603	3,173	2,540	4,262	6,308	3,514	7,716	52,712
DISBURSEMENTS:													
School Aid	588	2,730	1,892	85	514	1,349	446	1,062	1,261	484	746	6,302	17,459
Higher Education	31	15	783	58	262	75	117	371	273	30	76	709	2,800
All Other Education	50	103	148	94	60	157	536	17	48	34	109	232	1,588
Medicaid - DOH	889	614	(88)	705	739	560	564	884	636	511	648	60	6,722
Public Health	47	52	40	123	59	68	21	11	100	14	99	69	703
Mental Hygiene	13	22	371	28	32	512	151	6	373	134	137	417	2,196
Children and Families	20	157	83	148	82	231	165	79	192	132	136	350	1,775
Temporary & Disability Assistance	63	61	59	381	100	114	291	62	51	64	5	55	1,306
Transportation	0	13	5	0	22	2	0	13	1	1	0	7	64
All Other	53	1	445	39	51	229	9	43	429	79	45	(521)	902
Total Local Assistance Grants	1,754	3,768	3,738	1,661	1,921	3,297	2,300	2,548	3,364	1,483	2,001	7,680	35,515
Personal Service	748	460	515	608	563	616	628	474	562	398	389	608	6,569
Non-Personal Service	213	188	163	148	189	158	117	125	140	147	201	204	1,993
Total State Operations	961	648	678	756	752	774	745	599	702	545	590	812	8,562
General State Charges	387	4	219	268	310	214	315	290	127	439	180	1,041	3,794
Debt Service	488	92	31	14	36	258	553	0	1	173	41	9	1,696
Capital Projects	31	40	29	64	(73)	108	87	(11)	(2)	(6)	117	130	514
State Share Medicaid	238	208	52	293	165	181	240	131	323	172	181	204	2,388
Other Purposes	118	80	30	33	37	54	129	60	109	59	17	92	818
Total Transfers to Other Funds	875	420	142	404	165	601	1,009	180	431	398	356	435	5,416
TOTAL DISBURSEMENTS	3,977	4,840	4,777	3,089	3,148	4,886	4,369	3,617	4,624	2,865	3,127	9,968	53,287
Excess/(Deficiency) of Receipts over Disbursements	851	(2,762)	990	(14)	(300)	1,717	(1,196)	(1,077)	(362)	3,443	387	(2,252)	(575)
CLOSING BALANCE	2,799	37	1,027	1,013	713	2,430	1,234	157	(205)	3,238	3,625	1,373	1,373

Source: NYS DOB

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

	2008-2009 Actuals	2009-2010 Revised	2010-2011 Exec. (Amended)	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT						
Agriculture and Markets, Department of	109,631	107,919	102,591	111,030	107,116	97,690
Alcoholic Beverage Control	17,022	17,970	20,897	21,976	21,494	22,111
Banking Department	78,971	85,231	86,699	87,211	89,047	89,647
Developmental Authority North	507	200	200	162	162	162
Consumer Protection Board	3,840	2,876	2,906	2,926	2,741	2,783
Economic Development Capital Programs	21,176	12,300	2,500	2,500	2,500	2,500
Economic Development, Department of	104,306	79,853	71,330	69,540	70,411	85,096
Energy Research and Development Authority	22,786	28,850	34,935	31,092	29,431	30,721
Insurance Department	292,668	661,691	502,031	533,269	538,116	538,116
Job Development Corporation, New York State	620,568	534,021	741,451	507,996	303,626	307,996
Olympic Regional Development Authority	9,503	9,078	6,064	6,274	6,274	6,401
Public Service, Department of	78,697	77,466	77,445	81,292	83,756	83,456
Racing and Wagering Board, State	24,307	23,301	21,656	22,044	23,007	23,453
Science, Technology and Innovation, Foundation for	27,186	29,549	46,152	46,614	40,273	29,710
Strategic Investment	3,195	6,650	4,000	4,000	5,000	5,000
Functional Total	1,414,363	1,676,955	1,720,857	1,527,926	1,322,954	1,324,842
PARKS AND THE ENVIRONMENT						
Adirondack Park Agency	5,510	5,552	5,381	5,019	5,021	5,021
Environmental Conservation, Department of	878,910	1,109,611	1,067,588	835,355	827,089	795,380
Environmental Facilities Corporation	14,758	9,831	9,210	9,552	9,736	9,736
Hudson River Park Trust	14,290	21,392	10,000	0	0	0
Parks, Recreation and Historic Preservation, Office of	337,061	315,228	231,100	221,686	223,354	223,329
Functional Total	1,250,529	1,461,614	1,323,279	1,071,612	1,065,200	1,033,466
TRANSPORTATION						
Motor Vehicles, Department of	318,270	323,943	332,778	347,288	360,160	367,009
Thruway Authority	1,419	1,800	1,800	1,800	1,800	1,800
Metropolitan Transportation Authority	160,000	195,300	206,500	194,500	183,600	183,600
Transportation, Department of	6,498,414	7,541,821	8,707,450	8,912,062	9,058,842	9,083,363
Functional Total	6,978,103	8,062,864	9,248,528	9,455,650	9,604,402	9,635,772
HEALTH						
Aging, Office for the	239,660	225,494	227,114	224,032	224,032	224,032
Health, Department of	38,097,712	44,028,705	44,291,143	47,143,822	48,999,760	52,313,462
Medical Assistance	32,427,350	38,428,569	38,490,325	41,131,195	43,153,763	46,553,063
Medicaid Administration	900,664	1,057,000	1,102,500	1,147,500	1,193,500	1,193,500
Public Health	4,769,698	4,543,136	4,698,318	4,865,127	4,652,497	4,566,899
Health - Medicaid Assistance	0	0	0	0	0	0
Medicaid Inspector General, Office of	61,224	80,290	80,788	85,160	85,160	85,160
Stem Cell and Innovation	7,797	17,697	58,666	73,071	123,149	57,623
Functional Total	38,406,393	44,352,186	44,657,711	47,526,085	49,432,101	52,680,277
SOCIAL WELFARE						
Children and Family Services, Office of	3,143,806	3,269,824	3,374,774	3,516,430	3,748,083	3,972,584
OCFS	3,097,973	3,203,237	3,261,910	3,382,973	3,610,728	3,831,324
OCFS - Medicaid	45,833	66,587	112,864	133,457	137,355	141,260
Human Rights, Division of	19,043	21,804	19,406	20,058	20,664	20,949
Labor, Department of	581,613	913,295	731,600	637,966	637,146	630,012
Housing and Community Renewal, Division of	320,605	920,088	431,703	285,750	275,451	292,533
National Commission Services	14,566	16,238	16,016	14,627	14,629	14,715
Prevention of Domestic Violence, Office for	2,482	2,328	0	0	0	9

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

	2008-2009 Actuals	2009-2010 Revised	2010-2011 Exec. (Amended)	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Temporary and Disability Assistance, Office of	5,084,635	5,364,499	5,106,653	5,199,028	5,232,715	5,245,434
Welfare Assistance	3,339,685	3,918,074	3,743,946	3,840,058	3,850,354	3,848,175
Welfare Administration	361,065	54,900	0	0	0	0
All Other	1,383,885	1,391,525	1,362,707	1,358,970	1,382,361	1,397,259
Welfare Inspector General, Office of	1,180	1,403	1,421	1,456	1,472	1,492
Workers' Compensation Board	205,090	187,987	206,849	204,030	211,966	218,737
Functional Total	9,373,020	10,697,466	9,888,422	9,879,345	10,142,126	10,396,465
MENTAL HYGIENE						
Mental Health, Office of	3,084,590	3,212,365	3,410,032	3,678,802	3,879,172	4,035,376
OMH	1,423,983	1,508,432	1,538,916	1,699,021	1,791,520	1,870,346
OMH - Medicaid	1,660,607	1,703,933	1,871,116	1,979,781	2,087,652	2,165,030
Mental Hygiene, Department of	308,318	1,570	1,997	1,484	1,484	1,484
Mental Retardation and Developmental Disabilities, Office of	4,183,851	4,269,833	4,464,575	4,710,403	4,945,251	5,157,527
OMRDD	559,080	537,434	537,040	559,035	582,376	604,376
OMRDD - Medicaid	3,624,771	3,732,399	3,927,535	4,151,368	4,362,875	4,553,151
Alcoholism and Substance Abuse Services, Office of	584,954	565,354	597,393	736,836	775,610	790,368
OASAS	484,789	464,456	489,023	622,472	657,321	669,322
OASAS - Medicaid	100,165	100,898	108,370	114,364	118,289	121,046
Developmental Disabilities Planning Council	4,915	4,200	4,200	4,200	4,200	4,200
Quality of Care for the Mentally Disabled, Commission on	15,207	16,845	17,275	17,780	18,158	18,631
Functional Total	8,181,835	8,070,167	8,495,472	9,149,505	9,623,875	10,007,586
PUBLIC PROTECTION/CRIMINAL JUSTICE						
Capital Defenders Office	370	0	0	0	0	0
Correction, Commission of	2,687	2,582	2,844	2,932	2,984	3,016
Correctional Services, Department of	2,699,307	3,011,322	2,775,215	2,827,773	2,875,538	2,917,321
Criminal Justice Services, Division of	295,559	261,875	483,600	492,220	475,473	476,295
Crime Victims Board	65,521	67,699	0	0	0	32,201
Financial Management System	0	12,381	31,881	41,359	50,943	51,043
Homeland Security and Emergency Services	105,234	317,469	347,189	650,123	616,864	589,393
Homeland Security	3,225	42,628	32,798	32,733	30,225	30,227
Investigation, Temporary State Commission of	3,554	0	0	0	0	0
Judicial Commissions	5,288	5,164	5,414	5,595	5,669	5,749
Military and Naval Affairs, Division of	234,686	219,693	212,523	180,463	181,311	180,068
Parole, Division of	196,590	189,759	177,965	184,453	188,446	190,991
Probation and Correctional Alternatives, Division of	79,273	68,526	0	0	0	1,468
State Emergency Management Office	0	0	0	0	0	0
State Police, Division of	653,750	793,140	742,894	757,195	734,201	734,033
Wireless Network	14,047	18,575	1,527	1,586	1,586	1,586
Functional Total	4,359,091	5,010,813	4,813,850	5,176,432	5,163,240	5,213,391

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

	2008-2009 Actuals	2009-2010 Revised	2010-2011 Exec. (Amended)	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
HIGHER EDUCATION						
City University of New York	1,071,277	1,663,720	1,383,542	1,477,566	1,570,163	1,658,141
Higher Education Services Corporation	909,663	1,022,775	1,011,190	925,605	927,780	928,484
Higher Education Capital Grants	4,254	67,746	40,000	38,000	0	0
Higher Education Miscellaneous	726	700	700	700	700	700
State University Construction Fund	16,482	19,277	21,052	21,635	22,819	23,480
State University of New York	6,484,894	7,287,088	7,410,963	7,494,656	7,537,742	7,620,026
Functional Total	8,487,296	10,061,306	9,867,447	9,958,162	10,059,204	10,230,831
LOWER EDUCATION (Pre-K through 12)						
Arts, Council on the	45,842	47,936	40,586	40,869	40,925	40,982
Education, Department of	30,553,372	31,439,774	30,694,753	30,978,004	33,150,467	35,118,310
School Aid	23,164,174	24,601,563	23,973,726	24,383,108	26,382,722	28,097,462
School Aid - Medicaid Assistance	106,331	40,000	125,820	80,000	80,000	80,000
STAR Property Tax Relief	4,435,383	3,419,450	3,207,570	3,367,620	3,527,167	3,707,475
Special Education Categorical Programs	1,783,639	2,239,176	2,294,866	2,036,771	2,034,936	2,088,916
All Other	1,063,845	1,139,585	1,092,771	1,110,505	1,125,642	1,144,457
Functional Total	30,599,214	31,487,710	30,735,339	31,018,873	33,191,392	35,159,292
GENERAL GOVERNMENT						
Budget, Division of the	43,813	44,473	41,498	43,567	44,611	45,511
Civil Service, Department of	23,744	21,978	18,798	19,426	19,697	19,989
Deferred Compensation	643	865	783	820	854	885
Elections, State Board of	97,117	60,724	100,060	6,197	36,339	6,464
Employee Relations, Office of	3,694	3,423	3,097	3,198	3,237	3,283
Financial Plan Control Board	2,816	3,288	3,257	3,392	3,595	3,727
General Services, Office of	215,793	218,122	207,235	217,746	221,381	224,147
Inspector General, Office of	6,446	6,582	6,067	6,341	6,426	6,513
Labor Management Committee	33,503	44,958	59,134	57,826	26,018	26,018
Lottery, Division of	200,951	175,160	176,410	180,969	181,459	185,723
Public Employment Relations Board	3,660	4,171	3,923	4,020	4,068	4,129
Public Integrity, Commission on	4,879	4,541	4,251	4,721	4,901	4,978
Real Property Services, Office of	58,369	43,737	0	0	0	0
Regulatory Reform, Governor's Office of	3,438	2,210	2,052	2,087	2,087	2,087
State, Department of	181,137	215,370	183,753	137,370	139,867	139,842
Tax Appeals, Division of	3,422	2,971	3,053	3,108	3,108	3,146
Taxation and Finance, Department of	372,992	412,846	470,472	477,441	480,397	487,163
Technology, Office for	21,364	28,091	67,994	57,857	85,076	44,599
Lobbying, Temporary State Commission on	(77)	0	0	0	0	0
Veterans Affairs, Division of	15,720	16,966	17,354	17,188	17,198	17,331
Functional Total	1,293,424	1,310,476	1,369,191	1,243,274	1,280,319	1,225,535

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

	2008-2009 Actuals	2009-2010 Revised	2010-2011 Exec. (Amended)	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
ELECTED OFFICIALS						
Legislature	221,729	220,717	220,995	225,396	229,885	234,463
Judiciary	2,425,844	2,549,700	2,678,898	3,000,309	2,996,272	2,985,114
Audit and Control, Department of	258,126	253,684	180,176	185,665	190,224	192,541
Law , Department of	231,205	228,585	210,499	220,407	224,931	228,404
Executive Chamber	19,252	17,844	17,080	17,952	18,229	18,487
Lieutenant Governor, Office of the	133	0	658	1,193	1,208	1,208
Functional Total	3,156,289	3,270,530	3,308,306	3,650,922	3,660,749	3,660,217
LOCAL GOVERNMENT ASSISTANCE						
Aid and Incentives for Municipalities	997,600	1,043,651	729,068	724,584	734,971	742,808
Efficiency Incentive Grants Program	229	3,700	7,450	7,450	7,511	0
Miscellaneous Financial Assistance	3,920	8,920	3,920	3,920	3,920	3,920
Municipalities with VLT Facilities	33,502	26,489	25,801	25,801	25,801	25,801
Small Government Assistance	2,138	2,088	2,088	2,088	2,088	2,088
Functional Total	1,037,389	1,084,848	768,327	763,843	774,291	774,617
ALL OTHER CATEGORIES						
Long-Term Debt Service	4,585,862	4,995,826	5,858,374	6,179,565	6,454,698	6,586,757
Capital Projects	0	0	0	0	0	0
General State Charges	2,443,102	3,102,737	3,334,540	3,589,129	3,809,675	4,202,910
Miscellaneous	5,694	(1,506,295)	737,911	(328,409)	(286,273)	(417,448)
Functional Total	7,034,658	6,592,268	9,930,825	9,440,285	9,978,100	10,372,219
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	121,571,604	133,139,203	136,127,554	139,861,914	145,297,953	151,714,510

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
2009-2010 and 2010-2011
(millions of dollars)

	2009-10 Revised	2010-11 Exec. (Amended)	Annual Change
Revenues:			
Taxes:			
Personal income tax	23,576	25,086	1,510
User taxes and fees	8,134	8,561	427
Business taxes	5,482	5,919	437
Other taxes	937	950	13
Miscellaneous revenues	6,536	5,832	(704)
Federal grants	68	60	(8)
Total revenues	44,733	46,408	1,675
Expenditures:			
Grants to local governments	38,288	37,374	(914)
State operations	12,344	11,851	(493)
General State charges	4,151	4,401	250
Debt service	0	0	0
Capital projects	1	0	(1)
Total expenditures	54,784	53,626	(1,158)
Other financing sources (uses):			
Transfers from other funds	15,064	15,242	178
Transfers to other funds	(6,041)	(6,644)	(603)
Proceeds from financing arrangements/ advance refundings	450	446	(4)
Net other financing sources (uses)	9,473	9,044	(429)
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(578)	1,826	2,404
Accumulated Surplus/(Deficit)	(3,522)	(1,696)	1,826

Source: NYS DOB

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

	2010-11 Exec. (Amended)	2011-12 Projected	2012-13 Projected	2013-14 Projected
Revenues:				
Taxes:				
Personal income tax	25,086	25,153	25,315	27,079
User taxes and fees	8,561	8,969	9,388	9,746
Business taxes	5,919	5,899	6,336	6,625
Other taxes	950	991	1,046	1,074
Miscellaneous revenues	5,832	5,799	5,822	5,843
Federal grants	60	60	60	60
Total revenues	46,408	46,871	47,967	50,427
Expenditures:				
Grants to local governments	37,374	44,486	49,124	52,574
State operations	11,851	12,503	14,328	15,359
General State charges	4,401	4,826	3,469	4,012
Debt service	0	0	0	0
Capital projects	0	0	0	0
Total expenditures	53,626	61,815	66,921	71,945
Other financing sources (uses):				
Transfers from other funds	15,242	14,940	14,872	15,403
Transfers to other funds	(6,644)	(7,148)	(7,241)	(7,653)
Proceeds from financing arrangements/ advance refundings	446	355	359	359
Net other financing sources (uses)	9,044	8,147	7,990	8,109
Operating Surplus/(Deficit)	1,826	(6,797)	(10,964)	(13,409)

Source: NYS DOB

Annual Information Statement

State of New York

May 15, 2009

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Annual Information Statement
State of New York

Dated: May 15, 2009

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Annual Information Statement of the State of New York

Introduction

This Annual Information Statement ("AIS") is dated May 15, 2009 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 12, 2008 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in August 2009, November 2009, and February 2010) 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 update or supplement 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 2009-10 Enacted Budget Financial Plan, dated April 28, 2009 (the "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 2009-10 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 2009-10.

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) governmental organization, and (e) activities of public authorities and localities.

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 on behalf of the State. In preparing this AIS, DOB relies on information drawn from other sources, including the Office of the State Comptroller ("OSC"), that DOB 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 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 Nationally Recognized Municipal Securities Information Repositories (NRMSIRs). 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) 474-8282 or from any NRMSIR. OSC expects to issue the Basic Financial Statements for the 2008-09 fiscal year in July 2009. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and will be 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.

An informational copy of this AIS is available on the DOB website (www.budget.state.ny.us). The availability of this AIS in electronic form at DOB's website 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 the AIS on the 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.

Current Fiscal Year

The 2009-10 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 Financial Plan contains estimates for the 2009-10 fiscal year and projections for the 2010-11 through 2012-13 fiscal years. 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 various 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 Financial Plan set forth below.

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 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 statutorily required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.

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.

2009-10 Enacted Budget Financial Plan Overview[1]

The Enacted Budget for 2009-10 closes the largest budget gap ever faced by the State. The combined current services budget gap[2] for 2008-09 and 2009-10 totaled $20.1 billion (2008-09: $2.2 billion; 2009-10: $17.9 billion), before the gap-closing actions approved by the Governor and Legislature and the receipt of extraordinary Federal aid. For perspective, the two-year budget gap that needed to be closed was equal to approximately 37 percent of total General Fund receipts in 2008-09. The cumulative gap for the five-year planning period from 2008-09 through 2012-13, before approved gap-closing actions, totaled $85.2 billion.

[1] Please see Exhibit C Glossary of Acronyms for the definitions of commonly used acronyms and abbreviations that appear in the text.

[2] The current-services gap represented (a) the difference between the General Fund disbursements expected to be needed to maintain current service levels and specific commitments, and the expected level of resources to pay for them, plus (b) the operating deficit projected in HCRA, which helps finance a number of State health care programs including a share of the Medicaid program.

Financial Plan Indicators

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

	2007-08 Actuals	2008-09 Results*	2009-10 Enacted Budget
State Operating Funds Budget			
Size of Budget	$77,003	$78,168	$78,742
Annual Growth	4.8%	1.5%	0.7%
Other Budget Measures (Annual Growth)			
General Fund (with transfers)	$53,387	$54,607	$54,908
	3.5%	2.3%	0.6%
State Funds (Including Capital)	$81,379	$83,146	$84,657
	5.3%	2.2%	1.8%
Capital Budget (Federal and State)	$6,131	$6,830	$8,832
	10.3%	11.4%	29.3%
Federal Operating	$32,924	$36,573	$44,361
	-2.3%	11.1%	21.3%
All Funds	$116,058	$121,571	$131,935
	2.9%	4.8%	8.5%
All Funds (Including "Off-Budget" Capital)	$117,692	$123,833	$133,737
	3.2%	5.2%	8.0%
Inflation (CPI) Growth	3.3%	2.7%	-0.2%
All Funds Receipts (Annual Growth)			
Taxes	$60,871	$60,337	$60,647
	6.7%	-0.9%	0.5%
Miscellaneous Receipts	$19,643	$20,064	$22,185
	7.4%	2.1%	10.6%
Federal Grants	$34,909	$38,834	$47,718
	-2.6%	11.2%	22.9%
Total Receipts	$115,423	$119,235	$130,550
	3.8%	3.3%	9.5%
Base Tax Growth/(Decline) **	6.0%	-3.0%	-6.5%
Combined General Fund/HCRA Outyear Gap Forecast			
2008-09	N/AP	N/AP	$0
2009-10	N/AP	N/AP	$0
2010-11	N/AP	N/AP	($2,166)
2011-12	N/AP	N/AP	($8,757)
2012-13	N/AP	N/AP	($13,706)
Cumulative Gaps	N/AP	N/AP	($24,629)
Total General Fund Reserves	$2,754	$1,948	$1,378
State Workforce (Subject to Executive Control)	137,635	136,490	128,803
Debt			
Debt Service as % All Funds	4.0%	4.3%	4.5%
State-Related Debt Outstanding	$49,884	$51,730	$54,532

** Unaudited Year-End Results.*

*** Reflects estimated growth/(decline) in tax receipts excluding the impact of Tax Law changes since SFY 1986-87.*

The combined current-services gap for 2008-09 and 2009-10 grew steadily over the past year, increasing four-fold since May 2008. The $15 billion increase in the combined gap, to $20.1 billion, was due almost exclusively to the precipitous decline in projected receipts, reflecting the severity of the current economic downturn and dislocation in the financial markets. The current recession has been characterized by a loss of vast sums of wealth from depressed equity and real estate markets. As of the fourth quarter of 2008, an unprecedented $12.8 trillion in net wealth had been destroyed nationwide since the third quarter of calendar year 2007. This is expected to have a substantial impact on taxable income and, by extension, State tax receipts. To understand the impact of the downturn on income, a comparison to the last recession is instructive: New York State adjusted gross income fell by $28 billion in 2001 and another $21 billion in 2002, following the collapse of the high-tech/Internet bubble and the attacks of September 11. In contrast, gross income losses of $52 billion in 2008-09 and $53 billion in 2009-10 – or more than twice the last recession – are projected.

Addressing the Budget Gaps

The gap-closing plan for 2008-09 and 2009-10 was enacted in two parts. First, in early February 2009, the Governor and Legislature approved a deficit reduction plan (DRP) for 2008-09. The DRP provided approximately $2.4 billion in savings over the two-year period, reducing the combined gap from $20.1 to $17.7 billion. Second, in March 2009, the Governor and Legislature reached final agreement on a budget for 2009-10, with the Legislature completing action on all appropriations and enabling legislation to implement the budget on April 3, 2009 (all debt service appropriations for 2009-10 were enacted on March 5, 2009). The Enacted Budget Financial Plan includes $11.5 billion in gap-closing actions, beyond the $2.4 billion approved in the DRP, for a total of $13.9 billion in gap-closing actions.[3]

To close the two-year budget gap in 2008-09 and 2009-10, the Governor and Legislature approved a total of $13.9 billion in gap-closing actions, including $6.5 billion in actions to restrain spending, $5.4 billion in actions to increase receipts, and $2 billion in non-recurring actions (more than half of which were used in 2008-09 to close a gap that opened in the last half of the fiscal year). The most significant actions include freezing the foundation aid and Universal Prekindergarten education aid programs at 2008-09 levels; eliminating the Middle-Class STAR rebate program (but maintaining the STAR exemption program that will provide $3.5 billion in property tax relief); instituting Medicaid cost-containment; reducing the size of the State workforce; and increasing personal income tax rates on high-income earners.

In addition, the gap-closing plan includes $6.15 billion in direct fiscal relief that the Federal government is providing to the State under the American Recovery and Reinvestment Act of 2009 (ARRA) to stabilize State finances and help prevent reductions in essential services. This extraordinary aid consists of $5 billion in State savings resulting from a temporary increase in the amount of Medicaid spending that is paid for by the Federal government (known as FMAP) and $1.15 billion in Federal aid provided by the ARRA State Fiscal Stabilization Fund (SFSF) to restore proposed reductions in education, higher education, and other essential government services.

The following table summarizes the gap-closing plan by major function and activity.

[3] The gap-closing plan described herein refers to the combined actions taken in the DRP and the Enacted Budget for 2009-10, unless otherwise noted.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10
ENACTED BUDGET INCLUDING DRP
(millions of dollars)

	2008-09	2009-10	Two-Year Total	2010-11	2011-12	2012-13
REVISED CURRENT SERVICES GAP ESTIMATES*	**(2,219)**	**(17,857)**	**(20,076)**	**(20,374)**	**(21,900)**	**(22,845)**
TOTAL ENACTED BUDGET GAP-CLOSING ACTIONS	**1,595**	**12,332**	**13,927**	**13,794**	**13,144**	**9,214**
Spending Restraint	**413**	**6,047**	**6,460**	**7,360**	**8,234**	**8,138**
Health Care	63	1,961	2,024	1,673	1,719	1,735
School Tax Relief Program	93	1,559	1,652	2,051	2,113	2,181
School Aid/Lottery Aid	0	948	948	1,870	2,835	2,695
Mental Hygiene	4	388	392	398	368	352
Higher Education	55	197	252	257	198	171
Public Safety	2	215	217	251	256	297
Human Services/Labor/Housing	4	188	192	189	129	60
Transportation	0	152	152	271	337	390
Repeal Planned Member Item Deposits	30	104	134	(85)	(85)	0
Local Government Aid	3	94	97	171	168	165
Other Education Aid	7	21	28	61	53	53
State Workforce	5	170	175	328	328	328
Convert Capital to PAYGO	0	0	0	(100)	(200)	(300)
All Other	147	50	197	25	15	11
Revenue Actions	**118**	**5,279**	**5,397**	**6,443**	**4,974**	**1,110**
Temporary PIT Increase	0	3,948	3,948	4,778	3,720	0
Increase 18-A Utility Assessment	0	557	557	557	557	557
Bottle Bill Unclaimed Deposits	0	115	115	115	115	115
Limit Itemized Deductions for High Income Taxpayers	0	140	140	200	150	150
Reform Empire Zones Program	0	90	90	101	113	126
Impose Fee on Non-LLC Partnerships	0	50	50	50	50	50
Impose Sales Tax on Certain Transportation-related Activities	0	26	26	34	34	34
Increase Beer/Wine Tax	0	14	14	14	14	14
Film Credit Restructuring	0	0	0	192	(180)	(228)
Reissue License Plates	0	0	0	129	129	20
All Other Revenue Actions	118	339	457	273	272	272
Non-Recurring Resources	**1,064**	**1,006**	**2,070**	**(9)**	**(64)**	**(34)**
Delay extra MA Cycle (two years)	0	400	400	0	(400)	0
Increase Business Tax Prepayment to 40 Percent	0	333	333	0	0	0
NYPA Payments	306	170	476	0	(25)	(25)
Equipment Financing	0	104	104	(4)	(4)	(4)
VLT Franchise Payment	0	0	0	0	370	0
Medicaid DRP Savings/CUNY Payment	300	(300)	0	0	0	0
All Other	458	299	757	(5)	(5)	(5)
FEDERAL ARRA AID	**1,299**	**4,850**	**6,149**	**4,414**	**(1)**	**(75)**
Enhanced FMAP/Medicaid Relief (excludes local share)	1,299	3,702	5,001	3,387	0	0
State Fiscal Stablization Relief	0	1,150	1,150	1,508	359	0
Federal Tax Relief Extended to State Tax Code	0	(2)	(2)	(481)	(360)	(75)
NET AVAILABLE RESOURCES APPLIED IN 2009-10	**(675)**	**675**	0	**0**	**0**	**0**
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	**0**	**0**	**0**	**(2,166)**	**(8,757)**	**(13,706)**

** Before 2008-09 Enacted DRP.*

Budget Outcomes

DOB estimates that, after gap-closing actions and Federal aid, the General Fund and HCRA Financial Plan for 2009-10 is balanced, and leaves budget gaps of $2.2 billion in fiscal year 2010-11, $8.8 billion in fiscal year 2011-12, and $13.7 billion in 2012-13. As required by law, the State ended the 2008-09 fiscal year in balance in the General Fund and HCRA.[4] As shown in the table above, the State received $1.3 billion in Federal aid under ARRA in 2008-09, of which it used $624 million to eliminate the 2008-09 gap, and $675 million that it applied to close a portion of the 2009-10 gap. Based on DOB's current estimates, the cumulative budget gap for the five-year period (2008-09 through 2012-13) has been reduced from $85.2 billion to $24.6 billion, a reduction of approximately $60.6 billion – or over 70 percent – from the current-services forecast.[5]

Annual growth of the State-financed portion of the budget – that is, spending financed directly by State residents through State taxes, fees, and other revenues – is held nearly flat. General Fund disbursements, including transfers to other funds, are expected to total $54.9 billion in 2009-10, an increase of $301 million (0.6 percent) from 2008-09 results. Projected General Fund spending for 2009-10 has been reduced by $8.7 billion compared to the current services forecast. State Operating Funds spending, which excludes Federal operating aid and capital spending, is projected to total $78.7 billion in 2009-10, an increase of $574 million (0.7 percent) over 2008-09 results. State Operating Funds spending in the Enacted Budget Financial Plan has been reduced by $9.4 billion compared to the current services forecast.

Elements of the Gap-Closing Plan

Before the dramatic economic events of 2008, the sustained growth in spending commitments since the last economic recovery was the principal contributor to the State's growing budget gaps. Over the last year, however, the precipitous decline in actual and projected receipts caused by the economic downturn has been the dominant cause of the extraordinary increase in the budget gaps. This is illustrated by looking at the combined budget gap for 2008-09 and 2009-10. In May 2008, the projected gap of $5 billion was driven almost exclusively by expected spending growth. In contrast, the $15 billion incremental <u>increase</u> to the combined gap since that time is almost entirely due to the worsening outlook for receipts.

Accordingly, the gap-closing plan under the State's control (that is, excluding Federal aid) is weighted toward spending restraint, but also relies on substantial tax and fee increases. Actions to restrain spending constitute approximately 46 percent of the State portion of the gap-closing plan. Actions to increase receipts constitute approximately 39 percent of the plan. Non-recurring resources make up the remainder.

The section below provides a summary of the actions under each category that have been approved for 2009-10.

Spending Restraint

Actions to restrain General Fund spending affect most activities funded by the State. General Fund spending in the Enacted Budget Financial Plan is projected to total $54.9 billion in 2009-10, an increase of $301 million over 2008-09 results. General Fund spending was reduced by $8.7 billion from current services levels.

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[4] See "Prior Fiscal Years - Cash Basis Results for Prior Fiscal Years" in this AIS for more information.

[5] The estimates beyond 2009-10 are meant to provide a general perspective on the State's long-term operating forecast, and will be revised and updated quarterly.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - SPENDING RESTRAINT
(millions of dollars)

	2008-09	2009-10	Total	2010-11	2011-12	2012-13
Spending Restraint (net of adds)	**413**	**6,047**	**6,460**	**7,360**	**8,234**	**8,138**
Health Care	63	1,961	2,024	1,673	1,719	1,735
School Tax Relief Program	93	1,559	1,652	2,051	2,113	2,181
School Aid/Lottery Aid	0	948	948	1,870	2,835	2,695
Mental Hygiene	4	388	392	398	368	352
Higher Education	55	197	252	257	198	171
Public Safety	2	215	217	251	256	297
Human Services/Labor/Housing	4	188	192	189	129	60
Transportation	0	152	152	271	337	390
Repeal Planned Member Item Deposits	30	104	134	(85)	(85)	0
Local Government Aid	3	94	97	171	168	165
Other Education Aid	7	21	28	61	53	53
State Workforce	5	170	175	328	328	328
Convert Capital to PAYGO	0	0	0	(100)	(200)	(300)
All Other	147	50	197	25	15	11

The most significant actions in the Enacted Budget Financial Plan that restrain General Fund spending include the following:

- **Health Care ($2.0 billion):** Enacts cost-containment measures, including rate reductions; updating the base year on which rates are calculated; re-establishing certain industry assessments; financing a greater share of Medicaid spending through HCRA; eliminating a planned human services COLA in 2009-10; and other targeted public health and aging reductions. In addition, the Enacted Budget authorizes savings actions to fully eliminate the HCRA operating deficit, including an increase in the Covered Lives Assessment, instituting a tax on for-profit HMOs, and increasing certain surcharges;
- **STAR ($1.7 billion):** Eliminates the Middle-class STAR rebate program (but maintains the STAR exemption program that will continue to provide tax relief); reduces the PIT credit for New York City taxpayers; and adjusts the timing of reimbursement to New York City;
- **School Aid ($948 million on a State fiscal year basis):** Maintains selected aids at 2008-09 school year levels; extends the phase-in of foundation aid and the UPK program from four to seven years; and authorizes additional lottery games that would increase projected resources available to education;
- **Mental Hygiene ($392 million):** Eliminates a cost-of-living increase for providers; institutes programmatic reforms to align reimbursement with actual costs (including closing, consolidating, and restructuring facility operations, thereby reducing the planned workforce by 865 positions); maximizes available Federal aid; and other measures;
- **Higher Education ($252 million):** Includes tuition increases at public universities approved by the SUNY and CUNY Boards of Trustees; reductions in support for the four statutory colleges at Cornell University and the College of Ceramics at Alfred University; an assessment on the SUNY and CUNY research foundations; inclusion of public sector pension income in TAP determinations; and other savings;

- **Public Safety ($217 million):** Closes three prison camps and various annexes in correctional facilities; improves parolee release and violation processes; eliminates farm operations at correctional facilities; reduces programs for inmates; and other operational changes;
- **Human Services ($192 million):** Increases the level of Federal funding that local districts are required to spend on child welfare services; eliminates the human services COLA; lowers reimbursement for optional, community-based preventive services; closes or downsizes 11 underutilized facilities (8 residential facilities and 3 non-residential facilities), and other measures;
- **Transportation ($152 million):** Reduces the General Fund subsidy to the DHBTF (which is made possible by an increase in certain fees) and to transit systems; and lowers spending on DOT operations consistent with the overall reduction in planned capital activities;
- **Member item funding ($134 million):** Eliminates deposits into the Community Projects Fund for the Governor and Assembly that had been authorized in prior years. The Enacted Budget includes $170 million in new member item deposits split equally between the Senate and Assembly. The new legislative deposits are scheduled to be made in 2010-11 and 2011-12. The Governor did not accept any new member-item funding;
- **Local Government Aid ($97 million):** Holds aid and incentive payments for cities, towns, and villages outside of New York City at 2008-09 levels; reduces VLT aid; and other measures; and
- **Other Education Aid ($28 million):** Reduces funding for, among other things, attendance-taking requirements at non-public schools, library aid, prior-year claims, and supplemental funding for certain after-school programs.

The gap-closing plan counts on savings from instituting a workforce reduction plan (WRP). The WRP would reduce the State Executive Branch workforce by approximately 8,700 unionized employees through attritions, layoffs, and abolitions of funded vacancies. These reductions are in addition to those that are expected to result from the facility closures and other actions affecting the workforce that were approved in this budget.

The Executive Budget had proposed achieving workforce savings without a substantial reduction in force through, among other things, the elimination of a planned 3 percent general salary increase for State employees in 2009-10 and a one-week wage deferral payable upon separation from State service. The State's public employee unions rejected the proposals. Pursuant to the Governor's directive, most non-unionized "management/confidential" employees in 2009-10 will not receive the planned general salary increase, merit awards, longevity payments, and performance advances and therefore will not be subject to the layoffs required in the WRP. See "State Workforce Reductions" herein for more information.

The Enacted Budget Financial Plan will finance a larger share of economic development projects with ongoing resources rather than with long-term debt, starting in fiscal year 2010-11. This will help relieve pressure on the State's statutory debt cap and realize debt service savings in future years. The determination to allocate the "pay-as-you-go resources" to economic development takes into account that projects in this area typically have above-average financing costs. See "Bond Market Issues" herein for more information.

The Enacted Budget Financial Plan includes a modest level of new initiatives in 2009-10, the costs of which are counted against the savings actions presented in this Financial Plan. The most significant initiatives include a new low-cost student loan program to which the State will make an initial contribution of $50 million in 2009-10; extension of a program to assist homeowners facing foreclosure; an increase in the basic public assistance grant of 10 percent annually over the next three years; and

additional funding for HEAL-NY, quality incentive pools for nursing homes and home care agencies, and other health initiatives.

Revenue Actions

Balancing the budget exclusively through spending reductions in 2009-10 would have required an extraordinary retrenchment in State services. Absent any actions to raise receipts, DOB estimates that General Fund spending would have had to be reduced by nearly $18 billion from the level required to meet existing commitments – and by almost $9 billion from 2008-09 results – to achieve a balanced budget in 2009-10. Spending reductions of this magnitude would be in direct conflict with Federal efforts to stimulate the economy during a severe recession, raise grave health and public safety concerns, and place additional pressure on local property taxes. Therefore, to maintain essential services and assist residents affected by the economic downturn, the Enacted Budget includes a package of tax increases and other revenue enhancements to help close the budget gap and address the further deterioration in the revenue base.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - REVENUE ACTIONS
(millions of dollars)

	2008-09	2009-10	Two-Year Total	2010-11	2011-12	2012-13
Revenue Actions	**118**	**5,279**	**5,397**	**6,443**	**4,974**	**1,110**
Temporary PIT Increase	0	3,948	3,948	4,778	3,720	0
Increase 18-A Utility Assessment	0	557	557	557	557	557
Bottle Bill Unclaimed Deposits	0	115	115	115	115	115
Limit Itemized Deductions for High Income Taxpayers	0	140	140	200	150	150
Reform Empire Zones Program	0	90	90	101	113	126
Impose Fee on Non-LLC Partnerships	0	50	50	50	50	50
Impose Sales Tax on Certain Transportation-related Activities	0	26	26	34	34	34
Increase Beer/Wine Tax	0	14	14	14	14	14
Film Credit Restructuring	0	0	0	192	(180)	(228)
Reissue License Plates	0	0	0	129	129	20
All Other Revenue Actions	118	339	457	273	272	272

The most significant actions include:

- **Temporary PIT Increase ($3.9 billion):** The State PIT rate will temporarily increase for higher-income filers for a three-year period from tax year 2009 through tax year 2011. The rate for married couples filing jointly will increase from 6.85 percent to 7.85 percent with incomes above $300,000 and to 8.97 percent for filers with incomes above $500,000;
- **Increase Utility Assessment ($557 million):** Increases the current regulatory fee on public utilities, including electric, gas, and water. The action will pay for State regulatory and management oversight by raising the fee from 1/3 of 1 percent to 1 percent of intrastate revenues, expanding the fee to include energy service companies, and establishing an additional 1 percent State energy and utility service conservation assessment, which will expire on March 31, 2014. In recognition of the competitive nature of the telecommunications industry, telecommunications utilities regulated under Public Service Law Section 18-A are exempted from this temporary assessment;

- **Bottle Bill ($115 million):** Expands the 5-cent deposit on carbonated beverages to include bottled water, and mandates that the State retain 80 percent of all unclaimed bottle deposits;
- **High-Income Itemized Deductions ($140 million):** Limits the ability of taxpayers with incomes over $1 million to reduce their tax liability by claiming itemized deductions ($140 million). Currently, taxpayers with incomes over $525,000 are allowed to claim 50 percent of the value of itemized deductions. To sustain philanthropic giving, charitable deductions are excluded from this provision and may still be claimed as itemized deductions for the purposes of State income taxes;
- **Empire Zones ($90 million):** Decertifies "shirt-changers" (that is, firms that change their names to maximize Zone benefits without providing any economic benefit) and firms producing less than $1 in actual investment and wages for every $1 in State tax incentives. The Empire Zone program will sunset on June 30, 2010 – one year earlier than in current law;
- **Non-LLC Partnerships ($50 million):** Imposes a new fee on non-LLC partnerships equal to fee amounts that currently apply to LLCs. Fee amounts will range from $1,900 to $4,500. Unlike the current LLC fee, partnerships with New York-source gross income under $1 million are exempt;
- **Transportation Services ($26 million):** Broadens the sales tax base to cover certain transportation-related services, such as limousine and black car services, but excludes taxis;
- **Beer/Wine Tax ($14 million):** Increases the excise tax on wine and beer. The tax on wine would increase from 18.9 cents per gallon to 30 cents per gallon, and the beer tax would increase from 11 cents per gallon to 14 cents per gallon. This translates into approximately 2 cents per bottle of wine and one and one-half cents per six pack of beer. These taxes were last increased in 1991, and are still among the lowest in the nation; and
- **License Plates ($129 million starting in 2010-11):** Effective April 1, 2010, the license plate reissuance fee is increased from $15 to $25, with revenues directed to the General Fund. License plates were last reissued in 2001.

Other revenue actions include increases in the bond issuance charge for public authorities and industrial development agencies; fines related to certain motor vehicle violations; real property transfer fees paid whenever a deed is recorded; and fees for license suspension. The Financial Plan also includes a potential franchise payment in 2011-12 related to the development of a new VLT facility. In addition, the Enacted Budget includes $350 million in new authorization for the State's film tax and television production credit, which is intended to help keep entertainment industry jobs in New York State.

The Enacted Budget Financial Plan does not include approximately $1.2 billion in tax and fee proposals that had been proposed in the Executive Budget. Extraordinary Federal aid was used to eliminate these tax proposals. See "2009-10 All Funds Financial Plan Forecast" herein for more information on tax receipt projections included in the Enacted Budget.

Non-Recurring Resources

The two-year gap-closing plan included approximately $1 billion in non-recurring resources in 2008-09 and a comparable amount in 2009-10. The 2008-09 gap had to be closed within a three-month period, which severely limited the types of savings measures that were possible.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - NON-RECURRING RESOURCES
(millions of dollars)

	2008-09	2009-10	Two-Year Total	2010-11	2011-12	2012-13
Non-Recurring Resources	**1,064**	**1,006**	**2,070**	**(9)**	**(64)**	**(34)**
Delay extra MA Cycle (two years)	0	400	400	0	(400)	0
Increase Business Tax Prepayment to 40 Percent	0	333	333	0	0	0
NYPA Transfers	306	170	476	0	(25)	(25)
Equipment Financing	0	104	104	(4)	(4)	(4)
Finance CUNY Payments with Jan-Mar '09 MA Savings	300	(300)	0	0	0	0
EPF Sweep/Capital Bonding	75	50	125	0	0	0
School Aid Overpayment Recoveries	0	80	80	0	0	0
Medicaid Reimbursement of Education Costs	0	20	20	0	0	0
Recoup Overpayments to NYC (General Public Health Works)	11	15	26	0	0	0
Increase Pre-Paid Sales Tax on Cigarettes	0	14	14	0	0	0
Recoup Overpayments to NYC (Early Intervention)	0	9	9	0	0	0
Continue TADA software bonding	0	3	3	0	0	0
VLT Franchise Payment	0	0	0	0	370	0
Fund Sweeps/Other	372	108	480	(5)	(5)	(5)

The largest non-recurring actions over the two year period include:

- **Delay of the 53rd Medicaid Cycle Payment ($400 million):** The 2009-10 fiscal year included 53 weekly cycle payments, compared to the typical 52 payments. This action delays the payment of a 53rd cycle until fiscal year 2011-12;
- **Increase Business Tax Prepayment ($333 million):** Increases the mandatory first installment of tax due from certain business taxpayers from 30 percent to 40 percent of the previous year's tax liability. For most taxpayers, this installment is due in March with the filing of the previous year's tax return. This will not change the amount of tax liability, but simply the timing of payments;
- **New York Power Authority Excess Resources ($476 million):** Authorizes the transfer of $476 million to the General Fund (of which $306 million was received in 2008-09 and $170 million is planned in 2009-10). Of this amount, $215 million represents funds that were reserved by NYPA to pay for the disposal of waste at a Federal repository. It is anticipated that NYPA will not need these funds for several years. The remaining transfer represents assets not necessary to meet NYPA's short term operating, capital or debt service costs;
- **Equipment Financing ($104 million):** Authorizes the use of bond financing for eligible capital projects that were originally planned to be paid for with cash resources. DOB will make an annual determination on the financing for equipment, depending on Financial Plan needs, market conditions and debt management considerations; and
- **City University (no net impact):** To realize the benefit of health care savings in the DRP that were applicable to the final quarter of the 2008-09 fiscal year, but where the cash savings would occur in 2009-10, the State adjusted its reimbursement schedule to New York City related to the City University. Certain payments that were due in the first quarter of 2009-10, but that had been budgeted in 2008-09, will be made on their statutory due dates, not ahead of schedule. There is no net impact over the two fiscal years.

Other non-recurring resources consist of transfers of existing fund balances, cost-recoveries for overpayments in prior years, and other routine transactions.

Extraordinary Federal Aid

The gap-closing plan included $6.15 billion in fiscal relief that the Federal government is providing to the State under ARRA to stabilize State finances and help prevent reductions in essential services. Direct Federal aid for fiscal relief consists of the increase in the Federal matching rate for eligible State Medicaid expenditures and funds provided through the SFSF to restore proposed reductions in education and higher education and to maintain other essential government services. By law, the direct Federal fiscal relief must be used effectively and expeditiously to promote economic recovery, and may not be allocated for other purposes, such as funding reserves or paying down debt.

The ARRA increased the Federal government contribution, or matching rate, on eligible State Medicaid expenditures for the period from October 1, 2008 through December 31, 2010. The FMAP benefit to the State in 2008-09 totaled $1.3 billion, and is projected at $3.7 billion in 2009-10. In the Financial Plan, every $1 increase in the Federal matching rate corresponds to a $1 decrease in required State support for Medicaid, thus creating General Fund fiscal relief. In addition, since all Federal Medicaid payments must flow through the State's Financial Plan, the increase in FMAP results in an increase in the "pass-through" of more Federal aid to counties and New York City, which contribute to the financing of the State's Medicaid program. This pass-through amount totaled $440 million in 2008-09 and is projected at $1.4 billion in 2009-10. See "Spending Levels" herein for a discussion of the impact of Federal aid on State All Funds spending in 2009-10.

The SFSF is expected to provide $1.15 billion in fiscal relief in 2009-10. The SFSF consists of two parts: an Education Fund, which must be used to restore proposed reductions in education and higher education, and an Other Governmental Services Fund, which must be used to maintain essential government services. Direct Federal fiscal relief from the Education Fund is projected to total $876 million in 2009-10. Fiscal relief from the other Governmental Services Fund is expected to total $274 million in 2009-10. This aid adds $1.15 billion in spending to the All Funds budget.

Lastly, a substantial amount of Federal aid will flow to the State – and through the State Financial Plan to end recipients – that has no direct impact on the State's budget gaps. In addition, Federal spending is affected by the timing of certain transactions, including the approval of State health care initiatives, and the Federal match on spending restorations authorized in the Enacted Budget. In 2009-10, the State expects to receive extraordinary Federal aid of approximately $4.6 billion. Extraordinary Federal aid increases the State's All Funds budget, but has no relationship to the gap-closing plan. In addition, a substantial amount of other Federal aid that affects spending from Federal funds, but which has no impact on the budget gaps, will pass through the State's All Funds Financial Plan in 2009-10 and 2010-11. Most of this is related to the ARRA, but also reflects the timing of Federal aid payments, changes in distribution patterns, and other factors.

Spending Levels

General Fund disbursements, including transfers to other funds, are expected to total $54.9 billion, an increase of $301 million (0.6 percent) from 2008-09 results. Projected General Fund spending has been reduced by $8.7 billion compared to the current services forecast. State Operating Funds spending, which excludes Federal operating aid and capital spending, is projected to total $78.7 billion in 2009-10, an increase of $574 million (0.7 percent) over 2008-09 results. State Operating Funds spending in the Enacted Budget Financial Plan has been reduced by $9.4 billion compared to the current services forecast.

TOTAL DISBURSEMENTS (millions of dollars)							
			Before Actions **			After Actions	
	2008-09 Results **	2009-10 Base	Annual $ Change	Annual % Change	2009-10 Enacted	Annual $ Change	Annual % Change
State Operating Funds	**78,168**	**88,154**	**9,986**	**12.8%**	**78,742**	**574**	**0.7%**
General Fund *	48,436	57,136	8,700	18.0%	49,449	1,013	2.1%
Other State Funds	25,146	25,804	658	2.6%	24,075	(1,071)	-4.3%
Debt Service Funds	4,586	5,214	628	13.7%	5,218	632	13.8%
All Governmental Funds	**121,572**	**132,753**	**11,181**	**9.2%**	**131,935**	**10,363**	**8.5%**
State Operating Funds	78,168	88,154	9,986	12.8%	78,742	574	0.7%
Capital Projects Funds	6,830	7,983	1,153	16.9%	8,832	2,002	29.3%
Federal Operating Funds	36,574	36,616	42	0.1%	44,361	7,787	21.3%
General Fund, including Transfers	**54,607**	**63,565**	**8,958**	**16.4%**	**54,908**	**301**	**0.6%**

** Excludes transfers.*
*** Unaudited Results.*

The Federal ARRA and other Federal aid substantially increase All Funds spending in 2009-10. In total, Federal aid is responsible for $7.2 billion of the projected All Funds increase above the Executive Budget proposal. In addition, growing costs in Medicaid caseload and utilization trends, which are directly related to the economic downturn, add an additional $1.4 billion in projected costs on an All Funds basis. Therefore, extraordinary Federal aid and accelerating Medicaid entitlement costs together comprise $8.6 billion of the total increase in All Funds spending.

General Fund Balances

The State ended 2008-09 with a General Fund balance of $1.9 billion. The State expects to use approximately $570 million in available balances to finance operations in 2009-10, resulting in a projected year-end balance of $1.4 billion on March 31, 2010. Funds reserved by DOB for debt management purposes may also be spent during the 2009-10 fiscal year, depending on market conditions.

GENERAL FUND ESTIMATED CLOSING BALANCE (millions of dollars)			
	2008-09 Results*	2009-10 Enacted	Change
Projected Year-End Fund Balance	**1,948**	**1,378**	**(570)**
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
Reserved for Debt Reduction	73	73	0
Community Projects Fund	145	78	(67)
Remaining Reserve for 2009-10 Use	340	0	(340)
2008-09 Timing Related Changes	163	0	(163)

The timing of payments reflects differences between planned and actual disbursements that occur in any fiscal year. Approximately $163 million in payments that were planned to occur in 2008-09 are now budgeted in 2009-10. The State manages its cash balances to meet these payments. The table below summarizes the General Fund payments budgeted in 2008-09 but now expected to be made in the 2009-10 fiscal year.

2008-09 YEAR-END RESULTS GENERAL FUND TIMING RELATED CHANGES DECREASE/(INCREASE) (millions of dollars)	
Timing Related Changes	**163**
Non-public School Aid	51
Other Education programs, including school aid	45
PBA labor settlement	44
Lower Medicaid spending	23
Taxes on State Owned Lands	27
Higher capital spending	(44)
All Other	17

HCRA ended the 2008-09 fiscal year with a balance of $240 million. It is expected that HCRA will use this balance to finance spending in 2009-10, including $205 million in payments that were originally planned to occur in 2008-09. See the "HCRA Financial Plan" herein for more information.

2009-10 General Fund Financial Plan and OutYear Projections

DOB projects that the Enacted Budget Financial Plan is balanced in the General Fund in 2009-10 and projects outyear budget gaps of $2.2 billion in 2010-11, $8.8 billion in 2011-12, and $13.7 billion in 2012-13.

After actions, General Fund spending is projected to grow at an average annual rate of 7.2 percent from 2008-09 through 2012-13. Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting a return to a lower Federal match rate for Medicaid expenditures on January 1, 2010, which will increase General Fund costs. The spending is driven by Medicaid growth, rising costs for education, the State-financed cap on local Medicaid spending, employee and retiree health benefits, and child welfare programs. The receipts growth is consistent with DOB's economic forecast for the recession and recovery. The temporary PIT increase, which covers calendar years 2009 through 2011, is expected to provide substantial additional receipts through fiscal year 2011-12. The following table summarizes the General Fund projections by major tax and Financial Plan category.

OUTYEAR GENERAL FUND PROJECTIONS
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
Receipts								
Taxes	49,788	53,151	3,363	6.8%	54,747	3.0%	54,471	-0.5%
Personal Income Tax*	32,533	35,144	2,611	8.0%	36,026	2.5%	34,735	-3.6%
User Taxes and Fees*	10,721	11,073	352	3.3%	11,537	4.2%	11,932	3.4%
Business Taxes	5,495	5,828	333	6.1%	5,925	1.7%	6,398	8.0%
Other Taxes*	1,039	1,106	67	6.4%	1,259	13.8%	1,406	11.7%
Miscellaneous Receipts	3,381	3,022	(359)	-10.6%	3,017	-0.2%	3,043	0.9%
Other Transfers	1,169	723	(446)	-38.2%	684	-5.4%	695	1.6%
Total Receipts	**54,338**	**56,896**	**2,558**	**4.7%**	**58,448**	**2.7%**	**58,209**	**-0.4%**
Disbursements								
Grants to Local Governments:	37,086	39,664	2,578	7.0%	46,467	17.2%	50,283	8.2%
School Aid	18,019	18,787	768	4.3%	19,738	5.1%	21,953	11.2%
Total Medicaid (incl. administration)	6,401	8,640	2,239	35.0%	13,536	56.7%	14,644	8.2%
Medicaid (before local relief)	5,440	7,327	1,887	34.7%	11,827	61.4%	12,479	5.5%
Medicaid Cap/FHP Takeover	961	1,313	352	36.6%	1,709	30.2%	2,165	26.7%
Higher Education	2,837	2,578	(259)	-9.1%	2,718	5.4%	2,763	1.7%
Mental Hygiene	2,148	2,266	118	5.5%	2,407	6.2%	2,534	5.3%
Children and Family Services	1,823	1,968	145	8.0%	2,170	10.3%	2,313	6.6%
Other Education Aid	1,640	1,617	(23)	-1.4%	1,841	13.9%	1,925	4.6%
Temporary and Disability Assistance	1,275	1,301	26	2.0%	1,341	3.1%	1,428	6.5%
Local Government Assistance	1,135	1,130	(5)	-0.4%	1,134	0.4%	1,137	0.3%
Public Health	653	578	(75)	-11.5%	598	3.5%	635	6.2%
All Other	1,155	799	(356)	-30.8%	984	23.2%	951	-3.4%
State Operations:	8,659	8,925	266	3.1%	9,175	2.8%	9,312	1.5%
Personal Service	6,465	6,621	156	2.4%	6,801	2.7%	6,870	1.0%
Non-Personal Service	2,194	2,304	110	5.0%	2,374	3.0%	2,442	2.9%
General State Charges	3,704	4,042	338	9.1%	4,344	7.5%	4,760	9.6%
Pensions	1,148	1,412	264	23.0%	1,525	8.0%	1,654	8.5%
Health Insurance:								
Active Employees	1,712	1,906	194	11.3%	2,056	7.9%	2,217	7.8%
Retired Employees	1,123	1,247	124	11.0%	1,348	8.1%	1,456	8.0%
Fringe Benefit Escrow	(2,247)	(2,435)	(188)	8.4%	(2,534)	4.1%	(2,541)	0.3%
All Other	1,968	1,912	(56)	-2.8%	1,949	1.9%	1,974	1.3%
Transfers to Other Funds:	5,459	6,391	932	17.1%	7,265	13.7%	7,690	5.8%
State Share Medicaid	2,362	2,388	26	1.1%	2,887	20.9%	2,888	0.0%
Debt Service	1,783	1,762	(21)	-1.2%	1,739	-1.3%	1,725	-0.8%
Capital Projects	551	1,162	611	110.9%	1,319	13.5%	1,491	13.0%
All Other	763	1,079	316	41.4%	1,320	22.3%	1,586	20.2%
Total Disbursements	**54,908**	**59,022**	**4,114**	**7.5%**	**67,251**	**13.9%**	**72,045**	**7.1%**
Change in Reserves								
Timing Related Reserve	(163)	0			0		0	
Prior Year Reserves	(340)	0			0		0	
Community Projects Fund	(67)	55			(41)		(92)	
Deposit to/(Use of) Reserves	**(570)**	**55**			**(41)**		**(92)**	
General Fund Budget Surplus/(Gap) Estimate	**0**	**(2,181)**			**(8,762)**		**(13,744)**	
Add: HCRA Operating Surplus	**0**	**15**			**5**		**38**	
Combined Budget Surplus/(Gap) Estimate	**0**	**(2,166)**			**(8,757)**		**(13,706)**	

** Includes transfers after debt service.*

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, 2010-11 is perhaps 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. The State will provide quarterly revisions to its multi-year estimates.

The following table provides a "zero-based" look at the causes of the 2010-11 General Fund budget gap. Detailed explanations of the assumptions underlying the outyear revenue and spending projections appear below.

2010-11 GENERAL FUND ANNUAL CHANGE
SAVINGS/(COSTS)
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change
RECEIPTS GROWTH	**54,338**	**56,896**	**2,558**	**4.7%**
Personal Income Tax*	32,533	35,144	2,611	8.0%
User Taxes and Fees*	10,721	11,073	352	3.3%
Business Taxes	5,495	5,828	333	6.1%
Other Taxes*	1,039	1,106	67	6.4%
Miscellaneous Receipts/Federal Grants	3,381	3,022	(359)	-10.6%
All Other Transfers	1,169	723	(446)	-38.2%
** Includes transfers after debt service*				
DISBURSEMENTS GROWTH	**54,908**	**59,022**	**4,114**	**7.5%**
Local Assistance	**37,086**	**39,664**	**2,578**	**7.0%**
Medicaid (incl. admin)	6,401	8,640	2,239	35.0%
Program Growth/Other	*2,026*	*4,223*	2,197	108.4%
Medicaid Cap/Family Health Plus Takeover	*961*	*1,313*	352	36.6%
Change in HCRA/Provider Assessment Financing	*3,414*	*3,104*	(310)	-9.1%
School Aid	18,019	18,787	768	4.3%
Other Education Aid	1,640	1,617	(23)	-1.4%
Higher Education	2,837	2,578	(259)	-9.1%
Children and Family Services	1,823	1,968	145	8.0%
Mental Hygiene	2,148	2,266	118	5.5%
All Other Local Assistance	4,218	3,808	(410)	-9.7%
State Operations	**8,659**	**8,925**	**266**	**3.1%**
Personal Service	6,465	6,621	156	2.4%
Non-personal Service	2,194	2,304	110	5.0%
General State Charges	**3,704**	**4,042**	**338**	**9.1%**
Health Insurance	2,835	3,153	318	11.2%
Pensions	1,148	1,412	264	23.0%
Fringe Benefit Escrow Offset	(2,247)	(2,435)	(188)	8.4%
All Other	1,968	1,912	(56)	-2.8%
Transfers to Other Funds	**5,459**	**6,391**	**932**	
Change in Reserves	**570**	**(55)**	**(625)**	
Timing Related Reserve	163	-	(163)	
Prior Year Reserves	340	-	(340)	
Community Projects Fund	67	(55)	(122)	
"CURRENT SERVICES" BUDGET GAP FOR 2010-11 *			**(2,181)**	

** Excludes HCRA balance, which is projected to remain positive over the multi-year Financial Plan.*

The outyear forecast for 2010-11 is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current services costs of program activities. DOB believes the estimates of annual change in receipts and disbursements that constitute the current services gap forecast are based on reasonable assumptions and methodologies.

General Fund Outyear Receipts/Projections

Overall, tax receipts growth in the two fiscal years following 2009-10 is expected to grow within a range of 2 to 8 percent. This reflects an economic forecast of a national recovery beginning in the third quarter of 2009 with many aspects of New York State's recovery lagging into 2010. The receipts growth is supported significantly by revenue actions in the Budget, including the three-year temporary increase in PIT rates. Tax receipts in 2012-13 are expected to decline slightly, primarily due to the expiration of the temporary rate increase.

- Total General Fund receipts are projected to reach $56.9 billion in 2010-11, $58.4 billion in 2011-12 and $58.2 billion in 2012-13.
- Total State Funds receipts are projected to be approximately $85.9 billion in 2010-11, $89.0 billion in 2011-12 and $88.6 billion in 2012-13.
- Total All Funds receipts in 2010-11 are projected to reach $134.6 billion, an increase of $4.0 billion, or 3 percent over 2009-10 estimates. All Funds receipts in 2011-12 are expected to decrease by $2.4 billion (1.7 percent) over the prior year. In 2012-13, receipts are expected to decrease by $1.1 billion (0.8 percent) from 2011-12 projections.
- All Funds tax receipts are expected to increase by 6.2 percent in 2010-11, 3.3 percent in 2011-12, and 0.3 percent in 2012-13.

General Fund Outyear Disbursement Projections

DOB forecasts General Fund spending of $59 billion in 2010-11, an increase of $4.1 billion (7.5 percent) over estimated 2009-10 levels. Growth in 2011-12 is projected at $8.2 billion (13.9 percent) and in 2012-13 at $4.8 billion (7.1 percent). The growth levels are based on current services projections, as modified by the actions contained in the 2009-10 Enacted Budget. They do not incorporate any estimate of potential new actions to control spending in future years.

General Fund Grants to Local Governments

Annual growth in local assistance over the plan period is driven primarily by Medicaid (including administrative costs and local cost sharing), school aid and aid for children and family services. The following table summarizes some of the factors that affect the local assistance projections over the Financial Plan period.

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING LOCAL ASSISTANCE
(millions of dollars, where applicable)

	Results	Forecast				
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Medicaid						
Medicaid Coverage	3,559,381	3,691,391	3,983,166	4,271,459	4,564,665	4,861,432
Family Health Plus Coverage	518,189	424,949	424,788	460,584	552,384	552,384
Child Health Plus Coverage	360,436	381,303	428,220	437,220	446,220	455,220
Medicaid Inflation	2.0%	2.9%	3.0%	3.0%	3.0%	3.0%
Medicaid Utilization	-3.0%	-2.4%	1.8%	5.8%	5.0%	4.0%
State Takeover of County/NYC Costs (Total)	$564	$724	$961	$1,313	$1,709	$2,165
- Family Health Plus	$396	$424	$445	$477	$507	$518
- Medicaid	$168	$300	$516	$836	$1,202	$1,647
Education						
School Aid (School Year)	$19,747	$21,452	$21,857	$22,420	$23,990	$26,170
Public Higher Education Enrollment	512,362	537,190	542,509	546,547	550,616	554,558
Tuition Assistance Program Recipients	309,320	312,362	312,655	313,155	313,655	314,000
Welfare						
Family Assistance Caseload	372,964	350,370	351,718	354,609	357,608	359,485
Single Adult/No Children Caseload	150,447	144,591	152,033	160,380	165,546	170,609
Mental Hygiene						
Office of Mental Health	30,088	31,570	33,170	34,766	35,898	37,429
OMRDD	34,571	35,248	36,162	37,220	38,101	38,756
OASAS	15,553	15,561	16,047	16,457	16,517	16,577
Total - Mental Hygiene Community Beds	80,212	82,379	85,379	88,443	90,516	92,762

Medicaid

General Fund spending for Medicaid is expected to grow by $2.2 billion in 2010-11, $4.9 billion in 2011-12, and another $1.1 billion in 2012-13, which includes a reduction in the State share resulting from the enhanced FMAP provided through the Federal ARRA.

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
Base Growth Before Enhanced FMAP	**14,057**	**15,608**	***1,551***	***11.0%***	**17,601**	***12.8%***	**18,834**	***7.0%***
Enhanced FMAP -- State Share *	(3,155)	(2,883)	*272*	*-8.6%*	0	*-100.0%*	0	-
State Funds Base Growth (After FMAP)	**10,902**	**12,725**	***1,823***	***16.7%***	**17,601**	***38.3%***	**18,834**	***7.0%***
Less: Other State Funds Support	**4,501**	**4,085**	***(416)***	***-9.2%***	**4,065**	***-0.5%***	**4,190**	***3.1%***
HCRA Financing	2,668	2,238	*(430)*	*-16.1%*	2,218	*-0.9%*	2,343	*5.6%*
Provider Assessment Revenue	686	700	*14*	*2.0%*	700	*0.0%*	700	*0.0%*
Indigent Care Revenue	1,147	1,147	*0*	*0.0%*	1,147	*0.0%*	1,147	*0.0%*
Total General Fund	**6,401**	**8,640**	***2,239***	***35.0%***	**13,536**	***56.7%***	**14,644**	***8.2%***
Local Government Relief (incl. above)	961	1,313	*352*	*36.6%*	1,709	*103.4%*	2,165	*106.1%*

** Excludes enhanced FMAP for other state agencies.*

Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that affect nearly all categories of service (i.e., hospitals, nursing homes, etc.). The State cap on local Medicaid costs and takeover of local FHP costs, which are included in base categories of service, are projected to increase spending by $352 million in 2010-11, and $396 million in 2011-12. In 2011-12, $2.9 billion of the State Funds spending increase is due to the scheduled cessation of Federal assistance that had been granted to the State in 2009-10 and 2010-11 in accordance with ARRA. In addition, an extra weekly payment to providers deferred from 2009-10 adds $400 million in base spending across all categories of service in 2011-12.

The average number of Medicaid recipients is expected to grow to 4.27 million in 2010-11, an increase of 7.2 percent from the estimated 2009-10 caseload of 3.98 million. FHP enrollment is estimated to grow to approximately 460,600 individuals in 2010-11, an increase of 8.4 percent over projected 2008-09 enrollment of almost 424,800 individuals.

School Aid

MULTI-YEAR SCHOOL AID PROJECTIONS - SCHOOL-YEAR BASIS
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
Foundation Aid	14,876	14,876	0	0.0%	15,890	6.8%	17,390	9.4%
Universal Pre-kindergarten	376	376	0	0.0%	460	22.3%	520	13.0%
High Tax Aid	205	205	0	0.0%	100	-51.2%	100	0.0%
EXCEL Building Aid*	165	185	20	12.1%	192	3.8%	192	0.0%
Expense-Based Aids	5,595	6,080	485	8.7%	6,600	8.6%	7,170	8.6%
Other Aid Categories/Initiatives	640	698	58	9.1%	748	7.2%	798	6.7%
Total School Aid	**21,857**	**22,420**	**563**	**2.6%**	**23,990**	**7.0%**	**26,170**	**9.1%**

** Represents State debt service costs.*

School aid is projected to increase in 2009-10 and beyond. In future years, increases in foundation aid and UPK are also projected primarily due to increases in expense-based aids such as building aid and transportation aid. On a school-year basis, school aid is projected at $22.4 billion in 2010-11, $24.0 billion in 2011-12, and $26.2 billion in 2012-13. On a State fiscal-year basis, General Fund school aid spending is projected to grow by $768 million in 2010-11, $951 million in 2011-12, and $2.2 billion in 2012-13.

Outside the General Fund, revenues from core lottery sales are projected to increase by $27 million in 2010-11, $67 million in 2011-12, and $106 million in 2012-13 (totaling $2.5 billion in 2012-13). Revenues from VLTs are projected to increase by $68 million in 2010-11, $657 million in 2011-12 and decrease by $260 million in 2012-13 (totaling $944 million in 2012-13). VLT estimates for 2011-12 assume the one-time receipt of $370 million in additional revenues from the State's sale of operating rights at a VLT facility, and assume the start of operations at Aqueduct in 2011, and Belmont by 2012.

Mental Hygiene

Mental hygiene spending is projected at $2.3 billion in 2010-11, $2.4 billion in 2011-12, and $2.5 billion in 2012-13. Sources of growth include: increases in the projected State share of Medicaid costs; projected expansion of the various mental hygiene service systems including the OMH's children's services; increases in the NYS-CARES program and in the development of children's beds in OMRDD to bring children back from out-of-state placements; the New York/New York III Supportive Housing agreement and community bed expansion in OMH; and several chemical dependence treatment and prevention initiatives in OASAS, including treatment costs associated with Rockefeller Drug Law reform.

Children and Family Services

Children and Family Services local assistance spending is projected to grow by $145 million in 2010-11, $202 million in 2011-12 and $143 million in 2012-13. The increases are driven primarily by expected growth in local claims-based programs, including child welfare.

Temporary and Disability Assistance

Spending is projected at $1.3 billion in 2010-11, and is expected to increase to $1.4 billion by 2012-13, primarily the result of an expected decrease in Federal offsets, which increases the level of General Fund resources needed to fund existing commitments.

General Fund State Operations

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING STATE OPERATIONS

	Results	Forecast				
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
State Operations						
Prison Population (Corrections)	62,261	61,400	59,500	59,400	59,300	59,300
Negotiated Salary Increases*	3.0%	3.0%	3.0%	4.0%	0.0%	0.0%
Personal Service Inflation	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
State Workforce	199,754	199,916	190,335	190,195	190,195	190,195

** Negotiated salary increases reflect labor settlements included in the Financial Plan estimates.*

State Operations spending is expected to total $8.9 billion in 2010-11, an annual increase of $266 million (3.1 percent). In 2011-12, spending is projected to grow by another $250 million (2.8 percent) to a total of $9.1 billion, followed by another $137 million (1.5 percent) for a total of $9.3 billion in 2012-13. The personal service portion of these increases reflects both the impact of the settled labor contracts and potential spending for unsettled unions (assuming comparable agreements to currently-settled unions), salary adjustments for performance advances, longevity payments and promotions; and increased staffing levels. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections.

The agencies and authorities experiencing the most significant personal service and non-personal service growth are depicted in the charts below, followed by brief descriptions.

Personal Service

GENERAL FUND - PERSONAL SERVICE (millions of dollars)	2009-10	2010-11	Annual $ Change	2011-12	2012-13
Total	**6,465**	**6,621**	**156**	**6,801**	**6,870**
Potential Labor Settlements	400	275	(125)	275	275
Workforce Reduction	(191)	(219)	(28)	(219)	(219)
Judiciary	1,500	1,681	181	1,829	1,862
State University	806	876	70	895	913
Correctional Services	1,773	1,807	34	1,803	1,807
Tax and Finance	281	296	15	296	296
State Police	453	420	(33)	420	420
All Other	1,443	1,485	42	1,502	1,516

- **Potential Labor Settlements:** The Financial Plan includes spending for potential settlements with unions that have not yet reached agreement with the State. The spending assumes settlements at the same terms that have been ratified by settled unions.
- **Workforce Reduction:** Reflects the WRP and the elimination of 2009-10 general salary increase, merit awards, longevity payments, and performance advances for most non-unionized employees.
- **Judiciary:** Reflects projections of anticipated needs for OCA.
- **State University:** Primarily reflects negotiated salary increases and increased investment in operations afforded by tuition increases.
- **Correctional Services:** Growth reflects facility closures, reductions in force, and ongoing cost controls.
- **Department of Taxation and Finance:** Changes reflect the annualization of additional full-time employees added for enhanced audit activity and information technology purposes.
- **State Police:** The higher spending in 2009-10 over 2010-11 is driven by the retroactive component of the PBA labor contract settlement expected to be paid in 2009-10.

Non-Personal Service

GENERAL FUND - NON-PERSONAL SERVICE (millions of dollars)	2009-10	2010-11	Annual $ Change	2011-12	2012-13
Total	**2,194**	**2,304**	**110**	**2,374**	**2,442**
Correctional Services	615	643	28	666	700
State Police	50	55	5	80	74
Public Health	127	146	19	150	150
State University	364	379	15	397	421
All Other	1,038	1,081	43	1,081	1,097

- **Correctional Services:** Growth is primarily driven by the escalating costs of food, fuel, utilities, and providing health care services and prescription drugs to inmates.
- **State Police:** Spending growth reflects costs previously supported by cellular surcharge revenues in other State funds, that will be supported by General Fund revenues in 2009-10.
- **Public Health:** Growth is largely driven by the annualization of funding for the State to directly enroll individuals into Medicaid, CHP and FHP.
- **State University:** Primarily reflects funding for inflationary increases in non-personal service at SUNY.

General Fund General State Charges

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING GENERAL STATE CHARGES

	Results	Forecast				
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
General State Charges						
Pension Contribution Rate as % of Salary	9.7%	8.8%	7.6%	10.5%	11.4%	11.5%
Rate of Growth Employee/Retiree Health Insurance	5.4%	4.9%	6.6%	10.5%	8.5%	8.5%

GSCs are projected to total $4.0 billion in 2010-11, $4.3 billion in 2011-12 and $4.8 billion in 2012-13. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's pension contribution rate to the New York State and Local Retirement System, which is 7.6 percent for 2009-10, is expected to increase to 10.5 percent for 2010-11, 11.4 percent for 2011-12 and 11.5 percent in 2012-13. Pension costs in 2010-11 are projected to total $1.4 billion, an increase of $264 million over 2009-10. In 2011-12, costs are projected to increase an additional $113 million to total $1.5 billion. In 2012-13, they are expected to increase by $129 million to total $1.7 billion. Growth in all years is driven by anticipated increases in the employer contribution rate.

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 (Unaudited Results)	1,639	1,068	2,707
2009-10 (Projected)	1,712	1,123	2,835
2010-11 (Projected)	1,906	1,247	3,153
2011-12 (Projected)	2,056	1,348	3,404
2012-13 (Projected)	2,217	1,456	3,673

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

Spending for employee and retiree health care costs is expected to increase by $318 million in 2010-11, $251 million in 2011-12, and another $269 million in 2012-13, and assumes an average annual premium increase of approximately 8.0 percent. Health insurance is projected at $3.2 billion in 2010-11 ($1.9 billion for active employees and $1.25 billion for retired employees), $3.4 billion in 2011-12 ($2.1

billion for active employees and $1.3 billion for retired employees), and $3.7 billion in 2012-13 ($2.2 billion for active employees and $1.5 billion for retired employees).

See discussion of the GASB Statement 45 later in this AIS for the valuation of future State health insurance costs for State employees.

General Fund Transfers to Other Funds

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

	2009-10	2010-11	Annual $ Change	2011-12	2012-13
Transfers to Other Funds:	**5,459**	**6,391**	**932**	**7,265**	**7,690**
Medicaid State Share	2,362	2,388	26	2,887	2,888
Debt Service	1,783	1,762	(21)	1,739	1,725
Capital Projects	551	1,162	611	1,319	1,491
Dedicated Highway and Bridge Trust Fund	383	763	380	842	923
All Other Capital	168	399	231	477	568
All Other Transfers	763	1,079	316	1,320	1,586
Mental Hygiene	12	295	283	494	705
Medicaid Payments for State Facility Patients	193	193	0	193	193
Judiciary Funds	149	150	1	156	161
SUNY- Hospital Operations	135	134	(1)	167	167
Banking Services	66	66	0	66	66
Empire State Stem Cell Trust Fund	16	13	(3)	-	56
Statewide Financial System	0	35	35	50	60
All Other	192	193	1	194	178

In 2010-11, transfers to other funds are estimated at $6.4 billion, an increase of $932 million over 2009-10. This includes increased transfers to the DHBTF (see additional discussion below), capital projects funds, and the mental hygiene system. In addition, transfers are increasing to fund the development of the State's new financial management system.

In 2011-12, transfers to other funds are expected to increase by $874 million. This increase reflects projected Medicaid State Share transfers without the benefit of the Federal ARRA package (or enhanced FMAPs), and expected increases in transfers to supplement resources available for the mental hygiene system. In 2012-13, transfers are expected to increase by $425 million, mainly to supplement resources available to the mental hygiene system and subsidize the DHBTF, as well as funding for stem cell research.

Dedicated Highway and Bridge Trust Fund

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

revenue deposits and bond proceeds. The AIS presents a revised forecast for the General Fund subsidy to reflect Enacted Budget Financial Plan projections. The subsidy is projected at $763 million for 2010-11 and $842 million for 2011-12, with continued growth thereafter.

Financial Plan Reserves

In January 2007, the State created a new statutory Rainy Day Reserve that has an authorized balance of 3 percent of General Fund spending. The Rainy Day Reserve may be used to respond to an economic downturn or catastrophic event. The State made its first deposit of $175 million in 2007-08. The Tax Stabilization Reserve has an authorized balance of 2 percent of General Fund spending and can be used only to cover unforeseen year-end deficits.

The State projects that General Fund reserves will total $1.4 billion at the end of 2009-10, with $1.2 billion in undesignated reserves available to deal with unforeseen contingencies and $151 million designated for subsequent use.

The $1.2 billion of undesignated reserves includes a balance of $1 billion in the Tax Stabilization Reserve, $175 million in the Rainy Day Reserve, and $21 million in the Contingency Reserve Fund for litigation risks.

The designated reserves consist of $78 million in the Community Projects Fund to finance existing "member-item" initiatives, and $73 million set aside for the debt management purposes.

Cash Flow Forecast

In 2009-10, the General Fund is projected to have quarterly-ending balances of $111 million in June 2009, $2.8 billion in September 2009, $1.2 billion in December 2009, and $1.4 billion at the end of March 2010. The lowest projected month-end cash flow balance is in June 2009. DOB's detailed monthly cash flow projections for 2009-10 are set forth in the Financial Plan tables.

OSC invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through the Short-Term Investment Pool (STIP), which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund.

OSC is authorized to make short-term loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Enacted Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements). The Enacted Budget includes new loan authorization for the General Fund, as described above.

The total outstanding loan balance was $1.6 billion on March 31, 2009. This was comprised of advances to finance capital spending that will be reimbursed by bond proceeds or Federal grants ($808 million), activities financed by the State in the first instance that will be reimbursed by Federal aid ($411 million), and loans across several State Special Revenue Funds ($279 million) and Proprietary Funds ($53 million).

The total loan balance typically increases throughout the State fiscal year, reaching its peak between the second and third quarters. The spike mainly reflects the payment of lottery aid for education, which is financed in large part by a loan that is repaid over the course of the year as lottery revenues are received.

2009-10 All Funds Financial Plan Forecast

This section describes the State's Financial Plan projections for receipts and disbursements based on the 2009-10 Enacted Budget agreement. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in current-services spending and the impact of the 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.

2009-10 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 current economic slowdown has broadened to virtually every sector of the New York State economy except for education, health care and social assistance. As a result, DOB anticipates that weaker employment, declining corporate earnings, reduced household spending and lower real estate activity will negatively impact State revenue in 2009-10.
- Base receipt growth over the period 2006-07 to 2008-09, supported by a strong financial services sector and real estate market, averaged 5.3 percent. However, the current decline in economic activity is estimated to negatively impact receipt growth for 2009-10 and 2010-11. As a result, base tax receipts (adjusting for law changes) are expected to fall 6.5 percent in 2009-10 and grow by 4.8 percent in 2010-11.
- The negative impact of the depressed equity and real estate markets on the State's economy in general and the financial services industry in particular is expected to result in major declines in bonus payouts during the current fiscal year (down 20 percent from prior year) and reduced growth in business tax receipts over the remaining years of the Financial Plan.
- The volatile real estate and financial markets represent even greater risks to revenues due to the high concentration of taxable income among a relatively small segment of the taxpaying population.
- The decline in the residential housing market is projected to largely eliminate the surge in taxable capital gains realizations associated with real estate sales that characterized the last few years.
- The economy is expected to continue to decline, and as a result, 2009-10 growth in PIT withholding and sales tax collections will be weak absent the legislation enacted with the Budget.
- The combined impact of the declining real estate and financial markets and the deepening recession results in estimated declines in PIT liability of 9.8 percent in the 2008 tax year, and 11.7 percent in the 2009 tax year, before the impact of the temporary rate increase effective in 2009.
- The broadening impact of the economic slowdown has reduced consumption of durable goods, non-durable goods and taxable services. In addition, the outlook for the nominal value of cars

purchased and disposable income have deteriorated, all negatively impacting growth in the sales tax revenue base.

- The large audit settlements associated with financial service industry firms continued into 2008-09 but are expected to be largely concluded before 2009-10, and this loss of resources must be compensated for by other tax compliance actions included with the Budget.

All Funds receipts are projected to total $130.6 billion, an increase of $11.3 billion over 2008-09 results. The following table summarizes the receipts projections for 2009-10 and 2010-11.

TOTAL RECEIPTS
(millions of dollars)

	2008-09 Results*	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund	**53,801**	**54,338**	**537**	**1.0%**	**56,896**	**2,558**	**4.7%**
Taxes	38,301	39,401	1,100	2.9%	42,218	2,817	7.1%
Miscellaneous Receipts	3,105	3,381	276	8.9%	3,022	(359)	-10.6%
Federal Grants	45	0	(45)	-100.0%	0	0	0.0%
Transfers	12,350	11,556	(794)	-6.4%	11,656	100	0.9%
State Funds	**80,265**	**82,675**	**2,410**	**3.0%**	**85,885**	**3,210**	**3.9%**
Taxes	60,337	60,647	310	0.5%	64,383	3,736	6.2%
Miscellaneous Receipts	19,883	22,027	2,144	10.8%	21,501	(526)	-2.4%
Federal Grants	45	1	(44)	-97.8%	1	0	0.0%
All Funds	**119,235**	**130,550**	**11,315**	**9.5%**	**134,554**	**4,004**	**3.1%**
Taxes	60,337	60,647	310	0.5%	64,383	3,736	6.2%
Miscellaneous Receipts	20,064	22,185	2,121	10.6%	21,653	(532)	-2.4%
Federal Grants	38,834	47,718	8,884	22.9%	48,518	800	1.7%

** Unaudited Year-End Results.*

Base growth in tax receipts is estimated to decline 6.5 percent adjusted for law changes for fiscal year 2009-10 and rise by 4.8 percent for 2010-11. Overall base growth in tax receipts is dependent on many factors. For several years prior to fiscal year 2008-09 the most important factors supporting tax receipt growth were related to:

- Improvements in overall economic activity, especially in New York City and surrounding counties;
- Continued profitability and compensation gains of financial services companies;
- Continued growth in the downstate commercial real estate market; and
- Continued positive impact of high-income taxpayers on PIT growth.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)	2008-09 Results*	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund**	**23,196**	**24,404**	**1,208**	**5.2%**	**26,612**	**2,208**	**9.0%**
Gross Collections	44,011	44,070	59	0.1%	47,558	3,488	7.9%
Refunds/Offsets	(7,171)	(6,832)	339	-4.7%	(7,435)	(603)	8.8%
STAR	(4,434)	(3,524)	910	-20.5%	(3,480)	44	-1.2%
RBTF	(9,210)	(9,310)	(100)	1.1%	(10,031)	(721)	7.7%
State/All Funds	**36,840**	**37,238**	**398**	**1.1%**	**40,123**	**2,885**	**7.7%**
Gross Collections	44,011	44,070	59	0.1%	47,558	3,488	7.9%
Refunds	(7,171)	(6,832)	339	-4.7%	(7,435)	(603)	8.8%

** Unaudited Year-End Results.*
*** Excludes Transfers.*

All Funds PIT receipts, which reflect gross payments minus refunds, are estimated at $37.2 billion for 2009-10, a $398 million increase from the prior year. This is primarily attributable to an increase in withholding of $2.9 billion due to the three-year temporary increase in tax rates adopted in the Enacted Budget Plan. The increase is partially offset by decreases in extension payments and final payments for tax year 2008 of $2.5 billion (53 percent) and $565 million (22.6 percent), respectively. The decrease reflects the extraordinary weak settlement in tax year 2008 returns attributable to the declining economy. Estimated payments for tax year 2009 are projected to increase by $50 million (0.6 percent), with the increase entirely due to the impact of the temporary tax rate increase. Receipts from delinquencies are projected to increase $166 million over the prior year while refunds are estimated to decline by $339 million (4.7 percent). The following table summarizes, by component, actual receipts for 2008-09 and forecast amounts through 2012-13.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS ALL FUNDS (millions of dollars)	2008-09 (Results)*	2009-10 (Enacted)	2010-11 (Projected)	2011-12 (Projected)	2012-13 (Projected)
Receipts					
Withholding	27,686	30,626	31,063	32,350	32,949
Estimated Payments	12,690	10,193	13,033	13,285	11,945
Current Year	7,889	7,938	9,605	9,932	8,675
Prior Year*	4,801	2,255	3,428	3,353	3,270
Final Returns	2,686	2,136	2,293	2,459	2,637
Current Year	192	207	207	207	207
Prior Year**	2,494	1,929	2,086	2,252	2,430
Delinquent Collections	949	1,115	1,169	1,207	1,247
Gross Receipts	44,011	44,070	47,558	49,301	48,777
Refunds					
Prior Year*	4,544	4,238	4,823	5,109	5,352
Previous Years	402	344	324	324	324
Current Year*	1,750	1,750	1,750	1,750	1,750
State-City Offset*	475	500	538	621	712
Total Refunds	**7,171**	**6,832**	**7,435**	**7,804**	**8,138**
Net Receipts	**36,840**	**37,238**	**40,123**	**41,497**	**40,639**

** Unaudited Year-End Results*
*** These components, collectively, are known as the "settlement" on the prior year's tax liability.*

The table below shows the tax liability and fiscal impacts of the temporary tax rate increase by components.

TEMPORARY PERSONAL INCOME TAX INCREASE
ALL FUNDS
(millions of dollars)

Tax Year		Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Liability Totals
2009	Withholding	2,340	0	0	
	Estimated Tax	937	0	0	
	Settlement	0	623	0	
	Total	**3,277**	**623**	**0**	**3,900**
2010	Withholding	671	1,494	0	
	Estimated Tax	0	1,818	0	
	Settlement	0	0	348	
	Total	**671**	**3,312**	**348**	**4,331**
2011	Withholding	0	843	1,686	
	Estimated Tax	0	0	1,686	
	Settlement	0	0	0	
	Total	**0**	**843**	**3,372**	**4,215**
	Cash Total	**3,948**	**4,778**	**3,720**	**12,446**

All Funds income tax receipts of $40.1 billion for 2010-11 are projected to increase $2.9 billion or 7.7 percent from the prior year. Gross receipts are projected to grow 7.9 percent, largely reflecting projected increases in tax year 2010, estimated payments of $1.7 billion (21.0 percent), extension payments of $1.2 billion (52.0 percent) and withholding of $437 million (1.4 percent). Most of the increases in estimated payments and withholding are due to the enacted PIT temporary increase. Payments from final returns for tax year 2009 are projected to increase by $157 million (8.1 percent) and receipts from delinquencies are projected to increase $54 million (4.8 percent) over the prior year. Refunds are estimated to grow by $603 million or 8.8 percent, largely reflecting the impact of tax reductions contained in the Federal ARRA that affect the State's tax base.

General Fund income tax receipts are the net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State PIT revenue bonds. General Fund income tax receipts of $24.4 billion for 2009-10 are expected to increase by $1.2 billion or 5.2 percent from the prior year. This increase reflects a decrease in STAR deposits of $910 million as a result of elimination of both the STAR rebate program and associated enhanced NYC STAR credit for 2009-10, partly offset by an increase in deposits to RBTF of $100 million.

General Fund income tax receipts of $26.6 billion for 2010-11 are projected to grow by $2.2 billion, or 9.0 percent over the current year. Along with the increase in All Funds receipts noted above, there is a marginal decrease of $44 million in STAR deposits. Deposits to the RBTF are expected to increase by 7.7 percent, the same percentage increase as projected for net collections since the deposit equals 25 percent of net collections.

PERSONAL INCOME TAX
(millions of dollars)

	2010-11 Projected	2011-12 Projected	Annual $ Change	2012-13 Projected	Annual $ Change
General Fund*	**26,612**	**27,447**	**835**	**26,625**	**(822)**
Gross Collections	47,558	49,301	1,743	48,777	(524)
Refunds/Offsets	(7,435)	(7,804)	(369)	(8,138)	(334)
STAR	(3,480)	(3,677)	(197)	(3,854)	(177)
RBTF	(10,031)	(10,373)	(342)	(10,160)	213
State/All Funds	**40,123**	**41,497**	**1,374**	**40,639**	**(858)**
Gross Collections	47,558	49,301	1,743	48,777	(524)
Refunds	(7,435)	(7,804)	(369)	(8,138)	(334)

** Excludes Transfers.*

All Funds income tax receipts of $41.5 billion for 2011-12 are projected to increase $1.4 billion, or 3.4 percent over the prior year. Gross receipts are projected to increase 3.7 percent and reflect withholding that is projected to grow by 4.1 percent ($1.3 billion). Total estimated taxes on prior and current year liabilities will increase by an estimated 1.9 percent ($252 million). Payments from final returns are expected to increase 7.2 percent ($166 million). Delinquencies are projected to increase $38 million or 3.3 percent over the prior year. Growth in total refunds is projected to increase $369 million or 5.0 percent over the prior year.

General Fund income tax receipts of $27.4 billion for 2011-12 are projected to increase by $835 million, or 3.1 percent from 2010-11. General Fund receipts for 2011-12 reflect a $197 million increase in STAR deposits, and a $342 million increase in deposits to the RBTF.

All Funds income tax receipts for 2012-13 are projected to be $40.6 billion. General Fund receipts are projected at $26.6 billion. Both figures reflect declines from the prior year due to the expiration of the temporary PIT increase after tax year 2011(with the last fiscal impact of the temporary increase occurring in 2011-12).

User Taxes and Fees

USER TAXES AND FEES (millions of dollars)	2008-09 Results*	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund**	**8,361**	**8,520**	**159**	**1.9%**	**8,819**	**299**	**3.5%**
Sales Tax	7,707	7,793	86	1.1%	7,962	169	2.2%
Cigarette and Tobacco Taxes	446	425	(21)	-4.7%	421	(4)	-0.9%
Motor Vehicle Fees	(42)	19	61	-145.2%	149	130	684.2%
Alcoholic Beverage Taxes	206	235	29	14.1%	239	4	1.7%
ABC License Fees	44	48	4	9.1%	48	0	0.0%
State/All Funds	**14,004**	**14,375**	**371**	**2.6%**	**14,793**	**418**	**2.9%**
Sales Tax	10,985	11,147	162	1.5%	11,386	239	2.1%
Cigarette and Tobacco Taxes	1,340	1,331	(9)	-0.7%	1,324	(7)	-0.5%
Motor Fuel	504	520	16	3.2%	523	3	0.6%
Motor Vehicle Fees	723	876	153	21.2%	1,058	182	20.8%
Highway Use Tax	141	155	14	9.9%	149	(6)	-3.9%
Alcoholic Beverage Taxes	206	235	29	14.1%	239	4	1.7%
ABC License Fees	44	48	4	9.1%	48	0	0.0%
Auto Rental Tax	61	63	2	3.3%	66	3	4.8%

** Unaudited Year-End Results.*
*** Excludes Transfers.*

All Funds user taxes and fee receipts for 2009-10 are estimated to be approximately $14.4 billion, an increase of $371 million or 2.6 percent from 2008-09. Sales tax receipts are expected to increase by $162 million from the prior year due to a base decline of over 2 percent, which is more than offset by tax law changes. Non-sales tax user taxes and fees are estimated to increase by $209 million from 2008-09 mainly due to tax law changes in motor vehicle fees.

General Fund user taxes and fee receipts are expected to total $8.5 billion in 2009-10, an increase of $159 million or 1.9 percent from 2008-09. The increase largely reflects an increase in receipts due to sales tax receipts ($86 million), motor vehicle fees ($61 million) and alcoholic beverage taxes ($29 million), partially offset by a decrease in cigarette tax collections ($21 million).

All Funds user taxes and fee receipts for 2010-11 are projected to be $14.8 billion, an increase of $418 million, or 2.9 percent from 2009-10. This increase largely reflects fee and tax law changes in sales and use tax collections and motor vehicle fees. General Fund user taxes and fee receipts are projected to total $8.8 billion in 2010-11, an increase of $299 million, or 3.5 percent from 2009-10. This increase largely reflects fee and tax law changes in sales and use tax collections and motor vehicle fees.

USER TAXES AND FEES (millions of dollars)	2010-11 Projected	2011-12 Projected	Annual $ Change	2012-13 Projected	Annual $ Change
General Fund*	**8,819**	**9,193**	**374**	**9,469**	**276**
Sales Tax	7,962	8,325	363	8,693	368
Cigarette and Tobacco Taxes	421	416	(5)	409	(7)
Motor Vehicle Fees	149	160	11	67	(93)
Alcoholic Beverage Taxes	239	244	5	249	5
ABC License Fees	48	48	0	51	3
State/All Funds	**14,793**	**15,284**	**491**	**15,698**	**414**
Sales Tax	11,386	11,864	478	12,383	519
Cigarette and Tobacco Taxes	1,324	1,307	(17)	1,283	(24)
Motor Fuel	523	525	2	528	3
Motor Vehicle Fees	1,058	1,074	16	976	(98)
Highway Use Tax	149	155	6	160	5
Alcoholic Beverage Taxes	239	244	5	249	5
ABC License Fees	48	48	0	51	3
Auto Rental Tax	66	67	1	68	1

** Excludes Transfers.*

All Funds user taxes and fees are projected to increase by $491 million in 2011-12 and then increase by $414 million in 2012-13. This reflects the proposed fee and tax law changes becoming fully effective.

Business Taxes

BUSINESS TAXES (millions of dollars)	2008-09 Results*	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund	**5,556**	**5,495**	**(61)**	**-1.1%**	**5,828**	**333**	**6.1%**
Corporate Franchise Tax	2,755	2,916	161	5.8%	3,211	295	10.1%
Corporation & Utilities Tax	654	729	75	11.5%	690	(39)	-5.3%
Insurance Tax	1,086	1,171	85	7.8%	1,181	10	0.9%
Bank Tax	1,061	679	(382)	-36.0%	746	67	9.9%
State/All Funds	**7,604**	**7,676**	**72**	**0.9%**	**8,045**	**369**	**4.8%**
Corporate Franchise Tax	3,221	3,374	153	4.8%	3,704	330	9.8%
Corporation & Utilities Tax	863	955	92	10.7%	905	(50)	-5.2%
Insurance Tax	1,181	1,434	253	21.4%	1,471	37	2.6%
Bank Tax	1,233	793	(440)	-35.7%	878	85	10.7%
Petroleum Business Tax	1,106	1,120	14	1.3%	1,087	(33)	-2.9%

** Unaudited Year-End Results.*

All Funds business tax receipts for 2009-10 are estimated at $7.7 billion, an increase of $72 million, or 0.9 percent from the prior year. The estimates reflect a net increase in receipts of $585 million resulting from tax law changes. The increase in the prepayment rate from 30 percent to 40 percent for most business taxpayers and the imposition of the insurance premiums tax on for-profit HMOs are the major tax law changes. Absent these provisions, All Funds business tax receipts are expected to decline by $513 million or 6.7 percent. The majority of this decline is in the corporate franchise tax and the bank tax. Corporate profits are expected to decline 22 percent in calendar year 2009 although the related revenue decline will be far less due to a higher proportion of taxpayers filing under non-income tax bases. Bank tax receipts in 2008-09 were bolstered by one-time receipts from the three month reopening of VCI.

This program, which allowed taxpayers to voluntarily report the use of IRS designated tax shelters, accounted for $370 million, or 81 percent of All Funds audit collections of $455 million. Bank tax audit collections are expected to fall to $71 million in 2009-10. Excluding Enacted Budget provisions, corporation and utilities tax receipts are expected to grow 4.6 percent as revenue from the telecommunication sector remains strong and the insurance tax is expected to remain virtually unchanged.

All Funds business tax receipts for 2010-11 of $8.0 billion are projected to increase by $369 million, or 4.8 percent over the prior year, reflecting rebound induced growth rates of 9.8 and 10.7 percent in corporate franchise tax and bank tax receipts respectively.

General Fund business tax receipts for 2009-10 of $5.5 billion are estimated to decrease by $61 million, or 1.1 percent below 2008-09 results. The General Fund decrease in business tax receipts is larger than the All Funds decline because the net revenue from the imposition of the insurance premiums tax on for-profit HMOs is dedicated to HCRA. Aside from this Enacted Budget provision, business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

General Fund business tax receipts for 2010-11 of $5.8 billion are projected to increase $333 million, or 6.1 percent over the prior year. Corporate franchise tax and bank tax receipts are projected to increase 10.1 percent and 9.9 percent, respectively as the economy begins to recover.

BUSINESS TAXES
(millions of dollars)

	2010-11 Projected	2011-12 Projected	Annual $ Change	2012-13 Projected	Annual $ Change
General Fund	**5,828**	**5,925**	**97**	**6,398**	**473**
Corporate Franchise Tax	3,211	3,129	(82)	3,513	384
Corporation & Utilities Tax	690	722	32	754	32
Insurance Tax	1,181	1,252	71	1,332	80
Bank Tax	746	822	76	799	(23)
State/All Funds	**8,045**	**8,177**	**132**	**8,697**	**520**
Corporate Franchise Tax	3,704	3,628	(76)	4,047	419
Corporation & Utilities Tax	905	942	37	979	37
Insurance Tax	1,471	1,550	79	1,636	86
Bank Tax	878	967	89	940	(27)
Petroleum Business Tax	1,087	1,090	3	1,095	5

All Funds business tax receipts estimated for 2011-12 and 2012-13 reflect trend growth that is determined in part by the expected levels of corporate profits, taxable insurance premiums, electric utility consumption prices, the consumption of telecommunications services and automobile fuel consumption and fuel prices. Business tax receipts are projected to increase to $8.2 billion (1.6 percent) in 2011-12, and $8.7 billion (6.4 percent) in 2012-13. General Fund business tax receipts over this period are expected to increase to $5.9 billion (1.7 percent) in 2011-12 and $6.4 billion (8.0 percent) in 2012-13.

Other Taxes

OTHER TAXES (millions of dollars)	2008-09 Results*	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund**	**1,188**	**982**	**(206)**	**-17.3%**	**959**	**(23)**	**-2.3%**
Estate Tax	1,163	958	(205)	-17.6%	935	(23)	-2.4%
Gift Tax	2	0	(2)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	N/A	0	0	0.0%
Pari-Mutuel Taxes	22	23	1	4.5%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**1,889**	**1,357**	**(532)**	**-28.2%**	**1,422**	**65**	**4.8%**
Estate Tax	1,163	958	(205)	-17.6%	935	(23)	-2.4%
Gift Tax	2	0	(2)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	N/A	0	0	0.0%
Real Estate Transfer Tax	701	375	(326)	-46.5%	463	88	23.5%
Pari-Mutuel Taxes	22	23	1	4.5%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

** Unaudited Year-End Results.*
*** Excludes Transfers.*

All Funds other tax receipts for 2009-10 are estimated to be $1.4 billion, down $532 million or 28.2 percent from 2008-09 receipts. This decrease reflects a 17.6 percent decline in the estate tax collections due to declines in equity and home values experienced over the past year, combined with a nearly 47 percent decline in real estate transfer tax collections as a result of current conditions in the real estate and credit markets. General Fund other tax receipts are expected to total $982 million in fiscal year 2009-10, reflecting the $205 million decline in estate tax collections.

All Funds other tax receipts for 2010-11 are projected to be $1.4 billion, up $65 million or 4.8 percent from 2009-10, reflecting growth in the real estate transfer tax of 23.5 percent, reflecting the beginning of a rebound in the residential and commercial markets, partially offset by a 2.4 percent decline in estate tax collections. General Fund other tax receipts are expected to total $959 million in fiscal year 2010-11, an decrease of $23 million which is attributable to a projected decline in the estate tax.

OTHER TAXES (millions of dollars)	2010-11 Projected	2011-12 Projected	Annual $ Change	2012-13 Projected	Annual $ Change
General Fund*	**959**	**1,015**	**56**	**1,077**	**62**
Estate Tax	935	991	56	1,053	62
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-Mutuel Taxes	23	23	0	23	0
All Other Taxes	1	1	0	1	0
State/All Funds	**1,422**	**1,566**	**144**	**1,708**	**142**
Estate Tax	935	991	56	1,053	62
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	463	551	88	631	80
Pari-Mutuel Taxes	23	23	0	23	0
All Other Taxes	1	1	0	1	0

** Excludes Transfers.*

The 2011-12 All Funds receipts projection for other taxes is nearly $1.6 billion, up $144 million or 10.1 percent from 2010-11 receipts. Growth in the estate tax is projected to follow expected increases in household net worth as equity prices begin to rebound. Receipts from the real estate transfer tax are projected to increase, reflecting the continued improvement in the residential and commercial markets.

The 2012-13 All Funds receipts projection for other taxes of $1.7 billion is up $142 million or 9.1 percent from 2011-12 receipts.

Miscellaneous Receipts and Federal Grants

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)	2008-09 Results*	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund	**3,150**	**3,381**	**231**	**7.3%**	**3,022**	**(359)**	**-10.6%**
Miscellaneous Receipts	3,105	3,381	276	8.9%	3,022	(359)	-10.6%
Federal Grants	45	0	(45)	-100.0%	0	0	0.0%
State Funds	**19,928**	**22,028**	**2,100**	**10.5%**	**21,502**	**(526)**	**-2.4%**
Miscellaneous Receipts	19,883	22,027	2,144	10.8%	21,501	(526)	-2.4%
Federal Grants	45	1	(44)	-97.8%	1	0	0.0%
All Funds	**58,898**	**69,903**	**11,005**	**18.7%**	**70,171**	**268**	**0.4%**
Miscellaneous Receipts	20,064	22,185	2,121	10.6%	21,653	(532)	-2.4%
Federal Grants	38,834	47,718	8,884	22.9%	48,518	800	1.7%

** Unaudited Year-End Results.*

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total $22.2 billion in 2009-10, an increase of $2.1 billion from 2008-09 results, largely driven by programs financed with authority bond proceeds ($718 million), including spending in economic development, SUNY and State equipment financing; growth in SUNY tuition, fee, patient, and other income ($459 million), increased lottery receipts, including VLT ($213 million) and growth in HCRA receipts ($470 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal 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 $47.7 billion in 2009-10, an increase of $8.9 billion from 2008-09 results driven by receipt of Federal ARRA monies.

General Fund miscellaneous receipts collections are estimated to be approximately $3.4 billion in 2009-10, up $276 million from 2008-09 results. This increase is primarily due to actions taken with the 2009-10 Enacted Budget.

All Funds miscellaneous receipts are projected to total $21.7 billion in 2010-11, a decrease of $532 million from the current year, driven by General Fund changes of $359 million primarily due to the loss of several one-time receipts including payments related to NYPA, augmented by a decline in programs financed with authority bond proceeds ($150 million).

All Funds Federal grants are projected to total $48.5 billion in 2010-11, an increase of $800 million from the current year reflecting an increase in Federal ARRA funding.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

	2010-11 Projected	2011-12 Projected	Annual $ Change	2012-13 Projected	Annual $ Change
General Fund	**3,022**	**3,017**	**(5)**	**3,043**	**26**
Miscellaneous Receipts	3,022	3,017	(5)	3,043	26
Federal Grants	0	0	0	0	0
State Funds	**21,502**	**22,472**	**970**	**21,863**	**(609)**
Miscellaneous Receipts	21,501	22,471	970	21,862	(609)
Federal Grants	1	1	0	1	0
All Funds	**70,171**	**65,677**	**(4,494)**	**64,362**	**(1,315)**
Miscellaneous Receipts	21,653	22,574	921	21,965	(609)
Federal Grants	48,518	43,103	(5,415)	42,397	(706)

General Fund miscellaneous receipts and Federal grants are projected to be $3.0 billion in each year beginning in 2010-11.

All funds miscellaneous receipts are projected to increase by $921 million in 2011-12 and decline by $609 million in 2012-13 driven by the one-time receipt of franchise fees related to the development of VLT facilities ($370 million).

The loss of Federal ARRA aid drives the All Funds Federal grant declines of $5.4 billion in 2011-12 and $706 million in 2012-13.

2009-10 Financial Plan Disbursements Forecast

TOTAL DISBURSEMENTS (millions of dollars)							
			Before Actions *			After Actions	
	2008-09 Results **	2009-10 Base	Annual $ Change	Annual % Change	2009-10 Enacted	Annual $ Change	Annual % Change
State Operating Funds	**78,168**	**88,154**	**9,986**	**12.8%**	**78,742**	**574**	**0.7%**
General Fund ***	48,436	57,136	8,700	18.0%	49,449	1,013	2.1%
Other State Funds	25,146	25,804	658	2.6%	24,075	(1,071)	-4.3%
Debt Service Funds	4,586	5,214	628	13.7%	5,218	632	13.8%
All Governmental Funds	**121,571**	**132,753**	**11,182**	**9.2%**	**131,935**	**10,364**	**8.5%**
State Operating Funds	78,168	88,154	9,986	12.8%	78,742	574	0.7%
Capital Projects Funds	6,830	7,983	1,153	16.9%	8,832	2,002	29.3%
Federal Operating Funds	36,573	36,616	43	0.1%	44,361	7,788	21.3%
General Fund, including Transfers	**54,607**	**63,565**	**8,958**	**16.4%**	**54,908**	**301**	**0.6%**

** i.e. current services.*
*** Unaudited Results.*
**** Excludes transfers.*

General Fund disbursements, including transfers to other funds, are projected to total $54.9 billion in 2009-10, an increase of $301 million from 2008-09 results. 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 $78.7 billion in 2009-10. The General Fund and State Operating Funds spending totals are reduced by the increase in FMAP. The projected receipt of extraordinary Federal aid in 2009-10 adds approximately $7.2 billion to the All Funds spending total.

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The major sources of annual spending change between 2008-09 and 2009-10 (after Enacted Budget actions) are summarized in the table below.

ENACTED BUDGET SPENDING PROJECTIONS - AFTER ENACTED BUDGET ACTIONS
MAJOR SOURCES OF ANNUAL CHANGE
(millions of dollars)

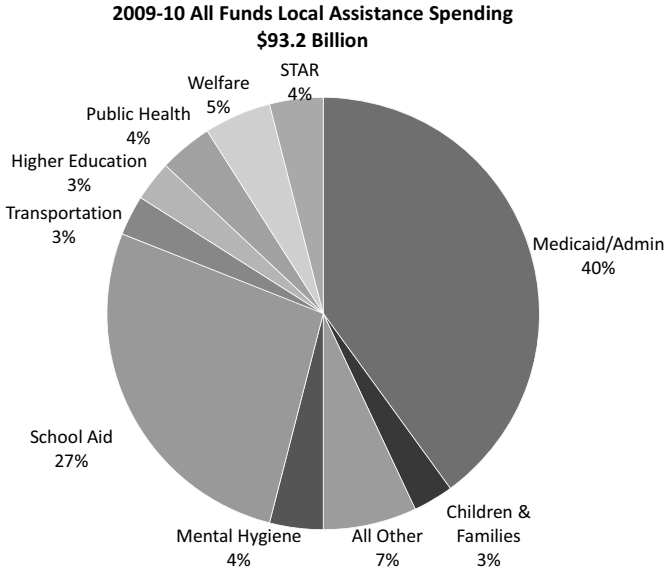
	General Fund *	Other State Funds**	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2008-09 Results* **	**48,436**	**29,732**	**78,168**	**6,830**	**36,573**	**121,571**
Major Functions						
Public Health:						
Medicaid	(1,740)	1,073	(667)	0	4,272	3,605
Public Health	165	(406)	(241)	151	72	(18)
K-12 Education:						
School Aid	263	(197)	66	0	1,426	1,492
All Other Education Aid	16	(5)	11	113	592	716
STAR	0	(911)	(911)	0	0	(911)
Higher Education	578	427	1,005	232	110	1,347
Social Services:						
Temporary and Disability Assistance	66	(3)	63	(2)	(1)	60
Children and Family Services	148	(1)	147	(1)	37	183
Mental Hygiene	85	(98)	(13)	56	253	296
Transportation	(8)	(367)	(375)	735	(7)	353
General State Charges	620	(327)	293	0	97	390
Debt Service	49	564	613	0	0	613
All Other Changes						
Economic Development	(34)	217	183	436	301	920
Potential Labor Settlements	400	24	424	0	0	424
Labor	9	(3)	6	0	312	318
Homeland Security	46	(7)	39	(2)	217	254
Technology	11	0	11	97	12	120
Local Government Aid	97	0	97	0	0	97
State Police	(8)	66	58	26	(4)	80
Military and Naval Affairs	18	4	22	(7)	58	73
Judiciary	23	14	37	23	1	61
Elections	4	(3)	1	0	59	60
Empire State Stem Cell Trust Fund	0	38	38	0	0	38
Department of State	7	(3)	4	(14)	43	33
Criminal Justice Services	(13)	(9)	(22)	0	(1)	(23)
Parks and Recreation	(14)	(21)	(35)	13	(2)	(24)
Correctional Services	(71)	1	(70)	36	9	(25)
All Other	296	(506)	(210)	110	(68)	(168)
2009-10 Enacted Budget	**49,449**	**29,293**	**78,742**	**8,832**	**44,361**	**131,935**
Annual Dollar Change	*1,013*	*(439)*	*574*	*2,002*	*7,788*	*10,364*
Annual Percent Change	*2.1%*	*-1.5%*	*0.7%*	*29.3%*	*21.3%*	*8.5%*

** Excludes Transfers.*
*** Includes State Special Revenue and Debt Service Funds.*
**** Unaudited Year-End Results.*

The spending forecast for each of the State's major financial plan categories follows. 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 the amounts appropriated in the Budget are disbursed in the same fiscal year.

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 71 percent of All Funds spending.



In 2009-10, All Funds spending for local assistance is proposed to total $93.2 billion. Total spending is comprised of State aid to medical assistance providers and public health programs ($40.5 billion); State aid for education, including school districts, universities, and tuition assistance ($34.3 billion); temporary and disability assistance ($4.8 billion); mental hygiene programs ($3.9 billion); transportation ($3.1 billion); children and family services ($2.7 billion); and local government assistance ($1.1 billion). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.

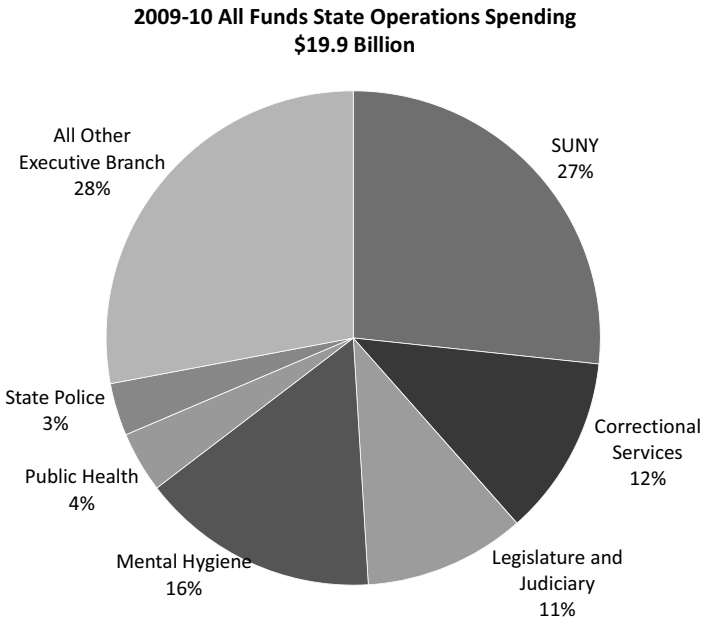
LOCAL ASSISTANCE SPENDING PROJECTIONS
(millions of dollars)

	2008-09 Results*	2009-10 Enacted	Annual $ Change	Annual % Change
General Fund	**37,040**	**37,086**	**46**	**0.1%**
Other State Support	16,944	16,199	(745)	**-4.4%**
State Operating Funds	**53,984**	**53,285**	**(699)**	**-1.3%**
Capital Project Funds	1,356	860	(496)	**-36.6%**
Federal Operating Funds	31,927	39,046	7,119	**22.3%**
All Funds	**87,267**	**93,191**	**5,924**	**6.8%**

** Unaudited Year-End Results.*

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 Branch, Legislature, and Judiciary, as well as overtime payments and costs for temporary employees. 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.



Approximately 93 percent of the State workforce is unionized. The largest unions include CSEA, which primarily represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which primarily represents professional and technical personnel (i.e., attorneys, nurses, accountants, 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 (i.e., OSC, Law, SUNY/CUNY, and excluding the Legislature, Judiciary, and contractual labor), is projected to total 128,803 FTEs in 2009-10, a decrease of 7,687 from 2008-09 levels. Decreases are expected in nearly all agencies, mainly as a result of facility closures and the WRP.

State Operations spending, which is projected to total $19.9 billion in 2009-10, finances the costs of Executive agencies ($17.8 billion), and the Legislature and Judiciary ($2.1 billion). The largest agencies in dollar terms and staffing levels include SUNY ($5.3 billion; 40,609 FTEs), Correctional Services ($2.4 billion; 29,175 FTEs), Mental Hygiene ($3.1 billion; 38,160 FTEs), DOH ($800 million; 5,441 FTEs), and State Police ($715 million; 5,607 FTEs).

STATE OPERATIONS SPENDING PROJECTIONS (millions of dollars)				
	2008-09 Results*	**2009-10 Enacted**	**Annual $ Change**	**Annual % Change**
General Fund	**8,312**	**8,659**	**347**	**4.2%**
Other State Support	6,942	6,968	26	0.4%
State Operating Funds	**15,254**	**15,627**	**373**	**2.4%**
Capital Projects Funds	0	0	0	N/A
Federal Operating Funds	3,712	4,284	572	15.4%
Total All Funds	**18,966**	**19,911**	**945**	**5.0%**

** Unaudited Year-End Results.*

State Operations spending by category, based upon prior year spending trends, is allocated among employee regular salaries (69 percent), overtime payments (3 percent), contractual services (19 percent), supplies and materials (4 percent), equipment (2 percent), employee travel (1 percent), and other operational costs (2 percent).

STATE OPERATIONS SPENDING PROJECTIONS MAJOR SOURCES OF ANNUAL CHANGE - STATE OPERATING FUNDS (millions of dollars)			
	Personal Service	**Non-Personal Service**	**State Operations**
2008-09 Results*	**10,329**	**4,925**	**15,254**
Reserve for Unsettled Unions	424	0	424
Workforce Reduction	(267)	0	(267)
SUNY	106	194	300
State Police	103	(17)	86
Tax and Finance	42	5	47
Stem Cell Research	(1)	39	38
Judiciary	73	(42)	31
Labor management Committee	(4)	29	25
Correctional Services	(36)	54	18
Temporary and Disability Assistance	2	14	16
Public Health	3	22	25
Mental Hygiene	(187)	(2)	(189)
Insurance	(7)	(63)	(70)
2009-10 Spending Controls	0	(50)	(50)
All Other	(110)	49	(61)
2009-10 Enacted	**10,470**	**5,157**	**15,627**
Annual Dollar Change	*141*	*232*	*373*
Annual Percent Change	*1.4%*	*4.7%*	*2.4%*

** Unaudited Year-End Results.*

The State Operating Funds spending increase of $373 million (2.4 percent) in State Operations is primarily driven by a reserve to finance potential collective bargaining agreements with unsettled unions ($424 million), SUNY ($300 million), State Police ($86 million), Department of Taxation and Finance ($47 million), and stem cell research ($38 million) offset by a planned workforce reduction and a decline in State share Medicaid payments to State-owned mental hygiene facilities due to increased Federal

Medicaid participation. The annual changes by personal service and non-personal service are summarized in the following tables.

Personal Service

PERSONAL SERVICE
SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE)
FROM 2008-09 TO 2009-10
(millions of dollars)

	General Fund	Other State Funds	Total State Operating Funds	Federal Operating Funds	Total All Funds
2008-09 Results*	**6,168**	**4,161**	**10,329**	**2,280**	**12,609**
Current Services:	**731**	**(21)**	**710**	**22**	**732**
Reserve for Unsettled Unions	400	24	424	0	424
Judiciary	58	0	58	(2)	56
Public Health	22	(18)	4	(18)	(14)
Children and Family Services	19	0	19	(3)	16
State University	38	(26)	12	1	13
State Police	86	13	99	(2)	97
Mental Hygiene	1	100	101	(19)	82
Agency Salary Adjustments	74	42	116	23	139
Workforce Changes	33	(156)	(123)	42	(81)
Extraordinary Federal Aid:	**0**	**(267)**	**(267)**	**301**	**34**
Mental Hygiene FMAP	0	(267)	(267)	267	0
Labor	0	0	0	30	30
All Other	0	0	0	4	4
Enacted Savings:	**(478)**	**130**	**(348)**	**(114)**	**(462)**
Workforce Reduction	(191)	(76)	(267)	(111)	(378)
SUNY Tuition Increase	(87)	108	21	0	21
Auto Insurance Surcharge	(48)	48	0	0	0
SUNY	(45)	88	43	0	43
DOCS Facility Closures/Correctional Services	(58)	0	(58)	0	(58)
Delay Mental Health Expansion	(11)	0	(11)	0	(11)
Youth Facility Closures/Downsizing	(10)	0	(10)	0	(10)
Real Property Services Fund Shift	20	(20)	0	0	0
Mental Hygiene	0	(29)	(29)	(10)	(39)
All Other	(48)	11	(37)	7	(30)
New Initiatives:	**44**	**2**	**46**	**0**	**46**
Tax and Finance	41	0	41	0	41
All Other	3	2	5	0	5
2009-10 Enacted	**6,465**	**4,005**	**10,470**	**2,489**	**12,959**
Total Annual Change	*297*	*(156)*	*141*	*209*	*350*

** Unaudited Year-End Results.*

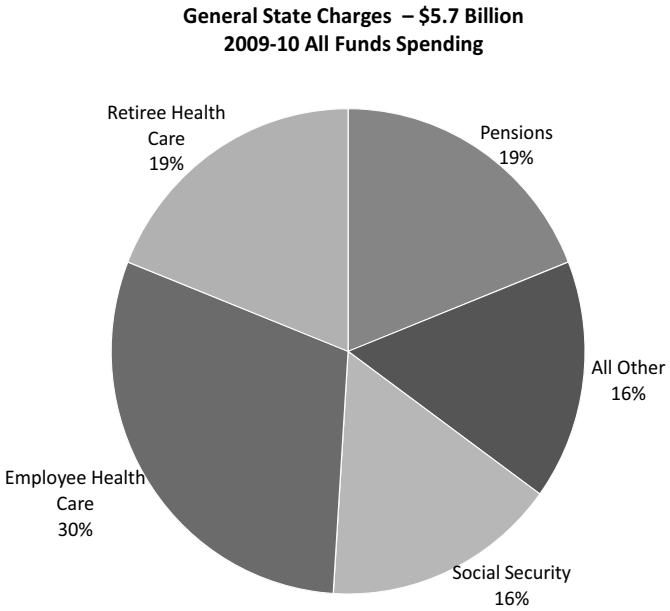
Non-Personal Service

NON-PERSONAL SERVICE SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2008-09 TO 2009-10 (millions of dollars)					
	General Fund	Other State Funds	Total State Operating Funds	Federal Operating Funds	All Funds
2008-09 Results*	**2,144**	**2,781**	**4,925**	**1,432**	**6,357**
Current Services:	**194**	**89**	**283**	**208**	**491**
Correctional Services	76	0	76	0	76
Mental Hygiene	0	7	7	139	146
State University	63	116	179	(5)	174
State Police	15	(24)	(9)	(2)	(11)
Temporary and Disability Assistance	22	0	22	(9)	13
Public Health	16	9	25	3	28
Labor Management Committee	28	1	29	0	29
Judiciary	(45)	2	(43)	4	(39)
Elections	1	(3)	(2)	42	40
Insurance	(84)	2	(82)	0	(82)
Stem Cell Research	0	60	60	0	60
All Other	102	(81)	21	36	57
Extraordinary Federal Aid:	**0**	**0**	**0**	**173**	**173**
Labor	0	0	0	86	86
SUNY Pell Grants	0	0	0	28	28
Technology	0	0	0	12	12
Public Health	0	0	0	26	26
Criminal Justice	0	0	0	8	8
All Other	0	0	0	13	13
Enacted Savings:	**(199)**	**85**	**(114)**	**(18)**	**(132)**
DOCS Facility Closures/Correctional Services	(28)	0	(28)	0	(28)
2009-10 Spending Controls	(50)	0	(50)	0	(50)
Health Program Financing	0	15	15	0	15
SUNY Tuition Increase	(35)	45	10	0	10
Workers Compensation Board	0	20	20	0	20
SUNY	(19)	24	5	0	5
Mental Hygiene	0	(9)	(9)	(13)	(22)
SWN Funding	(26)	26	0	0	0
Public Safety	(13)	0	(13)	0	(13)
Economic Development	(11)	0	(11)	0	(11)
Stem Cell	0	(21)	(21)	0	(21)
All Other	(17)	(15)	(32)	(5)	(37)
New Initiatives:	**55**	**8**	**63**	**0**	**63**
Higher Education	50	3	53	0	53
All Other	5	5	10	0	10
2009-10 Enacted	**2,194**	**2,963**	**5,157**	**1,795**	**6,952**
Total Annual Change	*50*	*182*	*232*	*363*	*595*

** Unaudited Year-End Results.*

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.



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 the GSCs account are paid from the General Fund in the first instance and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. The funding source of fringe benefit costs directly paid by certain agencies is dependent on the respective agencies' funding sources. Fixed costs are paid in full by General Fund revenues from the GSCs account.

GENERAL STATE CHARGES SPENDING PROJECTIONS
(millions of dollars)

	2008-09 Results*	2009-10 Enacted	Annual $ Change	Annual % Change
General Fund	3,084	3,704	620	20.1%
Other State Support	1,307	980	(327)	-25.0%
State Operating Funds	**4,391**	**4,684**	**293**	**6.7%**
Capital Projects Funds	0	0	0	0.0%
Federal Operating Funds	934	1,031	97	10.4%
Total All Funds	**5,325**	**5,715**	**390**	**7.3%**

** Unaudited Year-End Results.*

All Funds spending on GSCs is expected to total $5.7 billion in 2009-10, and includes health insurance spending for employees ($1.7 billion) and retirees ($1.1 billion), pensions ($1.1 billion) and Social Security ($962 million).

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 through transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	2008-09 Results*	2009-10 Enacted	Annual $ Change	Annual % Change
General Fund	**1,734**	**1,783**	**49**	**2.8%**
Other State Support	2,796	3,360	564	20.2%
State Operating Funds	**4,530**	**5,143**	**613**	**13.5%**
Capital Projects Funds	**0**	**0**	**0**	**0.0%**
Total All Funds	**4,530**	**5,143**	**613**	**13.5%**

** Unaudited Year-End Results.*

All Funds debt service is projected at $5.1 billion in 2009-10, of which $1.8 billion is paid from the General Fund through transfers and $3.4 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT revenue bonds, DHBTF bonds, and mental health facilities bonds.

The Enacted Budget Financial Plan includes $12 million in savings from debt management actions. Legislation was enacted to provide greater flexibility in administering the PIT Revenue Bond program by permitting DASNY and ESDC to issue bonds for any authorized PIT Revenue Bond purpose. This is expected to result in improved scheduling and sizing for PIT Revenue Bond sales, producing savings through efficiencies in bond pricing and administration. Administrative actions to reduce costs will be continued. These include a goal of selling 25 percent of bonds on a competitive basis, market conditions permitting, and maximizing refunding opportunities, including through consolidated service contract structures.

Capital Projects

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 are 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.

CAPITAL PROJECTS SPENDING PROJECTIONS (millions of dollars)				
	2008-09 Results*	**2009-10 Enacted**	**Annual $ Change**	**Annual % Change**
General Fund	**473**	**551**	**78**	**16.5%**
Other State Support	4,505	5,364	859	19.1%
State Funds	**4,978**	**5,915**	**937**	**18.8%**
Federal Funds	1,852	2,917	1,065	57.5%
All Funds	**6,830**	**8,832**	**2,002**	**29.3%**

** Unaudited Year-End Results.*

All Funds capital spending is expected to total $8.8 billion in 2009-10. Transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (51 percent) of this total. The balance of projected spending will support capital investments in the areas of economic development (14 percent), education (11 percent), mental hygiene and public protection (7 percent), and parks and the environment (10 percent). The remainder of projected capital projects spending is spread across health and social welfare, general government and other areas (7 percent). State funds are expected to increase by $937 million, or 19 percent, primarily attributable to changes in transportation spending for the Five-Year Capital Plan ($200 million), education spending for SUNY and infrastructure improvements for private colleges and universities ($295 million), and economic development for previously authorized projects ($195 million). Federal ARRA funds represent 98 percent of the annual change in Federal spending. These funds are projected to increase Federal spending by $1.0 billion, providing significant investments in the State's capital infrastructure. Nearly half of this amount will be directed to DOT for infrastructure improvements.

Other Financing Sources/(Uses)

The most significant General Fund transfers to other funds in 2009-10 include transfers for State share Medicaid ($2.4 billion), general debt service ($1.8 billion), and capital projects ($551 million, including $168 million for PAYGO projects and a $383 million subsidy to the DHBTF). Judiciary funding includes money transferred to the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data Processing Fund ($149 million). Also included in General Fund transfers to other funds are transfers representing payments for patients residing in State-operated health and SUNY facilities ($193 million), and SUNY hospital subsidy payments ($135 million).

In Special Revenue Funds, transfers to other funds include transfers 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 ($3.5 billion), a transfer from HCRA to the Capital Projects Fund to finance anticipated non-bondable spending for HEAL-NY ($140 million) and transfer of moneys from several Special Revenue accounts in excess of spending requirements ($1.0 billion).

Capital Projects funds transfers include transfers to the General Debt Service Fund from the DHBTF ($1.0 billion), and transfers from the Hazardous Waste Remedial Fund ($27 million), and the Environmental Protection Fund ($95 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 ($3.8 billion).

CASH FINANCIAL PLAN
GENERAL FUND
2008-2009 and 2009-2010
(millions of dollars)

	2008-2009 Year-End*	2009-2010 Enacted	Annual $ Change	Annual % Change
Opening fund balance	2,754	1,948	(806)	
Receipts:				
Taxes:				
Personal income tax	23,196	24,404	1,208	5.2%
User taxes and fees	8,361	8,520	159	1.9%
Business taxes	5,556	5,495	(61)	-1.1%
Other taxes	1,188	982	(206)	-17.3%
Miscellaneous receipts	3,105	3,381	276	8.9%
Federal grants	45	0	(45)	-100.0%
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,404	8,130	(274)	-3.3%
Sales tax in excess of LGAC debt service	2,195	2,200	5	0.2%
Real estate taxes in excess of CW/CA debt service	352	57	(295)	-83.8%
All other transfers	1,399	1,169	(230)	-16.4%
Total receipts	53,801	54,338	537	1.0%
Disbursements:				
Grants to local governments	37,040	37,086	46	0.1%
State operations:				
Personal Service	6,168	6,465	297	4.8%
Non-Personal Service	2,144	2,194	50	2.3%
General State charges	3,084	3,704	620	20.1%
Transfers to other funds:				
Debt service	1,734	1,783	49	2.8%
Capital projects	473	551	78	16.5%
State Share Medicaid	2,625	2,362	(263)	-10.0%
Other purposes	1,339	763	(576)	-43.0%
Total disbursements	54,607	54,908	301	0.6%
Change in fund balance	(806)	(570)	236	-29.3%
Closing fund balance	1,948	1,378	(570)	-29.3%
Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Statutory Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	145	78	(67)	
Debt Reduction Reserve Fund **	73	73	0	
Reserve for Timing Related Delays**	163	0	(163)	
Remaining Reserve for 2009-10 Use**	340	0	(340)	

**Unaudited Year-end Results*

***Reserve Funds that are DOB-designated uses of the Refund Reserve Account.*

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2009-2010 through 2012-2013
(millions of dollars)

	2009-2010 Enacted	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
Receipts:				
Taxes:				
Personal income tax	24,404	26,612	27,447	26,625
User taxes and fees	8,520	8,819	9,193	9,469
Business taxes	5,495	5,828	5,925	6,398
Other taxes	982	959	1,015	1,077
Miscellaneous receipts	3,381	3,022	3,017	3,043
Federal grants	0	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,130	8,532	8,579	8,110
Sales tax in excess of LGAC debt service	2,200	2,254	2,344	2,463
Real estate taxes in excess of CW/CA debt service	57	147	244	329
All other transfers	1,169	723	684	695
Total receipts	54,338	56,896	58,448	58,209
Disbursements:				
Grants to local governments	37,086	39,664	46,467	50,283
State operations:				
Personal Service	6,465	6,621	6,801	6,870
Non-Personal Service	2,194	2,304	2,374	2,442
General State charges	3,704	4,042	4,344	4,760
Transfers to other funds:				
Debt service	1,783	1,762	1,739	1,725
Capital projects	551	1,162	1,319	1,491
State Share Medicaid	2,362	2,388	2,887	2,888
Other purposes	763	1,079	1,320	1,586
Total disbursements	54,908	59,022	67,251	72,045
Deposit to/(use of) Community Projects Fund	(67)	55	(41)	(92)
Deposit to/(use of) Reserve for Timing Related Delays	(163)	0	0	0
Deposit to/(use of) Remaining Prior Year Reserves	(340)	0	0	0
General Fund Margin	0	(2,181)	(8,762)	(13,744)
HCRA Operating Surplus	0	15	5	38
Combined General Fund/HCRA Margin	0	(2,166)	(8,757)	(13,706)

Source: NYS DOB

CURRENT STATE RECEIPTS
GENERAL FUND
2008-2009 and 2009-2010
(millions of dollars)

	2008-2009 Year-End*	2009-2010 Enacted	Annual $ Change	Annual % Change
Taxes:				
Withholdings	27,686	30,626	2,940	10.6%
Estimated Payments	12,690	10,193	(2,497)	-19.7%
Final Payments	2,686	2,136	(550)	-20.5%
Other Payments	949	1,115	166	17.5%
Gross Collections	44,011	44,070	59	0.1%
State/City Offset	(475)	(500)	(25)	5.3%
Refunds	(6,696)	(6,332)	364	-5.4%
Reported Tax Collections	36,840	37,238	398	1.1%
STAR (dedicated deposits)	(4,434)	(3,524)	910	-20.5%
RBTF (dedicated transfers)	(9,210)	(9,310)	(100)	1.1%
Personal income tax	23,196	24,404	1,208	5.2%
Sales and use tax	10,274	10,389	115	1.1%
Cigarette and tobacco taxes	446	425	(21)	-4.7%
Motor fuel tax	0	0	0	--
Motor vehicle fees	(42)	19	61	-145.2%
Alcoholic beverages taxes	206	235	29	14.1%
Highway Use tax	0	0	0	--
Alcoholic beverage control license fees	44	48	4	9.1%
Auto rental tax	0	0	0	--
Gross Utility Taxes and fees	10,928	11,116	188	1.7%
LGAC Sales Tax (dedicated transfers)	(2,567)	(2,596)	(29)	1.1%
User Taxes and fees	8,361	8,520	159	1.9%
Corporation franchise tax	2,755	2,916	161	5.8%
Corporation and utilities tax	654	729	75	11.5%
Insurance taxes	1,086	1,171	85	7.8%
Bank tax	1,061	679	(382)	-36.0%
Petroleum business tax	0	0	0	--
Business taxes	5,556	5,495	(61)	-1.1%
Estate tax	1,163	958	(205)	-17.6%
Real estate transfer tax	701	375	(326)	-46.5%
Gift tax	2	0	(2)	-100.0%
Real property gains tax	0	0	0	--
Pari-mutuel taxes	22	23	1	4.5%
Other taxes	1	1	0	0.0%
Gross Other taxes	1,889	1,357	(532)	-28.2%
Real estate transfer tax (dedicated)	(701)	(375)	326	-46.5%
Other taxes	1,188	982	(206)	-17.3%
Total Taxes	38,301	39,401	1,100	2.9%
Licenses, fees, etc.	1,006	690	(316)	-31.4%
Abandoned property	698	700	2	0.3%
Reimbursements	1,089	172	(917)	-84.2%
Investment income	104	155	51	49.0%
Other transactions	208	1,664	1,456	700.0%
Miscellaneous receipts	3,105	3,381	276	8.9%
Federal grants	45	0	(45)	-100.0%
Total	41,451	42,782	1,331	3.2%

**Unaudited Year-end Results*

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2008-2009*
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,520	286	6,560
Receipts:				
Taxes	38,301	7,780	12,241	58,322
Miscellaneous receipts	3,105	12,911	845	16,861
Federal grants	45	0	0	45
Total receipts	41,451	20,691	13,086	75,228
Disbursements:				
Grants to local governments	37,040	16,944	0	53,984
State operations:				
Personal Service	6,168	4,161	0	10,329
Non-Personal Service	2,144	2,725	56	4,925
General State charges	3,084	1,307	0	4,391
Debt service	0	0	4,530	4,530
Capital projects	0	9	0	9
Total disbursements	48,436	25,146	4,586	78,168
Other financing sources (uses):				
Transfers from other funds	12,350	4,562	5,976	22,888
Transfers to other funds	(6,171)	(1,156)	(14,464)	(21,791)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,179	3,406	(8,488)	1,097
Change in fund balance:	(806)	(1,049)	12	(1,843)
Deposit to/(use of) Community Projects Fund	(195)			
Deposit to/(use of) Prior Year Reserves	(562)			
Deposit to/(use of) Debt Reduction Reserve	(49)			
Closing fund balance	1,948	2,471	298	4,717

**Unaudited Year-end Results*

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,948	2,471	298	4,717
Receipts:				
Taxes	39,401	7,076	12,082	58,559
Miscellaneous receipts	3,381	14,076	830	18,287
Federal grants	0	1	0	1
Total receipts	42,782	21,153	12,912	76,847
Disbursements:				
Grants to local governments	37,086	16,199	0	53,285
State operations:				
Personal Service	6,465	4,005	0	10,470
Non-Personal Service	2,194	2,888	75	5,157
General State charges	3,704	980	0	4,684
Debt service	0	0	5,143	5,143
Capital projects	0	3	0	3
Total disbursements	49,449	24,075	5,218	78,742
Other financing sources (uses):				
Transfers from other funds	11,556	3,769	6,520	21,845
Transfers to other funds	(5,459)	(1,287)	(14,223)	(20,969)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,097	2,482	(7,703)	876
Deposit to/(use of) Community Projects Fund	(67)	0	0	(67)
Deposit to/(use of) Prior Year Reserves	(503)	0	0	(503)
Change in fund balance	0	(440)	(9)	(449)
Closing fund balance	1,378	2,031	289	3,698

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	0	2,031	289	2,320
Receipts:				
Taxes	42,218	7,098	12,945	62,261
Miscellaneous receipts	3,022	14,069	820	17,911
Federal grants	0	1	0	1
Total receipts	45,240	21,168	13,765	80,173
Disbursements:				
Grants to local governments	39,664	15,985	0	55,649
State operations:				
Personal Service	6,621	4,167	0	10,788
Non-Personal Service	2,304	2,953	75	5,332
General State charges	4,042	1,039	0	5,081
Debt service	0	0	5,791	5,791
Capital projects	0	2	0	2
Total disbursements	52,631	24,146	5,866	82,643
Other financing sources (uses):				
Transfers from other funds	11,656	3,874	6,830	22,360
Transfers to other funds	(6,391)	(1,076)	(14,737)	(22,204)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,265	2,798	(7,907)	156
Deposit to/(use of) Community Projects Fund	55	0	0	55
Change in fund balance	(2,181)	(180)	(8)	(2,369)
Closing fund balance	(2,181)	1,851	281	(49)

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	0	1,851	281	2,132
Receipts:				
Taxes	43,580	7,342	13,468	64,390
Miscellaneous receipts	3,017	15,054	839	18,910
Federal grants	0	1	0	1
Total receipts	46,597	22,397	14,307	83,301
Disbursements:				
Grants to local governments	46,467	17,061	0	63,528
State operations:				
Personal Service	6,801	4,551	0	11,352
Non-Personal Service	2,374	2,976	75	5,425
General State charges	4,344	1,239	0	5,583
Debt service	0	0	6,183	6,183
Capital projects	0	2	0	2
Total disbursements	59,986	25,829	6,258	92,073
Other financing sources (uses):				
Transfers from other funds	11,851	4,534	6,378	22,763
Transfers to other funds	(7,265)	(1,138)	(14,419)	(22,822)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,586	3,396	(8,041)	(59)
Deposit to/(use of) Community Projects Fund	(41)	0	0	(41)
Change in fund balance	(8,762)	(36)	8	(8,790)
Closing fund balance	(8,762)	1,815	289	(6,658)

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	0	1,815	289	2,104
Receipts:				
Taxes	43,569	7,580	13,453	64,602
Miscellaneous receipts	3,043	15,101	858	19,002
Federal grants	0	1	0	1
Total receipts	46,612	22,682	14,311	83,605
Disbursements:				
Grants to local governments	50,283	17,345	0	67,628
State operations:				
Personal Service	6,870	4,565	0	11,435
Non-Personal Service	2,442	3,159	75	5,676
General State charges	4,760	1,297	0	6,057
Debt service	0	0	6,549	6,549
Capital projects	0	2	0	2
Total disbursements	64,355	26,368	6,624	97,347
Other financing sources (uses):				
Transfers from other funds	11,597	4,710	6,446	22,753
Transfers to other funds	(7,690)	(967)	(14,138)	(22,795)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	3,907	3,743	(7,692)	(42)
Deposit to/(use of) Community Projects Fund	(92)	0	0	(92)
Change in fund balance	(13,744)	57	(5)	(13,692)
Closing fund balance	(13,744)	1,872	284	(11,588)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2008-2009*
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,879	(433)	286	6,486
Receipts:					
Taxes	38,301	7,780	2,015	12,241	60,337
Miscellaneous receipts	3,105	13,089	3,025	845	20,064
Federal grants	45	36,907	1,882	0	38,834
Total receipts	41,451	57,776	6,922	13,086	119,235
Disbursements:					
Grants to local governments	37,040	48,871	1,356	0	87,267
State operations:					
Personal Service	6,168	6,441	0	0	12,609
Non-Personal Service	2,144	4,157	0	56	6,357
General State charges	3,084	2,241	0	0	5,325
Debt service	0	0	0	4,530	4,530
Capital projects	0	9	5,474	0	5,483
Total disbursements	48,436	61,719	6,830	4,586	121,571
Other financing sources (uses):					
Transfers from other funds	12,350	7,308	790	5,976	26,424
Transfers to other funds	(6,171)	(4,397)	(1,413)	(14,464)	(26,445)
Bond and note proceeds	0	0	457	0	457
Net other financing sources (uses)	6,179	2,911	(166)	(8,488)	436
Change in fund balance	(806)	(1,032)	(74)	12	(1,900)
Deposit to/(use of) Community Projects Fund	(195)				
Deposit to/(use of) Prior Year Reserves	(562)				
Deposit to/(use of) Debt Reduction Reserve	(49)				
Closing fund balance	1,948	2,847	(507)	298	4,586

**Unaudited Year-end Results*

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,948	2,847	(507)	298	4,586
Receipts:					
Taxes	39,401	7,076	2,088	12,082	60,647
Miscellaneous receipts	3,381	14,234	3,740	830	22,185
Federal grants	0	44,779	2,939	0	47,718
Total receipts	42,782	66,089	8,767	12,912	130,550
Disbursements:					
Grants to local governments	37,086	55,245	860	0	93,191
State operations:					
Personal Service	6,465	6,494	0	0	12,959
Non-Personal Service	2,194	4,683	0	75	6,952
General State charges	3,704	2,011	0	0	5,715
Debt service	0	0	0	5,143	5,143
Capital projects	0	3	7,972	0	7,975
Total disbursements	49,449	68,436	8,832	5,218	131,935
Other financing sources (uses):					
Transfers from other funds	11,556	6,841	785	6,520	25,702
Transfers to other funds	(5,459)	(4,845)	(1,187)	(14,223)	(25,714)
Bond and note proceeds	0	0	532	0	532
Net other financing sources (uses)	6,097	1,996	130	(7,703)	520
Deposit to/(use of) Community Projects Fund	(67)	0	0	0	(67)
Deposit to/(use of) Prior Year Reserves	(503)	0	0	0	(503)
Change in fund balance	0	(351)	65	(9)	(295)
Closing fund balance	1,378	2,496	(442)	289	3,721

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,496	(442)	289	2,343
Receipts:					
Taxes	42,218	7,098	2,122	12,945	64,383
Miscellaneous receipts	3,022	14,221	3,590	820	21,653
Federal grants	0	45,448	3,070	0	48,518
Total receipts	45,240	66,767	8,782	13,765	134,554
Disbursements:					
Grants to local governments	39,664	55,844	855	0	96,363
State operations:					
Personal Service	6,621	6,707	0	0	13,328
Non-Personal Service	2,304	4,626	0	75	7,005
General State charges	4,042	2,119	0	0	6,161
Debt service	0	0	0	5,791	5,791
Capital projects	0	2	8,525	0	8,527
Total disbursements	52,631	69,298	9,380	5,866	137,175
Other financing sources (uses):					
Transfers from other funds	11,656	7,136	1,524	6,830	27,146
Transfers to other funds	(6,391)	(4,637)	(1,416)	(14,737)	(27,181)
Bond and note proceeds	0	0	597	0	597
Net other financing sources (uses)	5,265	2,499	705	(7,907)	562
Deposit to/(use of) Community Projects Fund	55	0	0	0	55
Change in fund balance	(2,181)	(32)	107	(8)	(2,114)
Closing fund balance	(2,181)	2,464	(335)	281	229

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,464	(335)	281	2,410
Receipts:					
Taxes	43,580	7,342	2,135	13,468	66,525
Miscellaneous receipts	3,017	15,157	3,561	839	22,574
Federal grants	0	40,426	2,677	0	43,103
Total receipts	46,597	62,925	8,373	14,307	132,202
Disbursements:					
Grants to local governments	46,467	52,440	916	0	99,823
State operations:					
Personal Service	6,801	6,736	0	0	13,537
Non-Personal Service	2,374	4,608	0	75	7,057
General State charges	4,344	2,174	0	0	6,518
Debt service	0	0	0	6,183	6,183
Capital projects	0	2	8,086	0	8,088
Total disbursements	59,986	65,960	9,002	6,258	141,206
Other financing sources (uses):					
Transfers from other funds	11,851	7,323	1,749	6,378	27,301
Transfers to other funds	(7,265)	(4,183)	(1,472)	(14,419)	(27,339)
Bond and note proceeds	0	0	454	0	454
Net other financing sources (uses)	4,586	3,140	731	(8,041)	416
Deposit to/(use of) Community Projects Fund	(41)	0	0	0	(41)
Change in fund balance	(8,762)	105	102	8	(8,547)
Closing fund balance	(8,762)	2,569	(233)	289	(6,137)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,569	(233)	289	2,625
Receipts:					
Taxes	43,569	7,580	2,140	13,453	66,742
Miscellaneous receipts	3,043	15,204	2,860	858	21,965
Federal grants	0	39,954	2,443	0	42,397
Total receipts	46,612	62,738	7,443	14,311	131,104
Disbursements:					
Grants to local governments	50,283	52,267	922	0	103,472
State operations:					
Personal Service	6,870	6,760	0	0	13,630
Non-Personal Service	2,442	4,794	0	75	7,311
General State charges	4,760	2,296	0	0	7,056
Debt service	0	0	0	6,549	6,549
Capital projects	0	2	7,000	0	7,002
Total disbursements	64,355	66,119	7,922	6,624	145,020
Other financing sources (uses):					
Transfers from other funds	11,597	7,589	1,708	6,446	27,340
Transfers to other funds	(7,690)	(4,014)	(1,507)	(14,138)	(27,349)
Bond and note proceeds	0	0	382	0	382
Net other financing sources (uses)	3,907	3,575	583	(7,692)	373
Deposit to/(use of) Community Projects Fund	(92)	0	0	0	(92)
Change in fund balance	(13,744)	194	104	(5)	(13,451)
Closing fund balance	(13,744)	2,763	(129)	284	(10,826)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2009-2010
(dollars in millions)

	2009 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2010 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,948	2,860	134	111	1,076	1,113	2,777	2,516	762	1,231	5,621	4,827	1,948
RECEIPTS:													
Personal Income Tax	2,983	1,004	2,083	1,987	1,764	2,964	1,236	433	2,105	4,729	1,210	1,906	24,404
User Taxes and Fees	627	643	860	684	678	855	666	657	797	711	571	771	8,520
Business Taxes	10	27	958	96	99	1,145	93	42	1,123	83	126	1,693	5,495
Other Taxes	52	84	86	85	85	85	84	84	84	84	84	85	982
Total Taxes	3,672	1,758	3,987	2,852	2,626	5,049	2,079	1,216	4,109	5,607	1,991	4,455	39,401
Licenses, Fees, etc.	45	70	50	35	60	45	55	50	35	40	70	135	690
Abandoned Property	19	0	16	16	10	52	14	172	38	69	56	238	700
Reimbursements	4	9	23	5	13	20	10	11	24	6	11	36	172
Investment Income	39	7	25	22	0	6	18	15	3	14	0	6	155
Other Transactions	40	45	81	47	57	758	48	37	89	41	36	385	1,664
Total Miscellaneous Receipts	147	131	195	125	140	881	145	285	189	170	173	800	3,381
Federal Grants	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,049	256	926	661	312	1,090	616	110	1,024	979	217	890	8,130
Sales Tax in Excess of LGAC Debt Service	178	22	430	202	202	211	199	195	239	212	1	109	2,200
Real Estate Taxes in Excess of CW/CA Debt Service	20	20	0	0	0	0	0	0	0	5	5	7	57
All Other	1	0	187	44	0	70	12	0	133	10	10	702	1,169
Total Transfers from Other Funds	1,248	298	1,543	907	514	1,371	827	305	1,396	1,206	233	1,708	11,556
TOTAL RECEIPTS	5,067	2,187	5,725	3,884	3,280	7,301	3,051	1,806	5,694	6,983	2,397	6,963	54,338
DISBURSEMENTS:													
School Aid	578	2,656	2,017	129	526	1,261	554	982	1,598	288	785	6,645	18,019
Higher Education	28	20	764	84	224	163	368	26	240	47	332	540	2,836
All Other Education	57	150	280	115	117	66	109	94	142	98	153	259	1,640
Medicaid - DOH	974	666	107	793	714	322	543	822	429	433	549	49	6,401
Public Health	55	57	45	62	34	59	61	38	45	111	27	59	653
Mental Hygiene	12	38	366	44	16	506	45	8	453	125	142	393	2,148
Children and Families	27	198	91	278	98	107	91	110	283	71	82	387	1,823
Temporary & Disability Assistance	60	60	361	60	60	287	60	60	(13)	60	3	216	1,274
Transportation	0	16	28	0	16	3	0	19	4	0	10	4	100
All Other	37	38	494	63	56	215	58	53	534	44	43	557	2,192
Total Local Assistance Grants	1,828	3,899	4,553	1,628	1,861	2,989	1,889	2,212	3,715	1,277	2,126	9,109	37,086
Personal Service	735	546	478	641	515	853	437	484	551	455	377	393	6,465
Non-Personal Service	182	186	176	182	190	201	164	159	193	181	192	188	2,194
Total State Operations	917	732	654	823	705	1,054	601	643	744	636	569	581	8,659
General State Charges	409	(24)	168	348	290	999	422	292	82	375	219	124	3,704
Debt Service	617	0	0	13	50	278	16	107	436	12	47	207	1,783
Capital Projects	27	78	127	(113)	102	8	166	46	(1)	75	11	25	551
State Share Medicaid	238	197	197	197	197	197	197	197	197	197	197	154	2,362
Other Purposes	119	31	49	23	38	112	21	63	52	21	22	212	763
Total Transfers to Other Funds	1,001	306	373	120	387	595	400	413	684	305	277	598	5,459
TOTAL DISBURSEMENTS	4,155	4,913	5,748	2,919	3,243	5,637	3,312	3,560	5,225	2,593	3,191	10,412	54,908
Excess/(Deficiency) of Receipts over Disbursements	912	(2,726)	(23)	965	37	1,664	(261)	(1,754)	469	4,390	(794)	(3,449)	(570)
CLOSING BALANCE	2,860	134	111	1,076	1,113	2,777	2,516	762	1,231	5,621	4,827	1,378	1,378

Source: NYS DOB

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

	2008-2009 Year-End*	2009-2010 Enacted	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT					
Agriculture and Markets, Department of	109,631	109,190	122,793	116,827	105,495
Alcoholic Beverage Control	17,022	18,075	18,781	19,114	19,607
Banking Department	78,971	79,009	81,698	80,831	82,212
Consumer Protection Board	3,840	3,096	3,266	3,231	3,321
Economic Development Capital Programs	21,176	18,300	0	0	0
Economic Development, Department of	104,306	106,845	137,389	128,966	89,257
Empire State Development Corporation	620,568	749,723	745,739	733,604	455,754
Energy Research and Development Authority	22,786	29,560	29,798	30,041	30,041
Housing and Community Renewal, Division of	320,605	878,541	441,678	303,489	302,846
Insurance Department	292,668	521,987	540,616	564,639	569,531
Olympic Regional Development Authority	9,503	9,509	7,714	7,924	7,924
Public Service, Department of	78,697	79,427	84,615	87,440	90,004
Science, Technology and Innovation, Foundation for	27,186	26,122	26,674	27,455	27,455
Strategic Investment	3,195	9,000	14,000	10,376	5,000
Functional Total	1,710,154	2,638,384	2,254,761	2,113,937	1,788,447
PARKS AND THE ENVIRONMENT					
Adirondack Park Agency	5,510	5,567	5,738	5,741	5,743
Environmental Conservation, Department of	878,910	1,151,980	1,165,955	917,116	908,565
Environmental Facilities Corporation	14,758	9,967	10,246	10,428	10,612
Hudson River Park Trust	14,290	21,392	10,000	0	0
Parks, Recreation and Historic Preservation, Office of	337,061	312,021	260,581	247,962	249,580
Functional Total	1,250,529	1,500,927	1,452,520	1,181,247	1,174,500
TRANSPORTATION					
Motor Vehicles, Department of	318,270	325,285	340,192	350,227	353,770
Thruway Authority	1,419	1,804	1,876	1,951	2,029
Metropolitan Transportation Authority	160,000	195,300	206,500	194,500	183,600
Transportation, Department of	6,498,414	6,810,399	7,347,377	7,081,440	6,855,123
Functional Total	6,978,103	7,332,788	7,895,945	7,628,118	7,394,522
HEALTH AND SOCIAL WELFARE					
Aging, Office for the	239,660	227,132	230,296	229,686	229,686
Children and Family Services, Office of	3,143,806	3,327,059	3,466,221	3,570,622	3,722,697
OCFS	3,097,973	3,256,215	3,349,535	3,432,267	3,580,011
OCFS - Medicaid	45,833	70,844	116,686	138,355	142,686
Health, Department of	38,097,712	41,689,321	44,116,173	47,156,679	48,176,383
Medical Assistance	32,427,350	36,017,967	38,410,425	41,261,545	42,420,513
Medicaid Administration	900,664	915,500	959,500	1,003,750	1,049,750
Public Health	4,769,698	4,755,854	4,746,248	4,891,384	4,706,120
Health - Medicaid Assistance	0	0	0	0	0
Human Rights, Division of	19,043	22,579	21,103	21,159	21,351
Labor, Department of	581,613	917,791	736,053	629,520	620,267
Medicaid Inspector General, Office of	61,224	80,022	82,520	85,937	85,937
Prevention of Domestic Violence, Office for	2,482	2,374	2,311	2,323	2,344
Stem Cell and Innovation	7,797	46,321	71,500	50,000	167,826

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

	2008-2009 Year-End*	2009-2010 Enacted	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
HEALTH AND SOCIAL WELFARE (Continued)					
Temporary and Disability Assistance, Office of	5,084,635	5,146,806	5,045,459	5,120,793	5,132,029
Welfare Assistance	3,339,685	3,707,723	3,593,383	3,694,344	3,696,450
Welfare Administration	361,065	56,433	55,041	55,041	55,041
All Other	1,383,885	1,382,650	1,397,035	1,371,408	1,380,538
Welfare Inspector General, Office of	1,180	1,403	1,432	1,456	1,472
Workers' Compensation Board	205,090	209,201	193,424	197,598	202,483
Functional Total	47,444,242	51,670,009	53,966,492	57,065,773	58,362,475
MENTAL HEALTH					
Mental Health, Office of	3,084,590	3,246,186	3,515,210	3,697,727	3,817,148
OMH	1,423,983	1,496,517	1,649,787	1,776,465	1,822,807
OMH - Medicaid	1,660,607	1,749,669	1,865,423	1,921,262	1,994,341
Mental Hygiene, Department of	308,318	1,570	1,997	1,484	1,484
Mental Retardation and Developmental Disabilities, Office of	4,183,851	4,220,703	4,443,119	4,607,926	4,795,837
OMRDD	559,080	544,435	551,643	569,908	593,245
OMRDD - Medicaid	3,624,771	3,676,268	3,891,476	4,038,018	4,202,592
Alcoholism and Substance Abuse Services, Office of	584,954	647,810	686,399	760,870	796,435
OASAS	484,789	545,856	579,021	650,770	684,794
OASAS - Medicaid	100,165	101,954	107,378	110,100	111,641
Developmental Disabilities Planning Council	4,915	4,200	4,200	4,200	4,200
Quality of Care for the Mentally Disabled, Commission on	15,207	16,676	18,319	18,404	18,612
Functional Total	8,181,835	8,137,145	8,669,244	9,090,611	9,433,716
PUBLIC PROTECTION					
Capital Defenders Office	370	0	0	0	0
Correction, Commission of	2,687	2,658	2,785	2,814	2,848
Correctional Services, Department of	2,699,307	2,672,125	2,698,627	2,724,797	2,763,547
Crime Victims Board	65,521	69,822	65,216	65,318	65,511
Criminal Justice Services, Division of	295,559	273,675	269,244	253,587	233,034
Homeland Security	108,459	362,166	285,458	551,984	549,093
Investigation, Temporary State Commission of	3,554	0	0	0	0
Judicial Commissions	5,288	5,214	5,208	5,311	5,385
Military and Naval Affairs, Division of	234,686	308,508	222,387	188,491	189,502
Parole, Division of	196,590	188,700	191,630	195,984	199,977
Probation and Correctional Alternatives, Division of	79,273	69,144	70,783	76,971	78,506
State Police, Division of	653,750	740,746	736,005	732,627	708,703
Functional Total	4,345,044	4,692,758	4,547,343	4,797,884	4,796,106
EDUCATION					
Arts, Council on the	45,842	49,183	48,729	48,827	48,827
City University of New York	1,071,277	1,716,892	1,502,408	1,549,843	1,583,274
Education, Department of	30,553,372	31,794,871	33,257,387	33,060,194	35,005,696
School Aid	23,164,174	24,722,363	26,154,513	26,122,156	27,923,190
School Aid - Medicaid Assistance	106,331	40,000	80,000	80,000	80,000
STAR Property Tax Relief	4,435,383	3,524,450	3,480,270	3,677,620	3,854,167
Special Education Categorical Programs	1,783,639	2,264,890	2,376,750	2,057,470	2,058,790
All Other	1,063,845	1,243,168	1,165,854	1,122,948	1,089,549
Higher Education Services Corporation	909,663	1,035,721	991,406	991,014	994,546
Higher Education Capital Grants	4,254	67,746	40,000	38,000	0
State University Construction Fund	16,482	19,586	20,992	21,463	21,822
State University of New York	6,484,894	7,098,551	7,596,072	7,705,386	7,775,743
Functional Total	39,085,784	41,782,550	43,456,994	43,414,727	45,429,908

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

	2008-2009 Year-End*	2009-2010 Enacted	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
GENERAL GOVERNMENT					
Audit and Control, Department of	258,126	263,980	265,052	269,832	274,416
Budget, Division of the	43,813	77,301	84,259	97,199	107,291
Civil Service, Department of	23,744	21,679	22,551	22,763	23,014
Elections, State Board of	97,117	157,241	7,175	7,284	7,426
Employee Relations, Office of	3,694	3,465	3,795	3,833	3,872
Executive Chamber	19,252	17,077	18,023	18,647	18,924
General Services, Office of **	215,793	230,610	224,397	231,139	235,329
Inspector General, Office of	6,446	6,462	6,776	6,852	6,937
Law, Department of	231,205	239,390	240,144	247,122	251,646
Lieutenant Governor, Office of the	133	0	276	1,193	1,208
Lottery, Division of	200,951	188,151	193,807	194,069	194,751
Public Employment Relations Board	3,660	4,270	4,561	4,600	4,648
Public Integrity, Commission on	4,879	4,865	5,017	5,350	5,530
Racing and Wagering Board, State	24,307	21,065	21,802	21,902	22,235
Real Property Services, Office of	58,369	46,269	42,761	43,772	44,359
Regulatory Reform, Governor's Office of	3,438	542	697	697	697
State, Department of	181,137	217,311	205,566	158,531	161,067
Tax Appeals, Division of	3,422	3,025	3,152	3,152	3,152
Taxation and Finance, Department of	372,992	412,154	427,072	427,511	428,627
Technology, Office for	21,364	141,081	149,275	147,592	120,543
Lobbying, Temporary State Commission on	(77)	0	0	0	0
Veterans Affairs, Division of	15,720	17,122	18,000	17,574	17,700
Functional Total	1,789,485	2,073,060	1,944,158	1,930,614	1,933,372
ALL OTHER CATEGORIES					
Legislature	221,729	225,717	220,717	220,717	220,717
Judiciary (excluding fringe benefits)	2,425,844	2,513,026	2,725,941	2,919,326	2,946,710
World Trade Center	48,622	54,119	44,119	34,118	20,000
Local Government Assistance	1,037,389	1,134,517	1,129,524	1,132,764	1,135,888
Long-Term Debt Service	4,537,236	5,218,118	5,865,330	6,257,784	6,623,514
Capital Projects	0	0	0	0	0
General State Charges	2,443,102	3,035,762	3,336,744	3,610,540	4,022,379
Miscellaneous	72,506	(73,262)	(334,318)	(192,762)	(261,662)
Functional Total	10,786,428	12,107,997	12,988,057	13,982,487	14,707,546
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	121,571,604	131,935,618	137,175,514	141,205,398	145,020,592

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.

**Unaudited Year-end Results*

*** To facilitate comparability, the new Office of Procurement Services is reflected within the amounts shown for the Office of General Services.*

Source: NYS DOB

GAAP-Basis Financial Plans/GASB Statement 45

The State Budget is statutorily 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, in accordance with standards and regulations set forth by GASB. Thus, the GAAP projections provided herein are intended to supplement, for informational purposes, the cash-basis Financial Plan. The GAAP-basis plans model the accounting principles applied by OSC in preparation of the 2007-08 Financial Statements. OSC will issue the 2008-09 GAAP-basis Financial Statements in July 2009.

In 2009-10, the General Fund GAAP Financial Plan shows total revenues of $46.5 billion, total expenditures of $54.6 billion, and net other financing sources of $8.7 billion, resulting in an operating surplus of $561 million. These results reflect the impact of the Enacted Budget gap-closing actions.

The GAAP-basis results for 2007-08 showed the State in a net positive asset condition of $47.7 billion after reflecting the impact of GASBS 45 "Accounting and Financial Reporting by Employers for Post-Retirement Benefits."

The State 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, 2008 at $49.9 billion ($41.4 billion for the State and $8.5 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. The actuarial accrued liability was calculated using a 4.2 percent annual discount rate. DOB expects the present value of the actuarial accrued total liability for benefits as of March 31, 2009 for the State, including SUNY, may increase by as much as $9 billion.

This liability was disclosed in the 2007-08 basic GAAP financial statements issued by the State Comptroller in July 2008. GASB rules indicate the 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 2007-08 liability totaled $3.8 billion ($3.1 billion for the State and $0.7 billion for SUNY) under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or roughly $2.7 billion ($2.1 billion for the State and $0.6 billion for SUNY) above the current PAYGO retiree costs. 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 2007-08 by $2.7 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. Anticipated increases in these costs are reflected in the State's multi-year Financial Plan as detailed below.

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

	Health Insurance		
Year	**Active Employees**	**Retirees**	**Total State**
1999-00	777	466	1,243
2000-01	876	521	1,397
2001-02	937	565	1,502
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	885	2,216
2006-07	1,518	913	2,431
2007-08	1,390	1,182	2,572
2008-09*	1,639	1,068	2,707
2009-10*	1,712	1,123	2,835
2010-11*	1,906	1,247	3,153
2011-12*	2,056	1,348	3,404
2012-13*	2,217	1,456	3,673

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches); actuals through 2007-08.

** Estimated.*

As noted, the current Financial Plan does not assume pre-funding of 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.

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DOB's detailed GAAP Financial Plan for 2009-10 is provided below.

GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	40,058	7,081	2,088	12,094	61,321
Public Health/Patient fees	0	3,881	0	473	4,354
Miscellaneous revenues	6,426	1,541	261	26	8,254
Federal grants	0	47,140	2,939	0	50,079
Total revenues	46,484	59,643	5,288	12,593	124,008
Expenditures:					
Grants to local governments	38,494	55,895	858	0	95,247
State operations	12,201	2,173	0	75	14,449
General State charges	3,932	363	0	0	4,295
Debt service	0	2	0	4,159	4,161
Capital projects	1	0	8,675	0	8,676
Total expenditures	54,628	58,433	9,533	4,234	126,828
Other financing sources (uses):					
Transfers from other funds	14,942	2,468	755	6,520	24,685
Transfers to other funds	(6,552)	(3,865)	(1,187)	(14,873)	(26,477)
Proceeds of general obligation bonds	0	0	532	0	532
Proceeds from financing arrangements/ advance refundings	315	0	4,031	0	4,346
Net other financing sources (uses)	8,705	(1,397)	4,131	(8,353)	3,086
Operating Surplus/(Deficit)	561	(187)	(114)	6	266

Source: NYS DOB

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; the impact of calendar year 2008 wage and bonus activity on the State tax settlement in fiscal year 2009-10; 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" in this AIS.

DOB believes that its projections of receipts and disbursements relating to the current State 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. The most significant current risks include the following:

Risks to the Economic Forecast

DOB's outlook calls for an end to the current recession sometime in the third quarter of calendar year 2009, making it the longest since the Great Depression. However, there are a number of risks to the forecast. The large economic stimulus package passed by Congress in February and a Federal Reserve interest rate target of near zero, along with its massive injections of liquidity into the financial system, are expected to contribute to positive, albeit low growth in real U.S. GDP by the third quarter of 2009. However, the response of the economy to this stimulus depends in part on the normal functioning of credit markets. Further delay in the return of normalcy to markets could in turn delay the onset of the recovery. A weaker labor market than projected could result in even lower incomes and weaker household spending than projected. The global economy could contract further than anticipated, further depressing demand for U.S. exports and putting additional downward pressure on corporate earnings. Improving equity prices as markets look beyond the current crisis have been a recent bright spot, but slower corporate earnings growth than expected could further depress equity markets, delaying their recovery and that of Wall Street. On the other hand, a stronger response to the stimulus package, higher equity prices, or stronger global growth than anticipated could result in stronger economic growth than is reflected in the forecast.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation’s financial capital, financial market uncertainty poses a particularly large degree of risk for New York. Lower levels of financial market activity than anticipated could result in a further delay in the recovery of Wall Street profits and bonuses. A more severe national recession than expected could prolong the State's downturn, producing weaker employment and wage growth than projected. Weaker equity and real estate activity than anticipated could negatively affect household spending and taxable capital gains realizations. These effects could ripple though the economy, further depressing both employment and wage growth. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

State Cash Flow Projections

DOB currently projects that each month of the 2009-10 fiscal year will end with a positive cash balance in the General Fund. However, the General Fund’s 2009-10 opening cash position of $1.9 billion was lower than in recent fiscal years and DOB expects extremely tight operating margins, including periodic negative balances in the General Fund, especially in the first quarter of the fiscal year, before the benefit of approved actions in the Enacted Budget are fully realized. The June 2009 closing balance of $111 million is the lowest projected for the fiscal year, based on the current forecast. DOB projects cash

balances of $2.8 billion by September 30, 2009, $1.2 billion by December 30, 2009, and $1.4 billion by March 31, 2010. The settlement of tax liabilities for calendar year 2008, which primarily takes place in April and May 2009, has the potential to significantly alter the cash flow position of the State. DOB and the Department of Taxation and Finance are monitoring collections and refund activity closely.

The Enacted Budget authorizes the General Fund to borrow resources temporarily from other funds for a period not to exceed four months. In addition, under existing law, the General Fund is authorized to use resources in the State's Tax Stabilization Reserve for cash flow purposes, but is required to repay the amounts in full by the close of the fiscal year. Technical legislation approved in the Enacted Budget expands this authorization to include funds available in the Rainy Day Reserve and Contingency Reserve.

State Workforce Reductions

On March 24, 2009, the Executive announced that it would implement a WRP. DOB expects that the WRP will result in a State workforce reduction equivalent to approximately 8,700 employees, and will generate savings of approximately $160 million in 2009-10 growing to over $300 million in 2010-11. On April 7, 2009, DOB directed all State agencies to prepare WRPs to be submitted to DOB by April 21, 2009. The State workforce subject to Executive control finished 2008-09 at 136,490 positions compared to the Executive Budget estimate of 137,745, a decline of 1,255. In 2009-10, this portion of the workforce is expected to be reduced to 128,803 positions, a reduction of 7,687. DOB's plans to reflect the impact of the approved plans in the First Quarterly Update to the Financial Plan. There can be no assurance that the WRP will achieve the level of savings projected in the Financial Plan.

Labor Settlements

The State has reached labor settlements with several labor unions, CSEA, PEF, UUP, District Council 37, and the Police Benevolent Association. Under terms of these four-year contracts, which run from April 1, 2007 through April 1, 2011 (July 2, 2007 through July 1, 2011 for UUP), employees will receive pay increases of 3 percent annually in 2007-08 through 2010-11 and 4 percent in 2011-12. Pursuant to the Governor's directive, most non-unionized "management/confidential" will not receive the planned general salary increase, merit awards, longevity payments, and performance advances in 2009-10.

Other unions representing uniformed correctional officers, graduate students, and security/park police have not reached settlements with the State at this time. DOB estimates that if all the unsettled unions were to agree to the same terms that have been ratified by other unions, it would result in added costs of approximately $400 million in 2009-10, assuming a retroactive component for fiscal years 2007-08 and 2008-09, and approximately $275 million in both 2010-11 and 2011-12. The Enacted Budget for 2009-10 assumes spending related to these settlements. There can be no assurance that actual settlements will not exceed the amounts included in the Plan. In addition, no reserve has been set aside for potential pay raises for judges.

School Supportive Health Services

The OIG of the United States Department of Health and Human Services has conducted six audits of aspects of New York State's School Supportive Health Services program with regard to Medicaid reimbursement. The audits cover $1.4 billion in claims submitted between 1990 and 2001. To date, OIG has issued four final audit reports, which cover claims submitted by upstate and New York City school districts for speech pathology and transportation services. The final audits recommend that the CMS disallow $173 million of the $362 million in claims for upstate speech pathology services, $17 million of $72 million for upstate transportation services, $436 million of the $551 million in claims submitted for

New York City speech pathology services, and $96 million of the $123 million for New York City transportation services. New York State disagrees with the audit findings on several grounds and has requested that they be withdrawn. If the recommended disallowances are not withdrawn, the State expects to appeal.

While CMS has not taken any action with regard to the disallowances recommended by OIG, CMS is deferring 25 percent of New York City claims and 9.7 percent of claims submitted by the rest of the State, pending completion of the audits.

Proposed Federal Rule on Medicaid Funding

On May 25, 2007, CMS issued a final rule that, if implemented, would significantly curtail Federal Medicaid funding to public hospitals (including New York City's HHC) and programs operated by both OMRDD and OMH. The rule seeks to restrict State access to Federal Medicaid resources by changing the upper payment limit for certain rates to actual facility reported costs. It is estimated that this rule could result in a loss of $350 million annually in Federal funds for HHC and potentially larger losses in aid for the State Mental Hygiene System. As part of the Federal ARRA, implementation has been delayed until July 1, 2009.

On May 23, 2007, CMS issued another rule that would eliminate Medicaid funding for GME. The proposed rule clarifies that costs and payments associated with GME programs are not expenditures of Medicaid for which Federal reimbursement is available. This rule could result in a Financial Plan impact of up to $600 million since the State would be legally obligated to pay the lost non-Federal share. As part of the Federal ARRA, implementation has been delayed indefinitely.

On February 22, 2008, CMS issued a change to the rules that regulate State taxation of healthcare entities, effective April 22, 2008. The rule affords CMS flexibility in identifying a "linkage" between provider taxes and Medicaid payments rendering the tax invalid. The State currently uses a substantial amount of provider tax receipts to finance various healthcare programs that serve the State's most vulnerable populations. While the State strongly believes that its imposed taxes are in full compliance, the vagueness of the new rules provides no assurance that these funding streams are adequately protected. On May 6, 2009 CMS extended the delayed implementation through June 30, 2010.

CMS has also issued a rule regarding targeted case management which clarifies the definition of covered services. The final rule was issued on December 4, 2007 and made effective March 3, 2008. The State is currently in the process of litigating this issue and has requested a one-year implementation extension. On May 6, 2009, CMS issued a proposed regulation that would partially rescind the revised definitions of services covered and provide states with the necessary flexibility to ensure beneficiary access to case management services.

Further, CMS has proposed to restrict Medicaid coverage for rehabilitative services and reimbursement for school based health services, which could pose a risk to the Financial Plan and result in hundreds of millions of dollars in reduced Federal-share funding. As part of the ARRA, implementation of restrictions for rehabilitation services has been delayed indefinitely, while school based health services has been deferred until July 1, 2009. As a result of issues brought forward by states, the school based regulation was rescinded on May 6, 2009.

On all rules, the State is actively lobbying the Federal government to be held harmless, either through an extension/modification of the current moratorium or through other administrative or statutory means. The State is joined by many other states in challenging the adoption on the basis that CMS is overstepping its authority and ignoring Congressional intent.

New York City Personal Care Audit

The OIG of the United States Department of Health and Human Services released a September 2008 draft audit with regard to Medicaid reimbursement for personal care services in New York City. The draft audit reviewed claims for the period July 1, 2004 through December 31, 2006. Based upon their review, the OIG is calling for the State to repay an estimated $815 million in Federal Medicaid because payments were not supported with required medical exams and social and nursing assessments. Both New York City and DOH disagree with these findings and have since conducted their own claims review. On February 10, 2009, DOH submitted its formal response to OIG contesting the audit findings. To date, OIG has shared no additional comments.

Bond Market Issues

Current projections reflect that the level of State-supported debt outstanding and debt service costs will continue to remain below the limits imposed by the Debt Reform Act of 2000 through 2011-12. However, the State has entered into a period of significantly declining debt capacity. Based on the most recent personal income and debt outstanding forecasts, the State is now expected to exceed the debt outstanding cap in 2012-13 by approximately $300 million. The State expects to propose actions in the 2010-11 Executive Budget in order to stay within the statutory limitations.

Other Financial Plan Risks

The Financial Plan forecast also contains specific transaction risks and other uncertainties including, but not limited to, the development of new VLT facilities; the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Financial Plan; the enforcement of certain tax regulations on Native American reservations; the timing and value of proceeds from the sale of Wellpoint stock expected to finance certain health care spending; and the achievement of cost-saving measures, including, but not limited to, administrative savings in State agencies through the WRP 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 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

CERTAIN DEFINITIONS

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

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

"**Act**" means the New York State Urban Development Corporation Act (being Chapter 174 of the Laws of the State, 1968, as amended, and constituting Subchapter I, Chapter 24 of Title 16 of McKinney's Unconsolidated Laws, Section 6251 et seq., as amended), as existing from time to time.

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

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

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

"**Applicable Percentage**" shall mean that percentage which represents the proportion that the aggregate principal amount of Bonds issued to refund bonds issued pursuant to a particular Project Act bears to the aggregate principal amount of Bonds originally issued under the Bond Resolution.

"**Authorized Newspaper**" means a newspaper or financial journal, customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York.

"**Authorized Officer**" means (i) in the case of the Corporation, the President, any Senior Vice President, any Vice President, the Treasurer, the Secretary, the Chief Financial Officer, any Assistant Treasurer and any Assistant Secretary, and when used with reference to any act or document, any other person authorized by resolution of the Corporation to perform such act or sign such document, (ii) in the case of the State, Commissioner of General Services, the Director of the Budget or the Comptroller and when used with reference to any act or document, any other person authorized by law or by the Commissioner of General Services, the Director of the Budget or the Comptroller, as the case may be, to perform such act or sign such document, (iii) in the case of the Trustee, any officer within its corporate trust office including the President, any Vice President, any Assistant Vice President, any Senior Trust Officer, any Trust Officer or any Assistant Trust Officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's

knowledge and familiarity with the particular subject matter, and (iv) any other officer or employee so designated on its behalf by resolution of the Corporation or the Trustee, respectively.

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

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

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

"**Bond Proceeds Fund**" means the Bond Proceeds Fund established pursuant to the Resolution.

"**Bond Year**" means a twelve-month period commencing on the first day of January in any year.

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

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

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

"**Capitalized Interest Account**" means the Capitalized Interest Account established in the Bond Proceeds Fund pursuant to the Resolution.

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

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

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

"**Convertible Capital Appreciation Bonds**" means Bonds which, on or prior to the Current Interest Commencement Date, have the characteristics of Capital Appreciation Bonds and, after the Current Interest Commencement Date, have the characteristics of Current Interest Bonds, in each case

with such further terms and conditions as may be designated therefor by subsequent resolution adopted prior to the issuance of such Series of such Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Government Obligations**" means (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations describe in clause (a) above or in any specific interest or principal payments due in respect thereof, provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least $50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or

other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Corporation; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; or (e) Defeased Municipal Obligations.

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

(i) Government Obligations;

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

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

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

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

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

(vii) bank deposits evidenced by certificates of deposit issued by banks (which may include any Fiduciary) which are members of the Federal Deposit Insurance Corporation,

provided that such time deposits are fully secured by obligations described in clauses (i) or (ii) above, which such obligations at all times have a market value (exclusive of accrued interest) at least equal to such bank deposits so secured, including interest;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Project Act**" means, with respect to the Series 2010A Bonds, the Correctional Facilities Project Act, and as such act may be further amended from time to time and any subsequent Chapter of the Laws of the State pursuant to which any subsequent Series of Bonds may be issued.

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

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

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

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

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

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

"**Redemption Price**" means, when used with respect to a Bond (other than a Convertible Capital Appreciation Bond or a Capital Appreciation Bond), or a portion thereof to be redeemed, the principal

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

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

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

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

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

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

"**Serial Bonds**" means Bonds which mature in annual installments.

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

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

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

"**Service Contract Payments**" means payments made by the State under a Service Contract.

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

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

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

"**State**" means the State of New York.

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

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

"**Tax Certificate**" means the document executed by the Corporation with respect to each Series and entitled "Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, as amended."

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

"**Term Bonds**" means Bonds having a single stated maturity date for which Sinking Fund Installments are specified in a Series Resolution.

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

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

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

Resolution to Constitute Contract (Section 103)

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those Persons who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Corporation and the Owners from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Corporation shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the Resolution.

Special Provisions Concerning Capital Appreciation Bonds (Section 104)

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

Authorization of Bonds (Section 201)

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

General Provisions for Issuance of Bonds (Section 202)

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

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

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

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

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

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

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

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

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

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

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

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

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

(l) If any Bonds of such Series are Option Bonds, a Credit Facility or Liquidity Facility in such an amount as would provide sufficient moneys for the purchase or redemption of, and payment of

interest due on all Option Bonds of such Series if the Owners thereof elected to tender for purchase or redemption of the entire aggregate Outstanding principal amount of the Option Bonds of such Series; and

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

Special Provisions for Refunding Bonds (Section 203)

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

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

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

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

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

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

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

The Pledge Effected by the Resolution (Section 501)

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

1. Each Security Instrument including all extensions and renewals, if any, of the term thereof, including all right, title and interest of the Corporation therein, including but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and acknowledge receipt of any of the Contract Payments and other income, revenues, and sums of money

payable to or receivable by the Corporation thereunder, whether payable as scheduled therein or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, to make claim for, collect, receive and dispose of any collateral therefor, and to do any and all things that the Corporation is or may become entitled to do under each Security Instrument; provided that, except as otherwise provided in a Series Resolution, there shall not be so pledged or assigned any provisions of any Service Contract other than those relating to the payment of the principal or purchase price of, redemption premium, if any, and interest on the Bonds including payments representing such amounts and payable to Credit Facility Providers and Liquidity Providers, and payments in satisfaction of rebate requirements under the Code; and

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

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

Establishment of Funds and Accounts (Section 502)

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

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

(2) Revenue Fund;

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

(4) Redemption Fund;

(5) Earnings Fund; and

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

Amounts held at any time by the Trustee in any of these Funds and Accounts shall be held in trust separate and apart from all other funds and accounts of the Corporation and shall be applied only in accordance with the provisions of the Resolution and the Acts. The Corporation may establish and create

such other Funds and Accounts in any such Funds as may be authorized pursuant to any Supplemental Resolution, including a Series Resolution authorizing the issuance of a Series of Bonds.

Bond Proceeds Fund (Section 503)

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

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

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

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

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

Except as otherwise required by the section of the Resolution described herein under the heading "Debt Service Fund," all Contract Payments shall, upon receipt thereof, be deposited into the Revenue Fund. There shall also be transferred to and deposited in the Revenue Fund such portion of the Contract Payments paid by any Person to the Corporation pursuant to and to the extent provided in a Credit Facility or Liquidity

Facility, or, to the extent set forth in the applicable Series Resolution, any interest rate exchange agreement. Moneys and the proceeds of the sale of securities from time to time in the Revenue Fund shall be paid out and applied for the uses and purposes for which the same are pledged by the provisions of the Resolution, in the manner provided in the Resolution.

Revenue Fund; Application Thereof (Section 505)

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

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

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

Debt Service Fund (Section 506)

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

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

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

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

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

There shall be deposited into the Principal Account amounts transferred from the Revenue Fund or from the Redemption Fund equal to the portion of the Aggregate Obligations representing Principal Installments due on the Bonds. The Trustee shall pay out of the Principal Account, to the respective

Paying Agents on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date.

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

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

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

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

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

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

To the extent not required to make up such deficiency, amounts in the Redemption Fund shall be applied by the Trustee as promptly as practicable, upon receipt of written instructions from an Authorized Officer of the Corporation, to the purchase or redemption (including premium, if any) of Bonds. Interest on Bonds so purchased or redeemed shall be paid from the Debt Service Fund, and all expenses in connection with such purchase or redemption shall be paid by the Corporation from moneys held in the Revenue Fund.

Earnings Fund (Section 509)

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

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

Upon receipt of the certificate referred to in the second paragraph under the heading “Rebate Fund” below, the Trustee shall withdraw from the Earnings Fund that amount as is set forth as the Rebate Amount in a written certificate delivered by an Authorized Officer of the Corporation to the Trustee

pursuant to the Resolution and deposit, to the extent available, such amount in the Rebate Fund. Any amounts remaining in the Earnings Fund following such transfer will be deposited in the Debt Service Fund.

Rebate Fund (Section 510)

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

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

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

Moneys in any Fund or Account shall be continuously invested and reinvested or deposited and redeposited by the Trustee upon the written direction of an Authorized Officer of the Corporation. The Corporation shall direct the Trustee to invest and reinvest the moneys in any Fund or Account in Investment Obligations so that the maturity date or date of redemption at the option of the holders shall coincide as nearly as practicable with the times at which moneys are anticipated to be needed to be expended. The Investment Obligations purchased shall be held by the Trustee, or for its account as Trustee, and the Trustee shall keep the Corporation advised as to the details of all such investments. The Trustee, at the written direction of the Corporation as to specific investments, shall sell, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment from such Fund or Account. The Trustee shall have no obligation to invest, reinvest, deposit, redeposit to sell investments contemplated by the Resolution except upon the written direction of an Authorized Officer of the Corporation as to specific investments.

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

The Trustee shall sell, or present for redemption or exchange, any Investment Obligation purchased by it pursuant to the Resolution or any Series Resolution whenever it shall be requested in writing by an Authorized Officer of the Corporation to do so or whenever it shall be necessary in order to

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

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

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

Satisfaction of Sinking Fund Installments (Section 507)

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

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

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

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

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

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

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

Payment of Obligations (Section 701)

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

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

The Corporation is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, except for any pledge of or lien upon the Contract Payments made or to be credited for the benefit of the provider of a Credit Facility or Liquidity Facility, and all corporate action on the part of the Corporation to that end has been and will be duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally binding special obligations of the Corporation enforceable in accordance with their terms and the terms of the Resolution. The Corporation shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Trustee and the Bondholders under the Resolution against all claims and demands of all Persons whomsoever.

Creation of Liens (Section 707)

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

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

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

Accounts and Reports (Section 708)

The Corporation shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to each

Fund and Account established under the Resolution, and which shall at all reasonable times during normal business hours be subject to the inspection of the Trustee and the Owners of an aggregate of not less than 25% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

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

Tax Matters (Section 709)

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

Special Covenants with Respect to Service Contract (Section 711)

The Corporation shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of the Resolution, any Supplemental Resolution and sound banking practices and principles, (i) do all such acts and things as shall be necessary to receive and collect Revenues, (ii) comply with the obligations on its part contained in each Service Contract, and use its best efforts to require the State to comply with its obligations thereunder and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights with respect to each Service Contract. The Corporation shall provide the certifications to the State required by each Service Contract regarding the amounts owed by the State under such Service Contract. The Corporation may not sell, assign or otherwise dispose of all or any part of any interest in a Service Contract, other than to the Trustee. The Corporation, without the consent of the Trustee or of the Owners of Bonds Outstanding, may consent to any amendment, change, modification, or alteration of and cause to be amended, changed, modified or altered any provision of, or exhibit to, the Service Contract, except as would affect the obligation of the State to make payments thereunder relating to the payment of the principal or purchase price of, redemption premium, if any, and interest on the Bonds, (i) which would make the Service Contract subject to any lien, claim or encumbrance, provided the same is a Permitted Encumbrance, (ii) which would not materially adversely affect, in the Opinion of Bond Counsel, the interest of the Owners of the Bonds Outstanding or any Credit Facility Providers or Liquidity Facility Providers, or (iii) with the prior written consent of (A) the Owners of at least fifty one percent (51%) in aggregate principal amount of the Bonds then Outstanding, or (B) in case less than all of the several Series of Bonds then Outstanding are affected by the alteration, change, modification or amendment, the Owners of not less than fifty-one

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

General (Sections 704, 705 and 710)

At any and all times the Corporation shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances and record the same in any office or register as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights and other moneys, securities and funds pledged or assigned by the Resolution, or intended so to be, or which the Corporation may become bound to pledge or assign and, if required by law, to perfect the security interest created thereby.

The Bonds and the provisions of the Resolution are and will be the valid and legally binding special obligations of the Corporation enforceable in accordance with their terms and the terms of the Resolution. The Corporation shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Trustee and the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

The Corporation shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Corporation under the provisions of the Acts and the Resolution.

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

The Trustee and the Paying Agents (Article VIII)

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

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

Supplemental Resolutions (Article IX)

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

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

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

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

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

(e) To authorize Bonds of a Series and, in connection therewith, to specify and determine the matters and things referred to in Section 202 of the Resolution, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

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

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

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

(i) To modify any of the provisions of the Resolution or any previously adopted Supplemental Resolution in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution have ceased to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date

of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof.

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

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

(b) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect; or

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

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

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

Powers of Amendment (Section 1002)

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

Consent of Bondholders (Section 1003)

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

Powers of Trustee (Section 1101)

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

Events of Default (Section 1102)

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

Remedies (Section 1103)

Upon the happening and continuance of any Event of Default specified in the Resolution, then and in each such case the Trustee may proceed, and upon the written request of the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds or of each other

Beneficiary, shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders and the Beneficiaries by such of the following remedies, as the Trustee, being advised by counsel shall deem most effectual to protect and enforce such rights subject to the provisions of the Resolution:

1. By suit, action or proceeding in accordance with the Civil Practice Law and Rules to enforce all rights of the Beneficiaries, including the right to collect or require the Corporation to collect Revenues adequate to carry out the covenants, agreements and pledges with respect thereto contained in the Resolution and to require the Corporation to carry out any other covenant or agreement with Beneficiaries and to perform its duties under the Act;

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

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

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

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

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

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

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

Defeasance (Section 1105)

If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer of the Corporation and delivered to the Trustee, the covenants, agreements and other obligations of the Corporation to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all money, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

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

interest on such Bonds, as realized, shall be transferred by the Trustee to the Corporation, and any such moneys so paid by the Trustee to the Corporation shall be released from any trust, lien or pledge created by the Resolution.

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

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

Anything in the Resolution to the contrary notwithstanding, but subject to any applicable law to the contrary, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the Corporation, be repaid by the Fiduciary to the Corporation, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Corporation for the payment of such Bonds; provided, however, that before being required to make any such payment to the Corporation, the Fiduciary shall, at the expense of the Corporation, cause to be published once in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the publication of such notice, the balance of such moneys then unclaimed will be returned to the Corporation.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE SERVICE CONTRACT

The following is a general summary of certain provisions of the Service Contract securing the Series 2010A Bonds. Such summary is not to be considered a full statement of the terms of such documents and, accordingly, is qualified by reference thereto and is subject to the full text thereof. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Service Contract. A copy of the Service Contract is available for review at the corporate headquarters of the Corporation at 633 Third Avenue, New York, New York 10017. See also, "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

Financial Obligations of the State

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

Subject to the provisions of the Service Contract, the State shall pay to the Corporation so long as any of the Bonds are Outstanding, five (5) Business Days preceding each Bond Payment Date, an amount equal to the debt service payable on the next succeeding Bond Payment Date less the amount paid or provided for under the Bond Resolution on account thereof on such Bond Payment Date without duplication (i) from the proceeds of Bonds designated therefor by the Corporation, and (ii) from amounts on deposit with the Trustee and available for the payment of debt service under the Bond Resolution, as certified by the Corporation to the Director of the Budget. The term of the Service Contract shall commence on the date of the original issuance of the Series 2010A Bonds and shall expire on the earlier of (i) the date on which all Bonds shall be paid or deemed paid within the meaning of the Bond Resolution or (ii) thirty (30) years from the date of the original issuance of the Series 2010A Bonds.

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

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

Redemption at the Option of the State

There is expressly reserved to the State the right, and the State is authorized and permitted, at any time or from time to time, as it may choose, subject to and in accordance with the provisions contained in the Bond Resolution relating to the redemption of Bonds at the option of the Corporation, to make

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

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

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

Duties of the Corporation

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

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

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

Special Covenants

The State agrees to request appropriations during the term of the Service Contract, for each year in an amount equal to the principal of (including mandatory sinking fund payments) and interest on the Bonds coming due in such year; provided, however, that if such Bonds shall bear interest at an Adjustable Rate, the interest rate on such Adjustable Rate Bonds shall be deemed to be eighteen percent (18%) per annum. The State shall include in its annual budget a request for an appropriation to pay the Contract Payments, without regard to amounts on deposit with the Trustee and available for the payment of debt service under the Resolutions, due under the Service Contract during such year.

The State agrees that whenever requested by the Corporation with reasonable advance notification it shall provide and certify, or cause to be provided and certified, in form satisfactory to the Corporation, such information concerning (A) the operations and finances of the State and such other matters, that the Corporation considers necessary to enable it to complete and publish an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds and to comply with any applicable contractual agreements with respect to the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, and (B) the payments to be made by the State as provided in the Service Contract, or information necessary to enable the Corporation to make any reports required by law or government regulations in connection with the Bonds.

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

Events of Default and Remedies

If, for any reason other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any of the payments provided for in the Service Contract or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Corporation shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity as may appear necessary or desirable to collect the payment then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State under the Service Contract.

The remedies conferred upon or reserved to the Corporation described above in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Service Contract, nor may they include any amendment, change, modification or alteration of the Service Contract that is prohibited by the Service Contract.

If the Corporation shall fail to observe or perform any covenant, condition or agreement on its part to be observed or performed and such failure to observe or perform shall have continued for 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the Corporation by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity as may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Service Contract.

The remedies conferred upon or reserved to the State described above in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Service Contract or the obligations of the State to make the payments provided therein, nor may they include any amendment, change, modification or alteration of the Service Contract that is prohibited by the Service Contract.

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Closing]

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $504,305,000 aggregate principal amount of Service Contract Revenue Refunding Bonds, Series 2010A consisting of $224,110,000 aggregate principal amount of Subseries 2010A-1 and $280,195,000 aggregate principal amount of Subseries 2010A-2 (collectively, the Series 2010A Bonds") of the New York State Urban Development Corporation (the "Corporation"), a corporate governmental agency of the State of New York (the "State") constituting a political subdivision and public benefit corporation created by the New York State Urban Development Corporation Act, being Chapter 174 of the Laws of the State of New York, 1968, as amended and supplemented (the "UDC Act"). Capitalized terms used herein and not otherwise defined have the meanings set forth in the Resolutions (hereinafter defined).

The Series 2010A Bonds are authorized to be issued pursuant to the UDC Act, Section 34 of Part T of Chapter 57 of the Laws of 2007 permitting the Corporation to refund bonds issued by other State entities (the "Consolidation Act"), Chapter 56 of the Laws of 1983, as amended and supplemented by Supplemental Resolution No. 1 (the "UDC Project Act"), Chapter 47-e of the Private Housing Finance Law, as amended and supplemented (the "HFA Project Act; and collectively with the UDC Project Act, the Project Acts"), and pursuant and subject to the provisions, terms and conditions of a resolution of the Corporation adopted on May 12, 2005, entitled "Service Contract Revenue Refunding Bond Resolution, as supplemented and amended on April 19, 2010 (as so supplemented and amended, the "General Resolution"), a resolution of the Corporation adopted on April 19, 2010, entitled "Series 2010A Service Contract Revenue Refunding Bonds Series Resolution" (the "Series Resolution") and a resolution of the Corporation adopted on April 19, 2010, entitled "Bond Financing Committee Resolution Concerning the Sale and Issuance of Service Contract Revenue Refunding Bonds, Series 2010A" (the "Committee Resolution"; and collectively with the General Resolution and the Series Resolution, the "Resolutions") and a certificate of an Authorized Officer of the Corporation (the "Officer's Certificate") delivered pursuant to the Resolutions, dated the date hereof, setting forth certain terms of the Series 2010A Bonds.

The Series 2010A Bonds are the eighth series of bonds issued pursuant to the General Resolution. The Corporation is authorized to issue bonds pursuant to the General Resolution, in addition to the Series 2010A Bonds, only upon the terms and conditions set forth in the General Resolution and such bonds, when issued shall, with the Series 2010A Bonds and with all other bonds previously issued pursuant to the General Resolution, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Corporation and the State, acting by and through the Director of the Budget, have entered into a service contract dated as of June 3, 2010 (the "Service Contract"), which provides for the payment, subject to annual appropriation by the State Legislature, of Financing Agreement Payments by the State Comptroller to Manufacturers & Traders Trust Company, Buffalo, York, New York, as trustee (the "Trustee") on behalf of the Corporation in amounts sufficient to pay the principal of, redemption premium, if any, and interest on the Series 2010A Bonds.

The Series 2010A Bonds are issuable in the form of fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2008A Bonds. The Series 2010A Bonds shall be lettered and numbered as provided in the Resolution.

The Series 2010A Bonds are dated their date of delivery and bear interest payable on January 1 and July 1 in each year until maturity, commencing January 1, 2011. The Series 2010A Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum, all as set forth in the Officer's Certificate.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at the time of, and subsequent to, the issuance and delivery of the Series 2010A Bonds in order that interest on the Series 2010A Bonds be and remain not included in gross income for federal income tax purposes. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of bond proceeds and other moneys or properties, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2010A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2010A Bonds irrespective of the date on which such noncompliance occurs. The Resolutions and the certificate as to arbitrage and use of proceeds delivered by the Corporation at the time of delivery of the Series 2010A Bonds (the "Arbitrage Certificate") contain certain factual certifications, covenants, representations and warranties as to compliance with the requirements of the Code.

In rendering the opinions set forth in paragraph 4 herein, we have assumed the accuracy of certain factual certifications of, and continuing compliance by the Corporation with, the covenants, representations, warranties, provisions and procedures set forth in the Resolutions and the Arbitrage Certificate. In the event of the inaccuracy or incompleteness of any of the certifications made by the Corporation, or the failure by the Corporation to comply with the covenants, representations, warranties, provisions and procedures set forth in the Resolutions and the Arbitrage Certificate, interest on the Series 2010A Bonds could become includable in gross income for federal income tax purposes retroactive to the date of the original execution and delivery of the Series 2010A Bonds, regardless of the date on which the event causing such inclusion occurs. We express no opinion as to any federal, state or local tax consequences with respect to the Series 2010A Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Resolutions or the Arbitrage Certificate or under any other relevant documents upon the advice or approval of any bond counsel other than, Harris Beach PLLC. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2010A Bonds may affect the tax status of interest on the Series 2010A Bonds. Further, although interest on the Series 2010A Bonds is not included in gross income for purposes of federal income taxation, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2010A Bond depending upon the tax status of such holder and such holder's other items of income and deduction. Except as stated in paragraphs 4 and 5 herein, we express no opinion as to federal or state and local tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010A Bonds.

We have also examined one of the Series 2010A Bonds as executed and authenticated.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Corporation has been duly created and is validly existing as a body corporate and politic constituting a public corporation of the State under the UDC Act and has the right, power and authority under the UDC Act, the Consolidation Act and the Project Acts to adopt the Resolutions, the Resolutions have been duly and lawfully adopted by the Corporation, and no other authorization for the Resolutions is required.

2. The Resolutions are in full force and effect and constitute valid and binding obligations of the Corporation enforceable in accordance with their terms. The Resolutions create the valid pledge which they purport to create of the Pledged Property, subject only to the provisions of the Resolutions permitting the application thereof to the purposes and on the terms and conditions set forth in the Resolutions.

3. The Series 2010A Bonds have been duly and validly authorized and issued in accordance with applicable law, including the UDC Act, the Consolidation Act and the Project Acts, and in accordance with the Resolutions. The Series 2010A Bonds constitute legal, valid and binding special limited obligations of the Corporation, payable as provided in, and enforceable against the Corporation in accordance with, their terms and the terms of the Resolutions and are entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the UDC Act and the Resolutions.

4. Under existing statutes, regulations, administrative rulings and court decisions, and assuming compliance with the Arbitrage Certificate, interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. We are also of the opinion that interest on the Series 2010A Bonds will not be treated as an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2010A Bonds is, however, included in "adjusted current earnings", for purposes of calculating the federal alternative minimum tax liability of corporations.

Each of the maturities of the Series 2010A Bonds are initially offered to the public at prices greater than the amounts payable thereon at maturity. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Series 2010A Bonds may realize a taxable gain upon disposition of such Series 2010A Bonds even though they are sold or redeemed for an amount equal to such owner's original cost of acquiring such Series 2010A Bonds. Owners of Series 2010A Bonds are advised that they should consult with their own tax advisors with respect to the tax consequences of owning such Series 2010A Bonds.

5. Under existing statutes, including the UDC Act, interest on the Series 2010A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof.

The opinions contained in paragraphs 2 and 3 above are qualified only to the extent that the enforceability of the Resolutions and the Series 2010A Bonds may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2010A Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Corporation or the State other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2010A Bonds.

Respectfully submitted

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NEW YORK STATE URBAN DEVELOPMENT CORPORATION • SERVICE CONTRACT REVENUE REFUNDING BONDS, SERIES 2010A

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