<u>NEW ISSUE – BOOK-ENTRY-ONLY</u>

In the opinion of each of Hawkins Delafield & Wood LLP and Gonzalez Saggio & Harlan LLP, Co-Bond Counsel, under existing statutes and court decisions (i) interest on the Series 2012A Subordinate Bonds is excluded from gross income for federal income tax purposes under section 103 of the Code, and (ii) interest on the Series 2012A Subordinate Bonds is not treated as a preference item in calculating the federal alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the federal corporate alternative minimum tax imposed on such corporations. Co-Bond Counsel are also of the opinion that interest on the Series 2012A Subordinate Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012A Subordinate Bonds. See "Part 9—TAX MATTERS."

$86,845,000
New York Local Government Assistance Corporation
(A Public Benefit Corporation of the State of New York)
Series 2012A Subordinate Lien Refunding Bonds

Dated: Date of Delivery **Due: April 1, as shown on the inside cover**

The Series 2012A Subordinate Bonds will be issued as registered bonds. The Series 2012A Subordinate Bonds will be issued under a book-entry-only system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2012A Subordinate Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2012A Subordinate Bonds purchased. The Series 2012A Subordinate Bonds will be issued in denominations of $5,000 or integral multiples thereof. Interest on the Series 2012A Subordinate Bonds will be payable on October 1, 2012 and semi-annually thereafter on each April 1 and October 1. The Series 2012A Subordinate Bonds are subject to redemption prior to maturity as set forth herein.

The Series 2012A Subordinate Bonds are being issued to refund certain outstanding bonds of the Corporation as more fully described herein. The Series 2012A Subordinate Bonds are general obligations of the Corporation, payable from revenues derived from certain sales and compensating use taxes imposed by the State of New York on a statewide basis and required by law to be deposited in the Local Government Assistance Tax Fund (the "Tax Fund") at the rate of one percent (1%). The Series 2012A Subordinate Bonds will be paid from the 1% Sales Tax after sufficient amounts are deposited in the funds and accounts securing the Senior Bonds (as defined herein). The Series 2012A Subordinate Bonds will be secured by a Capital Reserve Fund established by the Subordinate Resolution (as defined herein) and certain other funds and accounts under the Subordinate Resolution, all as more fully described herein.

Payments from the Tax Fund to make payments on the Series 2012A Subordinate Bonds are subject to appropriation for such purpose by the State Legislature. The State is not bound or obligated to make such appropriation or continue the imposition of the sales and use taxes required to be deposited to the Tax Fund. The Corporation is a public benefit corporation of the State and has no taxing power. The Series 2012A Subordinate Bonds do not constitute an enforceable obligation or a debt of the State or any unit of local government of the State, and neither the faith and credit nor the taxing power of the State or any such unit of local government is pledged to the payment of the principal or Redemption Price of or interest on the Series 2012A Subordinate Bonds.

The Series 2012A Subordinate Bonds are offered when, as and if issued by the Corporation and received by the Purchasers and subject to approval of legality by Hawkins Delafield & Wood LLP and Gonzalez Saggio & Harlan LLP, Co-Bond Counsel to the Corporation. Certain legal matters will be passed on for the Corporation by the Attorney General of the State of New York, General Counsel to the Corporation. Public Resources Advisory Group is acting as Financial Advisor to the Corporation. The Series 2012A Subordinate Bonds will be available for delivery through the facilities of DTC on or about June 1, 2012.

Dated: May 24, 2012

$86,845,000
New York Local Government Assistance Corporation
(A Public Benefit Corporation of the State of New York)
Series 2012A Subordinate Lien Refunding Bonds

Due (April 1)	Principal Amount	Interest Rate	Yield	CUSIP Number*
2013	$4,265,000	2.00%	0.19%	649876 Y29
2014	$5,205,000	5.00%	0.38%	649876 Y37
2015	$5,465,000	5.00%	0.54%	649876 Y45
2016	$5,735,000	5.00%	0.66%	649876 Y52
2017	$6,025,000	5.00%	0.87%	649876 Y60
2018	$6,325,000	5.00%	1.15%	649876 Y78
2019	$6,640,000	5.00%	1.37%	649876 Y86
2020	$6,975,000	5.00%	1.63%	649876 Y94
2021	$7,320,000	5.00%	1.85%	649876 Z28
2022	$7,690,000	5.00%	2.01%	649876 Z36
2023**	$8,075,000	4.00%	2.23%	649876 Z44
2024**	$8,395,000	4.00%	2.41%	649876 Z51
2025**	$8,730,000	3.00%	2.72%	649876 Z69

* The CUSIP number listed above has been assigned by Standard & Poor's, CUSIP Service Bureau and is provided solely for the convenience of bondholders and the Corporation makes no representation with respect to such number or undertakes any responsibility for its accuracy. The CUSIP number is subject to change after the issuance of the Series 2012A Subordinate Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2012A Subordinate Bonds.

** Priced to first call date of April 1, 2022.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2012A Subordinate Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Corporation, by the State of New York and by other sources which are believed to be reliable by the Corporation, but it is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Purchasers. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or of the State of New York since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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OFFICIAL STATEMENT
RELATING TO

$86,845,000

New York Local Government Assistance Corporation
(A Public Benefit Corporation of the State of New York)
Series 2012A Subordinate Lien Refunding Bonds

PART 1—INTRODUCTION

This Official Statement of the New York Local Government Assistance Corporation (the "Corporation" or "LGAC") is provided for the purpose of setting forth information concerning the Corporation in connection with the $86,845,000 Series 2012A Subordinate Lien Refunding Bonds (the "Series 2012A Subordinate Bonds"). The Senior Bonds (defined below) and the Subordinate Bonds (defined below) are referred to collectively as the "Bonds."

Capitalized terms used herein have the meanings set forth in the Resolutions (as hereinafter defined) except as otherwise set forth herein.

The Corporation

The Corporation is a corporate governmental agency constituting a public benefit corporation created by Chapter 220 of the Laws of 1990, as amended (the "Act"), for the purpose of making certain assistance payments to local governments in the amounts appropriated by the State of New York (the "State") and in the manner provided by, and subject to the limitations of, the Act. The Corporation is administered by seven directors, two of whom, the State Comptroller (the "Comptroller") and the Director of the Budget of the State (the "Director of the Budget"), serve ex officio and five of whom are appointees of the Governor. There are currently three vacant director positions. The Chairperson of the Corporation (the "Chairperson") is designated by the Governor. The Corporation is empowered by the Act to borrow money and issue its bonds and notes to achieve its corporate purposes in an amount not in excess of $4.7 billion (exclusive of certain refunding bonds) plus amounts required to fund the capital reserve fund, to provide for certain capitalized interest and to pay costs of issuance.

The Bonds

The Series 2012A Subordinate Bonds are to be issued pursuant to the Act, the General Subordinate Lien Bond Resolution adopted December 30, 2002, as amended and supplemented (the "General Subordinate Bond Resolution") and the Series 2012A Resolution Authorizing Up To $130,000,000 of Subordinate Bonds adopted March 13, 2012 (the "Series 2012A Subordinate Resolution") (collectively, the "Subordinate Resolution"). The Bank of New York Mellon is the Trustee under the General Subordinate Bond Resolution. Together with the Series 2012A Subordinate Bonds, once issued, $1,543,955,000 aggregate principal amount of outstanding bonds will be outstanding under the General Subordinate Bond Resolution (the "Outstanding Subordinate Bonds"). A summary of certain provisions of the Subordinate Resolution, together with certain defined terms used therein and in this Official Statement, is set forth in Appendix A-2 hereto. The Subordinate Resolution constitutes a contract between the Corporation and its Subordinate Bondholders and contains certain covenants and conditions for the issuance of additional bonds (the "Additional Subordinate Bonds," and together with the Outstanding Subordinate Bonds and the Series 2012A Subordinate Bonds, the "Subordinate Bonds"). Subject to compliance with the Subordinate Resolution, the Corporation may issue Additional Subordinate Bonds on a parity with the Outstanding Subordinate Bonds and the Series 2012A Subordinate Bonds solely for refunding purposes. See "Additional Bonds" below in Part 4 for a discussion of Additional Subordinate Bonds.

The Corporation also has $1,291,728,073.80* aggregate principal amount of outstanding bonds (excluding the increase in appreciated value of capital appreciation bonds since the date of their initial issuance) heretofore

* Excludes Senior Bonds to be refunded by the Series 2012A Subordinate Bonds.

issued (the "Outstanding Senior Bonds" and together with the Outstanding Subordinate Bonds, the "Outstanding Bonds") issued pursuant to the Act and the General Bond Resolution adopted February 19, 1991, as amended and supplemented (the "Senior Resolution"). The Senior Resolution and the Subordinate Resolution are referred to collectively as the "Resolutions." As of April 1, 2012, the accreted value of outstanding capital appreciation senior bonds was $52,359,083.30. A summary of certain provisions of the Senior Resolution, together with certain defined terms used therein and in this Official Statement, is set forth in Appendix A-1 hereto. The Senior Resolution constitutes a contract between the Corporation and its Senior Bondholders and contains certain covenants and conditions for the issuance of additional bonds (the "Additional Senior Bonds," and together with the Outstanding Senior Bonds, the "Senior Bonds"). Subject to compliance with the Senior Resolution, the Corporation may issue Additional Senior Bonds on parity with the Outstanding Senior Bonds solely for refunding purposes. See "Additional Bonds" below in Part 4 for a discussion of Additional Senior Bonds.

The Series 2012A Subordinate Bonds are being issued to refund certain Outstanding Senior Bonds, as more fully described herein. See "Plan of Refunding" below in Part 2.

The Series 2012A Subordinate Bonds will be general obligations of the Corporation, payable from payments received by the Corporation from revenues derived from certain sales and compensating use taxes imposed by the State on a statewide basis pursuant to Sections 1105 and 1110 of the Tax Law (the "Sales Tax") and required to be deposited in the Local Government Assistance Tax Fund created by the Act (the "Tax Fund") at the rate of one percent, less amounts which the Commissioner of Taxation and Finance of the State may determine to be necessary for refunds (the "1% Sales Tax"). The Subordinate Bonds will be paid from the 1% Sales Tax and any other revenues that are transferred to the Subordinated Payment Fund established under the Senior Resolution after sufficient amounts are deposited in the funds and accounts securing the Senior Bonds.

The Senior Resolution establishes a Debt Service Fund (the "Senior Debt Service Fund"), an Operating Fund (the "Senior Operating Fund"), a Rebate Fund (the "Senior Rebate Fund"), a Capital Reserve Fund (the "Senior Capital Reserve Fund") and a Subordinated Payment Fund (the "Senior Subordinated Payment Fund"). The Senior Resolution provides that if the amount of any payment received from the State is less than the amount certified by the Chairman, then the payment is to be applied first to the Senior Rebate Fund, second to the Senior Debt Service Fund, third to the Senior Capital Reserve Fund, fourth to the Senior Operating Fund and fifth to the Senior Subordinated Payment Fund. The Senior Resolution further provides that no moneys shall be deposited into the Senior Subordinated Payment Fund unless the Comptroller, in his sole and exclusive judgment, which judgment shall be reasonable, makes a determination in writing to the Corporation that upon such deposit, amounts to be derived from the 1% Sales Tax will be sufficient to meet all requirements of the Senior Debt Service Fund and Senior Capital Reserve Fund for the Senior Bonds during the period in which the set aside payment requirements for each such Fund are applicable pursuant to paragraph (b) of subdivision 5 of Section 92-r of the State Finance Law. Amounts in the Senior Subordinated Payment Fund may be used to pay "Other Obligations" as defined in the Senior Resolution. The Subordinate Bonds constitute "Other Obligations" under the Senior Resolution that are payable from amounts on deposit in such Senior Subordinated Payment Fund. Amounts transferred from the Senior Subordinated Payment Fund into the Funds held under the Subordinate Resolution will be required to be applied pursuant to such Subordinate Resolution first to the Rebate Fund (the "Subordinate Rebate Fund"), second to the Debt Service Fund (the "Subordinate Debt Service Fund"), third to the Capital Reserve Fund (the "Subordinate Capital Reserve Fund"), fourth to the Operating Fund (the "Subordinate Operating Fund") and fifth to the Subordinated Payment Fund (the "Subordinate Subordinated Payment Fund") established under the Subordinate Resolution. "Other Obligations" under the Senior Resolution also include amounts to be paid to letter of credit providers for Variable Interest Rate Senior Bonds to reimburse them (for draws to pay the purchase price of unremarketed bonds) in advance of the regularly scheduled amortization of such Senior Bonds. Such obligations will be payable on a parity with the Subordinate Bonds. Swap payments owed to counterparties will be payable from the Subordinate Subordinated Payment Fund established under the Subordinate Resolution. So long as there are Senior Bonds Outstanding, the Operating Fund will be held under the Senior Resolution and the Operating Fund established under the Subordinate Resolution will not be in effect.

The Corporation has no taxing power. The Bonds do not constitute an enforceable obligation or a debt of the State or any unit of local government, and neither the State nor any unit of local government shall

be liable thereon. Neither the faith and credit nor taxing power of the State or any unit of local government is pledged to the payment of the principal or Redemption Price of or interest on the Series 2012A Subordinate Bonds.

The Capital Reserve Funds

The Senior Bonds are secured by amounts on deposit in, and earned on investment of, the Senior Capital Reserve Fund established pursuant to the Act in the Senior Resolution. The Senior Resolution establishes the requirement of the Senior Capital Reserve Fund (the "Senior Capital Reserve Fund Requirement"), as of any date of calculation, as an amount equal to the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest on all Senior Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding fiscal year, assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months' interest and (ii) that interest on Variable Interest Rate Senior Bonds is calculated as if such Variable Interest Rate Senior Bonds bore interest at the maximum rate of interest permitted on such Variable Interest Rate Senior Bonds or under the related Reimbursement Obligation, provided that the Senior Capital Reserve Fund Requirement shall at no time exceed the sum of the Senior Capital Reserve Fund Requirement immediately prior to the issuance of such Series and an amount equal to 10% of the proceeds (as such term is defined under Section 148(d) of the Code) from the sale of such Series. The Senior Capital Reserve Fund is currently funded at the Senior Capital Reserve Fund Requirement with a municipal bond debt service reserve fund policy, investments and cash. It is a condition to the issuance of Additional Senior Bonds that the Senior Capital Reserve Fund shall, upon the issuance of Additional Senior Bonds, be funded at the Senior Capital Reserve Fund Requirement. If there is a deficiency in the Senior Capital Reserve Fund, the Chairperson is required immediately to certify the amount needed to restore the Senior Capital Reserve Fund to the Senior Capital Reserve Fund Requirement, to the extent that the deficiency resulted from a failure by the State to pay any amounts previously certified by the Chairperson. Following the refunding of the Refunded Bonds (as defined herein) with the proceeds of the Series 2012A Subordinate Bonds, the Senior Capital Reserve Fund Requirement will be $231,790,462.50.

The Subordinate Bonds are secured by amounts on deposit in, and earned on investment of, the Subordinate Capital Reserve Fund established pursuant to the Act in the Subordinate Resolution. The Subordinate Resolution establishes the requirement of the Subordinate Capital Reserve Fund (the "Subordinate Capital Reserve Fund Requirement"), as of any date of calculation, as an amount equal to one-half of the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest (exclusive of capitalized interest and accrued interest, if any) on all Subordinate Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding Fiscal Year assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months' interest and (ii) that with respect to Variable Interest Rate Subordinate Bonds, interest on such Variable Interest Rate Subordinate Bonds shall be calculated at a rate or rates reasonably assumed by the Corporation on the date of issuance thereof having due regard for the security and marketability of all its bonds and notes. The Subordinate Capital Reserve Fund is currently funded at the Subordinate Capital Reserve Fund Requirement with investments and cash. It is a condition to the issuance of Additional Subordinate Bonds that the Subordinate Capital Reserve Fund shall, upon the issuance of Additional Subordinate Bonds, be funded at the Subordinate Capital Reserve Fund Requirement. If there is a deficiency in the Subordinate Capital Reserve Fund, the Chairperson is required immediately to certify the amount needed to restore the Subordinate Capital Reserve Fund to the Subordinate Capital Reserve Fund Requirement, to the extent that the deficiency resulted from a failure by the State to pay any amounts previously certified by the Chairperson. Following the issuance of the Series 2012A Subordinate Bonds, the Subordinate Capital Reserve Fund Requirement will be $91,879,061.34.

The Senior Capital Reserve Fund secures only the Senior Bonds and the Subordinate Capital Reserve Fund secures only the Subordinate Bonds.

1% Sales Tax

Upon receipt, moneys from the 1% Sales Tax are required to be deposited in the Tax Fund, held jointly by the Commissioner of Taxation and Finance and the Comptroller separate and apart from all other moneys of the State. Moneys in the Tax Fund are required by the Act to be paid by the Comptroller to the Trustee for the Senior Bonds, at the times and in the amounts certified by the Chairperson of the Corporation, subject to annual appropriation by the State Legislature.

The Act provides procedures for impounding moneys from the 1% Sales Tax in the Tax Fund which are designed to assure that sufficient moneys will be on deposit in the Tax Fund to meet the Corporation's annual cash requirements, as certified by the Chairperson. Based upon estimates provided by the Director of the Budget, the Comptroller is required to prepare a schedule of anticipated monthly receipts from the 1% Sales Tax and to begin to impound 1% Sales Tax moneys on or before the date when a payment due the Corporation for a debt service payment on the Bonds first equals 95% of remaining estimated 1% Sales Tax receipts, or by the 15th day preceding that due date, whichever is earlier. Subject to the annual appropriation referred to above, the Comptroller is required to pay, directly into the Senior Debt Service Fund held under the Senior Resolution, the amount required for debt service on the Bonds, at least five days prior to a payment date, from amounts impounded in the Tax Fund. If those amounts are insufficient, the Comptroller is required by the Act, without further appropriation, to transfer sufficient money from the General Fund of the State to the Tax Fund to pay the amount required for debt service. The Subordinate Bonds are payable from the 1% Sales Tax and any other revenues deposited pursuant to the Senior Resolution that are transferred to the Subordinated Payment Fund established under the Senior Resolution after sufficient amounts are deposited in the funds and accounts securing the Senior Bonds.

The Corporation has covenanted pursuant to the Resolutions and the Act to deliver and amend the Chairperson's certificate from time to time, and upon certain events, in order to assure that the State's appropriation, impoundment and payment procedures accurately reflect the debt service requirements of the Corporation. From time to time in the past, the Chairperson's certificate has been amended and delivered pursuant to the Senior Resolution and the Act.

Under the Act, no moneys on deposit in the Tax Fund may be disbursed from that fund until an appropriation has been made to the Corporation sufficient to pay the amounts certified by the Chairperson of the Corporation as previously described. If and to the extent that such an appropriation has been made, and subject to the impoundment procedures just described, excess moneys on deposit in the Tax Fund may be transferred to the General Fund to be applied to other purposes of the State. If, however, any payment for debt service is not made to the Corporation when due, then all moneys on deposit in, or deposited to, the Tax Fund are required by the Act to be retained in the Tax Fund, even if an appropriation has been made, until all required payments to the Corporation are current.

Additional Bonds and Estimated Debt Service Coverage

The Senior Resolution provides that no Additional Senior Bonds (other than Additional Senior Bonds issued for refunding purposes) may be issued on a parity with Outstanding Senior Bonds unless, among other documents, there is filed with the Trustee a certificate of an Authorized Officer of the Corporation stating that the amount certified by the Commissioner of Taxation and Finance for the collection of the 1% Sales Tax for the most recent twelve consecutive calendar months ended not more than two months prior to the date of the certificate (less the operating expenses of the Corporation for the current fiscal year) is at least two times the maximum annual debt service on the Outstanding Senior Bonds issued under the Senior Resolution (including the particular series of such Additional Senior Bonds then proposed to be issued). The Senior Resolution permits the Corporation to issue Variable Interest Rate Senior Bonds to be paid from the Senior Debt Service Fund and the Senior Capital Reserve Fund on a parity with the Outstanding Senior Bonds, but only with respect to scheduled amortization payments and interest (including payments of any related Reimbursement Obligation). The Senior Resolution also permits the Corporation to issue Notes and Other Obligations (as defined thereunder), to provide for mandatory purchase or redemption provisions other than scheduled amortization payments, and to enter into Swaps and other financial instruments, but requires payments thereon to be made only from the Senior Subordinated Payment Fund and under terms and conditions that are certified by the Corporation not to materially adversely affect the ability of the Corporation to pay debt service on the Outstanding Senior Bonds. Additional Senior Bonds may be issued for refunding purposes without meeting the foregoing coverage test, provided that debt service is not increased in any year after giving effect to the refunding. Subordinate Bonds constitute Other Obligations under the Senior Resolution.

The Subordinate Resolution provides that no Additional Subordinate Bonds (other than Additional Subordinate Bonds issued for refunding purposes) may be issued on a parity with Outstanding Subordinate Bonds unless, among other documents, there is filed with the Trustee a certificate of an Authorized Officer of the Corporation stating that the amount certified by the Commissioner of Taxation and Finance for the collection of the 1% Sales Tax for the most recent twelve consecutive calendar months ended not more than two months prior to the date of the certificate (less the operating expenses of the Corporation for the current fiscal year) is at least two times the maximum annual debt service on the Outstanding Subordinate Bonds issued under the Subordinate Resolution (including the particular series of such Additional Subordinate Bonds then proposed to be issued) and the Outstanding Senior Bonds issued under the Senior Resolution. The Subordinate Resolution permits the Corporation to issue Variable Interest Rate Subordinate Bonds to be paid from the Subordinate Debt Service Fund and the Subordinate Capital Reserve Fund on a parity with the Outstanding Subordinate Bonds, but only with respect to scheduled amortization payments and interest (including payments of any related Reimbursement Obligation). The Subordinate Resolution also permits the Corporation to issue Notes and Other Obligations (as defined thereunder), to provide for mandatory purchase or redemption provisions other than scheduled amortization payments, and to enter into Swaps and other financial instruments, but requires payments thereon to be made only from the Subordinate Subordinated Payment Fund and under terms and conditions that are certified by the Corporation not to materially adversely affect the ability of the Corporation to pay debt service on the Outstanding Subordinate Bonds and Senior Bonds. Additional Subordinate Bonds may be issued for refunding purposes without meeting the foregoing coverage test, provided that debt service is not increased in any year after giving effect to the refunding.

If Sales Tax receipts continue at the same level as received during the 2011-12 fiscal year of the State (See "Part 3 – The Sales Tax—Sales Tax Receipts"), debt service coverage for the maximum annual debt service on the Outstanding Bonds would be 7.0 times, assuming the following: (i) interest on the Corporation's outstanding $431.735 million Series 2003A Variable Interest Rate Subordinate Lien Refunding Bonds (the "Series 2003A Variable Rate Subordinate Bonds"), $105.485 million Series 2008B Variable Interest Rate Senior Refunding Bonds (the "Series 2008B Variable Rate Senior Bonds") and $188.65 million Series 2008B Variable Interest Rate Subordinate Refunding Bonds (the "Series 2008B Variable Rate Subordinate Bonds"), for which interest rate exchange agreements were entered, is 4% per annum (which is approximately equal to the sum of the rate payable by the Corporation under its interest rate exchange agreements and the related fees and expenses on the applicable bonds) and (ii) principal of and interest on such Bonds are paid as regularly scheduled. See "Estimated Debt Service Coverage" below in Part 3 for a more detailed explanation of estimated debt service coverage.

The Corporation has reached its maximum authorization of $4.7 billion, and consequently no Additional Bonds will be issued except for refunding purposes, as described below under "Part 4—Sources of Payment and Security for the Bonds—Additional Bonds."

Interest Rate Swap Agreements

The Corporation has five interest rate swap agreements outstanding, in a notional amount of $725,240,000, in connection with $725,870,000 aggregate principal amount of outstanding Series 2003A Variable Rate Subordinate Bonds, Series 2008B Variable Rate Senior Bonds and Series 2008B Variable Rate Subordinate Bonds. Pursuant to such agreements, the Corporation is required to make payments based on fixed rates to the swap providers and is to receive payments based on a variable rate from the swap providers. Under certain circumstances, the agreements may be terminated by the Corporation or by the applicable swap provider, at which time the Corporation may be required to make a payment to the swap provider. Swap payments are payable only from the Subordinate Subordinated Payment Fund under the Subordinate Resolution. For more information about the interest rate swap agreements, see Note 4 of the financial statements of the Corporation incorporated herein by reference.

Certain Constitutional Requirements

Under the State Constitution, the State is permitted to amend, modify or otherwise alter the Sales Tax and cannot be bound or obligated to continue the imposition of the 1% Sales Tax and may repeal the provisions thereof under the Act benefiting the Corporation. Further, under the State Constitution, the State may appropriate at least annually to the Corporation from the Tax Fund the amounts certified in the Chairperson's Certificate, but the State cannot be bound or obligated to make such appropriations.

The Corporation expects, however, that the State will make such annual appropriations as long as the Corporation's Bonds are outstanding. Under existing law, if no such appropriation is made, substantial portions of the 1% Sales Tax not needed by the Corporation for the payment of its debt service would be set aside in the Tax Fund and thus remain unavailable to the State for its other purposes. In addition, the Corporation believes that any failure by the State to make annual appropriations as expected would have a serious impact on the ability of the State and its authorities and public benefit corporations ("Authorities") to raise funds in the public credit markets.

State Fiscal Reform Program

The Corporation was created by Chapter 220 of the Laws of 1990 as part of a fiscal reform program of the State aimed at eliminating the State's practice of financing substantial amounts of local assistance payments through its annual seasonal borrowing during the first quarter of the State fiscal year (the "Spring Borrowing"). The Corporation is empowered, among other things, to issue Bonds and Notes for the purpose of financing local assistance payments in a manner that would provide funds to local governments earlier in their respective fiscal years than had been the State's traditional practice. The State has not conducted a Spring Borrowing since the 1993-94 fiscal year. See "Part 7-Limitation on Issuance of Certain Tax and Revenue Anticipation Notes by the State" below for a description of the pledge and agreement of the State to limit the issuance of certain tax and revenue anticipation notes. See the section entitled "Debt and Other Financing Activities - State Debt and Other Financings - State Supported Debt Outstanding - New York Local Government Assistance Corporation" in Appendix B of this Official Statement for a more detailed description of the State's fiscal reform program.

Information Concerning the State of New York

The Corporation believes that financial developments with respect to the State may affect the market for or market prices of the Bonds of the Corporation and the source of payment therefor. The factors affecting the State's financial condition are complex. Appendix B contains a summary of State financial operations and other information relating to the State's financial condition, based entirely on material supplied by the State.

PART 2—NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

Purpose and Operations

The Corporation is a corporate governmental agency and public benefit corporation of the State created by the Act for the purpose of providing certain assistance payments to units of local government within the State. To fulfill that purpose, the Corporation was given the authority, among other things, to issue and sell its bonds and notes to fund local assistance payments for elementary and secondary education, community college aid and tuition assistance programs, payment of the non-Federal share of local Medicaid costs and other local assistance programs, including revenue sharing assistance, aid for health and the improvement of environmental quality, housing initiatives, mental health and drug abuse programs, mass transportation and highway and bridge programs. However, the Act provides that the Corporation shall not issue its bonds or notes for those purposes unless the State Legislature shall have enacted an appropriation or appropriations providing for the amount and manner of such payments. Pursuant to the by-laws of the Corporation, the fiscal year of the Corporation currently begins April 1 and ends March 31. In the Resolutions, the Corporation has covenanted to cause its fiscal year to begin and end on the same dates as the fiscal year of the State, including any fiscal year of the State that may be shorter or longer than twelve months.

Directors and Management

The Corporation is administered by seven directors, consisting of the Comptroller and the Director of the Budget of the State of New York, both of whom serve ex officio, and five directors who are appointed by the Governor. There are currently three vacant director positions. Each of the appointed directors was appointed by a prior Governor and continues to serve until a successor is chosen and qualified. A unanimous vote of the directors then serving in office is necessary to authorize the issuance of bonds or notes of the Corporation or to authorize any amendatory or supplemental resolution of the Corporation relating to such issuance.

The current directors and officers of the Corporation are as follows:

Chairperson and Director. Vacant.

Thomas P. DiNapoli, *Director*. Comptroller DiNapoli is the Comptroller of the State of New York and he serves as Director ex officio. Comptroller DiNapoli was sworn into office February 7, 2007. His current term of office expires December 31, 2014. The Comptroller is the State's chief auditor and chief fiscal officer. Comptroller DiNapoli is responsible for auditing the disbursements, receipts, and accounts of the State, as well as for auditing State departments, agencies, authorities, and municipalities. The Comptroller also manages the State's debt and most of its investments, as well as the State's Common Retirement Fund. Comptroller DiNapoli had served in the New York State Assembly for 20 years prior to taking his current office. Comptroller DiNapoli chaired the Assembly Local Governments Committee, where he worked closely with local government officials throughout the State to help to tackle the many fiscal challenges localities face each year. Comptroller DiNapoli also served 15 years on the Assembly Ways and Means Committee, where he had extensive engagement on State budget making, budget reform, debt reform and other vital statewide fiscal issues. Comptroller DiNapoli got his start in elected leadership in 1972, when at the age of 18, he was elected to his local board of education. In addition to his distinguished career in public service, Comptroller DiNapoli has been an adjunct professor at Hofstra University and Long Island University – C.W. Post College.

Robert L. Megna, *Vice-Chairperson and Director*. Mr. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than $90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. Prior to this he served as head of the Economic and Revenue Unit of the New York State Division of the Budget where he was responsible for State Budget revenue projections and the development and monitoring of the State Financial Plan. Mr. Megna was Assistant Commissioner for Tax Policy for the Commonwealth of Virginia. He also served as Director of Tax Studies for the New York State Department of Taxation and Finance and as Deputy Director of Fiscal Studies for the Ways and Means Committee of the New York State Assembly. Mr. Megna was also an economist for AT&T. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

Kevin Murray, *Director*. Mr. Murray was appointed a Director of the Corporation on July 20, 2007. Mr. Murray serves as the Deputy Comptroller in the Office of the State Comptroller and is responsible for oversight and management of the New York State and Local Retirement System. Prior to August 2007, Mr. Murray was the Executive Director of the Retired Public Employees Association (RPEA) since July of 2002. RPEA is a 501(c)(5) not for profit labor organization that protects, promotes and advances the interests of retirees from New York State and local governments through advocacy, counseling, education and research. He was employed in the State Division of the Budget from 1970 to 1984 where he advanced to the position of Assistant Chief Budget Examiner in the General Government Operations Unit. Thereafter, he was a Divisional Vice President of Empire Blue Cross and Blue Shield from 1984 to 1987. He returned to State service in 1987 as Deputy Commissioner for Tax Policy Analysis in the Department of Taxation and Finance. For eleven years, from 1988 through 1999, he served as the

Tax Department's Executive Deputy Commissioner. He received a bachelor's degree from Fordham University and pursued additional studies in Political Science at Indiana University.

Marc V. Shaw, *Director*. Mr. Shaw was appointed a Director of the Corporation on May 21, 2007. He is currently the Senior Vice Chancellor for Budget, Finance and Financial Policy at CUNY, overseeing and managing the finances of CUNY's 23 colleges and professional schools and the University's central administration. Mr. Shaw served as a Senior Advisor to the Governor on Metropolitan Transportation Authority ("MTA") finances and fiscal affairs during 2009. From 2006 to 2008, he was Executive Vice President for Strategic Planning at Extell Development Company. From 2002 to 2006, he was the First Deputy Mayor and Deputy Mayor for Operations to Mayor Bloomberg. In 1996 Governor Pataki appointed him to serve as the Executive Director and Chief Operating Officer for the MTA. Mr. Shaw has served as the Budget Director for the New York City (the "City") Office of Management and Budget, the Commissioner for the New York City Department of Finance and as the Director of Finance for the New York City Council. Mr. Shaw also worked for the New York State Senate Finance Committee. He has been an adjunct assistant professor of New York University Public Services at the Robert F. Wagner Graduate School of Public Services and an adjunct professor at the Columbia University School of International and Public Affairs. He graduated magna cum laude from the State University College at Buffalo and received his M.A. degree from the State University of New York at Buffalo.

Director. Vacant.

Director. Vacant.

Eric T. Schneiderman, *General Counsel*. Mr. Schneiderman is the Attorney General of the State of New York and serves as general counsel ex officio. The Attorney General, the chief legal officer of the State, is elected on a statewide basis and has charge and control of the State's legal affairs. He prosecutes and defends all actions and proceedings for and against the State and its departments, defends the constitutionality of the acts of the Legislature and serves as bond counsel on bond sales by the State. Mr. Schneiderman was elected Attorney General in November 2010. His current term of office expires December 31, 2014.

Ronald L. Greenberg, *Co-Executive Director*. Mr. Greenberg was appointed Co-Executive Director of the Corporation on May 20, 2008. Mr. Greenberg is the First Deputy Director of the New York State Division of the Budget. In this capacity, he coordinates the formulation of the Executive Budget, monitors the implementation of the final Enacted Budget, and manages the State's Financial Plan. He has also served as the Chief Budget Examiner for the Transportation, Economic Development and the Environment Unit and the Assistant Chief Budget Examiner in the Economics and Revenue Unit. Prior to this, he served as the Assistant Deputy Commissioner for the Office of Tax Policy Analysis at the Department of Taxation and Finance, where he was responsible for coordinating the activities of the policy, accounting, and technical service bureaus. He received a B.A. in Political Science and an M.A. in public policy from the State University of New York at Binghamton and an M.B.A. from the State University of New York at Albany.

Thomas Nitido, *Co-Executive Director*. Thomas Nitido was appointed Co-Executive Director, effective March 25, 2010. Mr. Nitido is Deputy Comptroller for Retirement Services with the Office of the State Comptroller. Prior to the appointment, Mr. Nitido served as the Deputy Comptroller for the Office of Budget and Policy Analysis. Mr. Nitido also previously served as Assistant Comptroller of the Retirement Compliance Unit for the New York State and Local Retirement System. Mr. Nitido served eight years as Albany City Comptroller after being elected to the post in 2001 and 2005. Before being elected Albany City Comptroller, Mr. Nitido worked for the New York State Assembly Committee on Health for 14 years, most recently serving as its Executive Director. He also served on the Albany Common Council for seven years. Mr. Nitido is a graduate of Union College and received a master's degree from the SUNY College of Environmental Science and Forestry and Syracuse University.

Patricia Warrington, *Treasurer*. Ms. Warrington was appointed Treasurer of the Corporation on May 17, 2005. Ms. Warrington has served as Assistant Comptroller in the Office of Budget and Policy Analysis within the Office of the State Comptroller since April 2007. Prior to this, she served as Director of the Bureau of Debt

Management in the Office of the State Comptroller. Before joining the Comptroller's staff in January 2005, Ms. Warrington served as Director of Budget Studies for the New York State Assembly Ways and Means Committee, where she was employed for 17 years, serving in various budget and fiscal positions for the Committee. She received a Bachelor of Arts in Political Science from the State University of New York at Cortland and a Master of Arts in Political Science from the State University of New York at Binghamton.

Pat Reale, *Secretary*. Mr. Reale was appointed Secretary of the Corporation on March 13, 2012. Mr. Reale has been with the New York State Division of the Budget since 1995. Currently, he serves as Principal Budget Examiner in the Division's Expenditure/Debt Unit, and is responsible for overseeing and managing the State's debt portfolio and its debt service budget, as well as the annual development of the State's Capital Program and Financing Plan. Mr. Reale received a Bachelor of Arts degree in Political Science from the State University of New York at Albany, and a Masters Degree in Public Administration from the Rockefeller College of Public Affairs and Policy, University at Albany.

In addition, pursuant to the Act, the secretary to the Finance Committee of the State Senate and the secretary to the Ways and Means Committee of the State Assembly are non-voting representatives.

Plan of Finance

As a condition precedent to the issuance of bonds or notes (excluding refunding bonds), the Act requires that the Legislature shall have enacted an appropriation or appropriations for the amount and manner of payments for the purpose of making local assistance payments within the State. Pursuant to legislative authorization, the Corporation has previously issued Senior Bonds, the net proceeds of $4.7 billion of which have been used for the purpose of financing local assistance payments. The Corporation has completed such financing assistance program.

The Corporation regularly reviews Outstanding Bonds and the redemption provisions thereof, in light of current market conditions and the restrictions of federal tax law, with a view to reducing the aggregate debt service expenses and/or balancing exposure to market risk by appropriately timed and sized refundings.

Plan of Refunding

The Series 2012A Subordinate Bonds are being issued to provide funds, together with other funds available under the Resolutions, to current refund the Bonds of the Corporation described in Appendix D hereto (the "Refunded Bonds"), and to pay certain costs of issuance of the Series 2012A Subordinate Bonds.

The Refunded Bonds, the principal amount thereof, the maturity date, the Redemption Price and the date on which the Refunded Bonds shall be redeemed are as shown in Appendix D hereto.

A portion of the proceeds of the Series 2012A Subordinate Bonds will be deposited with the Trustee pursuant to the Escrow Deposit Agreement (the "Escrow Agreement") to be entered into, at or prior to the issuance of the Series 2012A Subordinate Bonds, between the Corporation and Trustee. Such proceeds, together with a deposit held by the Trustee under the Escrow Agreement from the release of funds from the Capital Reserve Fund, will be sufficient, together with any other moneys deposited with the Trustee under the Resolution, to refund the Refunded Bonds at the applicable Redemption Price on the redemption date. The moneys held by the Trustee pursuant to the Escrow Agreement will be held in an irrevocable escrow account established under the Escrow Agreement and pledged to secure the payment of the Refunded Bonds.

PART 3—THE SALES TAX

General

In 1965, New York became the 39th state to impose a general sales and compensating use tax; 46 states now impose sales or gross receipts taxes. The statewide rate has been raised three times: from 2 percent to 3 percent on April 1, 1969, to 4 percent on June 1, 1971, and to 4.25 percent effective June 1, 2003 through May 31, 2005. The rate returned to 4 percent on June 1, 2005. The Sales Tax now applies to (1) sales and use within the State of most tangible personal property; (2) certain utility service billings; and (3) charges for restaurant meals, hotel and motel occupancy, and for specified admissions and services. The base of the tax has been amended periodically since its imposition in 1965 and in almost every year since 1992. Legislation enacted from time to time since 1996 has (i) created special temporary and permanent Sales Tax exemptions for certain transactions (e.g. for clothing and footwear purchases under a certain dollar amount and for property and services used or consumed by qualifying businesses located in Empire Zones and New York City Liberty and Resurgence Zones) or (ii) expanded the scope of the Sales Tax (*e.g.* including the New York City cigarette excise tax of $1.50 in the State and local sales tax bases and requiring nonprofit organizations to collect sales tax on retail sales of certain property and services). (See Sales Tax Receipts below, for a description of recent amendments).

The Sales Tax is generally collected from the consumer by the final vendor. However, special provisions enacted in 1985 require prepayment of the bulk of the tax on motor fuel upon its import into the State, with ultimate collection and reconciliation at the retail level. Legislation effective September 1, 1995 requires similar prepayments of the Sales Tax on cigarettes. This prepayment was increased to 8 percent from 7 percent in 2009. Other provisions permit certain taxpayers to pay Sales Tax directly to the Commissioner of Taxation and Finance.

Vendors of goods and services which are subject to the Sales Tax are required to submit quarterly reports and remit tax collections with a postmarked due date of March 20th, June 20th, September 20th and December 20th. Vendors collecting $3,000 or less in Sales Tax per year can elect to file annually on March 20. Vendors with taxable volume of $300,000 or more in one of the immediately preceding four quarters must remit the tax on a monthly basis. Monthly remittances are due on the 20th day of the month following the month of collection. Sales Tax vendors with more than $5 million in State and local annual tax liability remit tax for the first 22 days of the month by Electronic Funds Transfers (EFT) or certified check by the third business day thereafter. Tax for the balance of the month is paid with the monthly returns that such vendors file by the 20th of the following month. The threshold for mandatory EFT payments was initially $5 million and, effective September 2002, is currently $500,000. In addition, legislation in 1996 provided exemptions from the EFT program for certain materialmen that can demonstrate hardship, effective April 1, 1997. Effective March 1, 1999, Sales Tax vendors were allowed to keep for their Sales Tax collection services 3.5 percent of their Sales Tax liability up to a maximum of $150 per quarter. Legislation enacted in 2006 increased the percentage to 5 percent of their Sales Tax liability, up to a maximum of $175 in 2006-07. The cap increased to $200 on March 1, 2007. Legislation enacted in 2010 eliminated the allowance for monthly filers. Legislation enacted in 2008 implemented a vendor registration program with a registration fee of $50.

Sales Tax Receipts

Sales Tax receipts constitute the State's second largest source of tax receipts after the personal income tax and accounted for approximately 18.5 percent of State tax receipts in all State Funds in the State's 2011-12 fiscal year. The level of Sales Tax receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to collections of the Sales Tax will be indicative of future receipts.

Actual 2002-03 receipts of $8.434 billion reflect an increase of 1.6 percent in the continuing Sales Tax base, losses of $6.8 million from Empire Zones legislation and $10 million from Liberty Zones legislation and gains of $6 million from pre-paid Sales Tax on cigarettes and $32 million from the lower EFT threshold. Liberty Zones legislation enacted in 2002 exempted most sales of tangible personal property and certain other items made in the New York City Liberty and Resurgence Zones and priced under $500 from the State's 4 percent sales and use tax for the three-day periods June 9 through June 11, 2002, July 9 through July 11, 2002, and August 20 through August 22, 2002.

Actual 2003-04 receipts of $9.508 billion reflect an increase of 4.6 percent in the continuing Sales Tax base and changes to the tax law. The 2003-04 Enacted Budget temporarily eliminated the exemption for items of clothing and shoes priced under $110 and replaced it with an exemption for items of clothing and footwear priced under $110 that was effective during two separate weeks in 2003-04, increasing receipts by an estimated $441 million. The 2003-04 Enacted Budget also included a quarter percent Sales Tax surcharge which increased receipts by an estimated $428 million, all of which was directed to the General Fund, and included the New York City cigarette excise tax of $1.50 per pack in the State and local sales tax bases.

Actual 2004-05 receipts of $10.587 billion reflect an increase of 7.4 percent in the continuing Sales Tax base as well as tax law changes. The 2004-05 Enacted Budget temporarily eliminated the exemption for items of clothing and shoes priced under $110 due to resume on June 1, 2004 with an exemption for items of clothing and footwear priced under $110 during two separate weeks in 2004-05. This legislation increased receipts by an estimated $483 million. Other 2004-05 legislation required contractors, subcontractors and their affiliates who make deliveries of taxable services or tangible personal property valued at more than $300,000 to New York locations to register as Sales Tax vendors.

Actual 2005-06 receipts of $10.592 billion reflect an increase of 5.8 percent in the continuing Sales Tax base. The 2005-06 Enacted Budget temporarily eliminated the exemption for items of clothing and footwear priced under $110 and replaced it with an exemption for items of clothing and footwear priced under $110 that was effective during two separate weeks in 2005-06. This legislation is estimated to have generated about $476 million in additional revenue.

Actual 2006-07 receipts of $10.050 billion reflect an increase of 4.3 percent in the continuing Sales Tax base as well as tax law changes. In 2006-07, the vendor credit was increased and the Sales Tax on motor fuel and diesel motor fuel was capped at eight cents per gallon. The exemption for items of clothing and footwear priced under $110 went back into effect April 1, 2006.

Actual 2007-08 receipts of $10.591 billion reflect an increase of 4.6 percent in the continuing Sales Tax base.

Actual 2008-09 Sales Tax receipts of $10.274 billion reflect a decrease of 2.1 percent in the continuing Sales Tax base and tax law changes. These tax law changes include a new voluntary compliance program allowing taxpayer disclosure of certain underreported tax liabilities, non-profit tax-exempt restrictions, a new vendor registration fee, and creating an evidentiary presumption that certain sellers using State residents to solicit sales in the State are vendors required to collect sales and use taxes.

Actual 2009-10 receipts of $9.871 billion reflect a decrease of 7.0 percent in the continuing Sales Tax base and tax law changes. These tax law changes include a sales tax on certain transportation services, increased tax compliance efforts, increase prepaid sales tax on cigarettes, an expanded definition of vendor to preclude certain taxpayers from avoiding the tax and narrowing the exemption for commercial aircraft and the use tax for exemption for motor vehicles, vessels and aircraft.

Actual 2010-11 receipts of $10.782 billion reflect a base increase of 7.4 percent and tax law changes. These tax law changes include the elimination of the clothing and footwear exemption from October 1, 2010 to March 31, 2011, the elimination of the vendor credit for monthly filers and a clarification that room remarketers are required to collect sales and New York City occupancy taxes.

Actual 2011-12 receipts of $11.125 billion reflect a base increase of 5.6 percent and enacted law changes including the tax modernization project. In addition, clothing and footwear priced up to $55 is exempt from tax until March 31, 2012.

The 2012-13 receipts are estimated to be $11.414 billion, reflecting a base increase of 4.0 percent.

(Note: The Sales Tax receipts described in this section do not include additional Sales Tax collections in the Metropolitan Commuter Transportation District for the Mass Transportation Operating Assistance Fund.)

Table 1 sets forth historical information relating to Sales Tax receipts from State fiscal years 2002-03 through 2011-12, and estimated amounts for the 2012-13 fiscal year. Table 2 sets forth monthly Sales Tax receipts from the State's 2006-07 fiscal year through April 30, 2012. The information reflects tax law changes described above.

TABLE 1
Sales Tax Receipts[(1)]
(Dollars in Thousands)

State Fiscal Year	Net Receipts of Sales Tax	Net Receipts of 1% Sales Tax[(2)]	Annual Rate of Growth/Decline (%)[(3)]
2002-03	$ 8,434,104	$ 2,106,477	3.07
2003-04	9,507,878	2,266,814	7.61
2004-05	10,587,200	2,492,739	9.97
2005-06	10,592,411	2,614,566	4.89
2006-07	10,050,370	2,511,475	(3.94)
2007-08	10,590,481	2,645,580	5.34
2008-09	10,274,090	2,566,949	(2.97)
2009-10	9,870,977	2,466,528	(3.91)
2010-11	10,782,081	2,697,314	9.36
2011-12	11,125,047	2,779,505	3.05
2012-13[(4)]	11,413,800	2,853,200	2.65

Source: Division of the Budget.

(1) These amounts reflect receipts of the full amount of the sales and compensating use tax deposited in both the General Fund and the Debt Service Fund.
(2) Net of refunds.
(3) Unadjusted for rate and base changes. Represents growth rate of net receipts of 1% Sales Tax.
(4) As estimated in the 2012-13 Enacted Budget.

TABLE 2
Monthly Sales Tax Receipts[(1)]
April 1, 2006 Through April 30, 2012
(Millions of Dollars)

MONTH	2006-07	%(2)	2007-08	%(2)	2008-09	%(2)	2009-10	%(2)	2010-11	%(2)	2011-12	%(2)	2012-13
APRIL	$ 719	7	$ 819	8	$ 764	7	$ 731	8	$ 803	7	$ 839	7	$792
MAY	727	7	759	7	793	8	713	7	723	7	814	7	
JUNE	1,044	10	1,090	10	1,080	11	987	10	1,055	10	1,107	10	
JULY	768	8	811	8	832	8	724	7	805	7	856	8	
AUGUST	737	7	784	7	833	8	741	8	805	7	837	7	
SEPTEMBER	1,063	11	1,086	10	1,082	11	1,060	11	1,055	10	1,091	10	
OCTOBER	750	8	768	7	781	8	755	8	813	8	850	8	
NOVEMBER	737	7	822	8	764	7	732	7	840	8	843	8	
DECEMBER	1,111	11	1,079	10	955	9	1,011	10	1,158	11	1,135	10	
JANUARY	788	8	850	8	830	8	813	8	924	8	896	8	
FEBRUARY	663	7	733	7	661	6	686	7	750	7	763	7	
MARCH	943	9	987	9	899	9	918	9	1,051	10	1,093	10	
TOTAL*	$10,050	100%	$10,591	100%	$10,274	100%	$9,871	100%	$10,782	100%	$11,125	100%	

Source: Division of the Budget.

(1) Amounts shown reflect both the General Fund and Debt Service Fund receipts from the State’s 4 percent sales and compensating use taxes.
(2) Percentages indicate the monthly share of yearly receipts.
* Totals may not add due to rounding.

Estimated Debt Service Coverage

The following table sets forth (1) receipts from the net Sales Tax collection for State's 2011-12 fiscal year, (2) receipts from the 1% Sales Tax receipts for the State's 2011-12 fiscal year, (3) estimated maximum annual debt service on Outstanding Bonds of the Corporation and (4) resulting debt service coverage. There can be no assurance that actual Sales Tax collections will not be less than the amounts collected for the 2011-12 fiscal year or that future debt service requirements will not exceed those shown, as a result of numerous factors affecting Sales Tax collections and the level of interest rates that cannot be predicted at this time.

TABLE 3
Estimated Debt Service Coverage
New York Local Government Assistance Corporation
(Dollars in Thousands)

2011-12 Fiscal Year Sales Tax Receipts	$11,125,047
2011-12 Fiscal Year 1% Sales Tax Receipts [1]	$2,779,505
Maximum Annual Debt Service [2]	$397,485
Debt Service Coverage	7.0x

(1) Net of approximately $15 million in estimated collection expenses.

(2) Amounts include actual outstanding debt service for both Senior and Subordinate Bonds as shown in Table 4 under "Part5—Debt Service Schedule". "Maximum Annual Debt Service" includes interest on such Bonds at an assumed rate of 4% per annum, which is approximately equal to the sum of the rate payable by the Corporation under its interest rate exchange agreements and the related fees and expenses on the applicable bonds for the Series 2003A Variable Rate Subordinate Bonds, the Series 2008B Variable Rate Senior Bonds and the Series 2008B Variable Rate Subordinate Bonds (for all but $630,000 of which interest rate exchange agreements were entered).

Legislation enacted in 2003 currently requires LGAC to certify, in addition to its own cash needs, for $170 million annually. In May 2004, LGAC amended its General Senior Bond Resolution and General Subordinate Lien Bond Resolution to clarify that any failure to certify or make payments to the City or its assignee has no impact on LGAC's own bondholders; and that if any such act or omission were to occur with respect to any possible bonds issued by New York City or its assignee, that act or omission would not constitute an Event of Default with respect to LGAC bonds. For purposes of calculating debt service coverage as shown in Table 3, such $170 million payment was not deducted from the 1% Sales Tax receipts or added to maximum annual debt service.

The Act does not restrict the right of the State to amend, repeal, modify or otherwise alter the Sales Tax. In addition, the Act permits, after appropriation of the Corporation's cash requirements, moneys derived from the 1 percent Sales Tax Fund to be paid over to the General Fund. The Act could be amended to provide that those moneys be used as a source of payment for financings by the Corporation in excess of its current authorization or for separate financings by other authorities of the State. In the case of the Corporation, however, such financing could not be issued under the Senior Resolution or otherwise by the Corporation unless (i) the date and amounts of payments have been scheduled so that they do not materially adversely affect the ability of the Corporation to pay, when due, debt service on the Senior Bonds and (ii) such financings are not entitled to a lien or charge equal or prior to the Senior Bonds on Revenues, moneys and securities in the Senior Debt Service Fund and the Senior Capital Revenue Fund and could not be issued under the Subordinate Resolution or otherwise by the Corporation unless (i) the date and amounts of payments have been scheduled so that they do not materially adversely affect the ability of the Corporation to pay, when due, debt service on the Subordinate Bonds and (ii) such financing is not entitled to a lien or charge equal or prior to the Subordinate Bonds on Revenues, moneys and securities in the Subordinate Debt Service Fund and the Subordinate Capital Revenue Fund. No such additional financing is permitted under existing law.

PART 4—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

Senior Bonds. The Senior Bonds are general obligations of the Corporation payable out of certain pledged Revenues and from other moneys pledged under the Senior Resolution including amounts on deposit in and earned on investment of the Senior Capital Reserve Fund. The Senior Bonds are entitled to a first lien, created by the pledge under the Senior Resolution, on the Revenues and moneys or securities on deposit in the Senior Debt Service Fund and the Senior Capital Reserve Fund.

The pledged moneys and securities include the following:

(i) amounts derived from the 1% Sales Tax (less certain statutory refunds) or other sources and paid over to the Senior Debt Service Fund from the Tax Fund.

(ii) amounts received from the same sources to restore the Senior Capital Reserve Fund to its Requirement to the extent any deficiency therein resulted from the failure by the State to pay any amounts previously certified by the Chairperson, and

(iii) any interest or income earned on amounts deposited in the Senior Bond Proceeds Fund, Senior Debt Service Fund and Senior Capital Reserve Fund established under the Senior Resolution less amounts required by federal tax laws for rebate payments to the Department of Treasury of the United States of America to maintain the tax-exempt status of the Senior Bonds.

Subordinate Bonds. The Subordinate Bonds, including the Series 2012A Subordinate Bonds, are general obligations of the Corporation payable out of certain pledged Revenues and from other moneys pledged under the Subordinate Resolution including amounts on deposit in and earned on investment of the Subordinate Capital Reserve Fund. The Subordinate Bonds, including the Series 2012A Subordinate Bonds, are entitled to a first lien, created by the pledge under the Subordinate Resolution on the Revenues and moneys or securities on deposit in the Subordinate Debt Service Fund and the Subordinate Capital Reserve Fund. The pledge created by the Subordinate Resolution, insofar as it relates to Revenues, moneys and securities and funds pledged under the Senior Resolution, is subordinate in all respects to the pledge of such Revenues, moneys, and securities and funds created by the Senior Resolution.

The pledged moneys and securities include the following:

(i) amounts derived from the 1% Sales Tax (less certain statutory refunds) or other sources and paid over to the Subordinate Debt Service Fund from the Senior Subordinated Payment Fund.

(ii) amounts received from the same sources to restore the Subordinate Capital Reserve Fund to its Requirement to the extent any deficiency therein resulted from the failure by the State to pay any amounts previously certified by the Chairperson, and

(iii) any interest or income earned on amounts deposited in the Subordinate Bond Proceeds Fund, Subordinate Debt Service Fund and Subordinate Capital Reserve Fund established under the Subordinate Resolution less amounts required by federal tax laws for rebate payments to the Department of Treasury of the United States of America to maintain the tax-exempt status of the Bonds.

Tax Fund

The Act establishes the Tax Fund in the joint custody of the Comptroller and the Commissioner of Taxation and Finance and requires all moneys on deposit in the Tax Fund to be held separate and apart from all other moneys in the custody of the State. The Commissioner of Taxation and Finance is required by the Act to certify monthly to the Comptroller amounts received in the Tax Fund.

All revenues derived from the 1% Sales Tax are required to be deposited, upon receipt, in the Tax Fund and held there, as described below under "Moneys Held in the Tax Fund," until the full amount certified by the Chairperson as being required by the Corporation for its current fiscal year has been appropriated by the State. Once the full amount certified or recertified by the Chairperson has been appropriated for a fiscal year, receipts from the 1% Sales Tax may be used for other State purposes until those receipts are required to be impounded, as described below under "Set Aside of the 1% Sales Tax in the Tax Fund," to make required payments to the Corporation for debt service on the Bonds and other cash requirements of the Corporation, as described below under "Certification of Payments Required by the Corporation."

The sequence in which the 1% Sales Tax is deposited into the Tax Fund, impounded therein, and transferred therefrom to the Corporation for the payment of the Bonds is more fully described below under "Summary of Flow of Funds."

Certification of Payments Required by the Corporation

Subject to appropriation, moneys on deposit in the Tax Fund are required by the Act to be paid to the Corporation in the amounts and at the times set forth in the certification of the Chairperson required to be delivered to the Comptroller and the Governor under the Act.

Not less than 120 days prior to each fiscal year of the Corporation, the Chairperson is required to certify a schedule of all cash requirements of the Corporation for that fiscal year. That certification is required to include the total amount of debt service expected to become due on the Bonds, all amounts necessary to restore the Capital Reserve Funds to their respective Capital Reserve Fund Requirements to the extent any deficiency resulted directly or indirectly from failure by the State to make any payment provided for under the Act, all amounts necessary to pay operating expenses of the Corporation, and all amounts required by the Corporation to pay any other obligations of the Corporation (including the payment of $170 million required by the Act to be made by the Corporation to New York City or its assignee). The schedule accompanying that certification is also required to provide for payments on such dates as the Corporation deems appropriate to ensure that sufficient funds will be available from the Tax Fund to enable it to meet its current obligations as they become due.

In addition, the Resolutions require the Corporation, acting through the Chairperson, to prepare and submit the certification such that the Comptroller shall be required to transfer all amounts required for principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bond issued under such Resolution no less than five days prior to the due date of such payment.

Under the Resolutions, the Corporation has covenanted to cause the Chairperson promptly to revise or amend the certification described above, and the schedule required to accompany that certification, from time to time, to assure that the certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Corporation for the current fiscal year and the dates of those required payments. Further, the Chairperson is required immediately to revise or amend the certification, and the accompanying schedule, if either of the following should occur: (i) amounts are required to restore either Capital Reserve Fund to its Capital Reserve Fund Requirement to the extent any deficiency therein has resulted directly or indirectly from failure by the State to make any payment required under the Act, including without limitation any payment of principal of or interest on the Bonds (including Variable Interest Rate Bonds) or on any related Reimbursement Obligation; or (ii) additional amounts are required to make any payment of principal of or interest on Bonds (including Variable Interest Rate Bonds) and any related Reimbursement Obligation.

Upon issuance of the first Series of Bonds, the Chairperson certified the amount of such payments required by the Corporation for its 1991-92 fiscal year. The Chairperson revised such certification upon the issuance of each subsequent Series of Bonds.

Set Aside of the 1% Sales Tax in the Tax Fund

In order to set aside the moneys necessary to meet the amounts required on the payment date specified in the Chairperson's certificate, the Act requires the Comptroller to comply with certain provisions relating to the accumulation and set aside of the 1% Sales Tax. Those set-aside provisions, which are referred to as "impoundment," may be summarized as follows:

1. The Comptroller is required, on a monthly basis, to prepare a schedule of the amount of revenues from the 1% Sales Tax anticipated to be deposited in the Tax Fund, based upon estimates of the Director of the Budget.

2. Except as described in paragraph 4, commencing when a payment for debt service or another required payment due to the Corporation first equals 95% of the amount of revenues from the 1% Sales Tax anticipated to be deposited in the Tax Fund prior to the due date of such payment, the Comptroller is required to set aside in the Tax Fund all such revenues as received until the amount so set aside is sufficient to make such payment.

3. In any event, the Comptroller is required to commence setting aside revenues from the 1% Sales Tax no later than the fifteenth day prior to the date on which a debt service or other required payment is due to the Corporation and to continue to set aside such revenues until the balance is sufficient to pay the amount of such payment when due.

4. For the purpose of meeting a debt service or other required payment that is due on a monthly or more frequent basis (such as a payment on Variable Interest Rate Bonds), the Comptroller is required to set aside all revenues from the 1% Sales Tax as received until the amount so set aside is, in the reasonable judgment of the Comptroller, sufficient to meet the debt service payment on such issue.

Moneys impounded pursuant to the procedures just described will be held by the Comptroller separate and apart from all other funds of the State and invested only in Debt Service Fund Investments, a definition of which is set forth in Appendices A-1 and A-2 hereto.

Moneys Held in the Tax Fund

The Act prohibits the Comptroller from paying over or distributing any revenues from the 1% Sales Tax out of the Tax Fund (other than collection expenses) except to the Corporation, unless two requirements are met. First, all payments certified as required by the Corporation for a fiscal year must have been appropriated to the Corporation to the full amount specified in the Chairperson's certificate. Second, each certified and appropriated payment for which moneys are required to be set aside under the impoundment provisions must have been made to the Corporation on the date by which it was required to have been made pursuant to the schedule in the Chairperson's certificate.

If an appropriation has been made to pay all amounts specified in the Chairperson's certificate as being required by the Corporation for a fiscal year and all payments to the Corporation are current, then the Comptroller is required by the Act to pay over and distribute to the credit of the General Fund of the State, at least once a month, all revenues in the Tax Fund, if any, in excess of the aggregate amounts required to be set aside pursuant to the impoundment provisions. The Act also requires the Comptroller to pay to the General Fund all sums remaining in the Tax Fund on the last day of each State fiscal year, but only if the State has appropriated and paid to the Corporation the amounts necessary for the Corporation to meet its requirements for the current fiscal year pursuant to the Chairperson's certificate, as such certificate may have been amended during such fiscal year.

Under the Act, no person (including the Corporation or the Holders of Bonds or Notes) shall have any lien on revenues from the 1% Sales Tax held in the Tax Fund, and the provisions of the Act requiring the State to make payments from the Tax Fund shall be executory only to the extent of revenues from the 1% Sales Tax available to the State in the Tax Fund. If, however, the amount set aside by the Comptroller in the Tax Fund is insufficient to meet the payments required pursuant to the Chairperson's certificate on any payment date, then the Comptroller is required by the Act to immediately transfer from the State's General Fund to the Tax Fund, without an additional appropriation, an amount which, when combined with the amount set aside under the impoundment provisions, shall be sufficient to meet the payment required pursuant to the Chairperson's certificate.

Appropriation by Legislature

The State may not make any payment without an appropriation. An appropriation is an authorization approved by the State Legislature to make payments. The State Constitution requires all appropriations of State funds to be approved by the State Legislature at least every two years. In addition, the State Finance Law provides that appropriations shall cease to have force and effect, except as to liabilities incurred thereunder, at the close of the fiscal year for which they were enacted and that to the extent of liabilities incurred thereunder, such appropriations shall lapse on the succeeding June 30th or September 15th depending on the nature of the appropriation. The State Legislature may not be bound in advance to make an appropriation, and there can be no assurances that the State Legislature will appropriate the necessary funds as anticipated. The Corporation expects that the State Legislature will make an annual appropriation from amounts on deposit in the Tax Fund in amounts sufficient to pay debt service on the Bonds.

Deposits to the Tax Fund are expected to exceed the amounts necessary to pay debt service on the Bonds, as described under "Estimated Debt Service Coverage" in Part 3. The Act contains provisions, which are described above under "Set Aside of the 1% Sales Tax in the Tax Fund" and "Moneys Held in the Tax Fund," for the accumulation and setting aside of the 1% Sales Tax to be paid, subject to appropriation, to the Corporation. The effect of those provisions is that, if an appropriation for and payment of the Corporation's debt service on the Bonds is not made, the revenues from the 1% Sales Tax will, under existing law, remain in the Tax Fund and will thus not be available for other State purposes.

If the Legislature should fail to make an appropriation for the payment of debt service on general obligation bonds of the State to which the full faith and credit of the State has been pledged, the State Constitution requires the Comptroller to set apart from first revenues thereafter received, applicable to the General Fund of the State, a sum sufficient to pay such debt service and provides that the Comptroller may be required to set aside and apply such revenues to debt service on such bonds at the suit of any holder of such bonds. Because the State has never failed to make an appropriation for debt service on its general obligation bonds, there has never been an occasion for a court to determine the extent of the remedies available to a holder of the State's general obligation bonds, under such circumstances, with respect to revenues such as the 1% Sales Tax, which are required to be deposited in the Tax Fund.

The Corporation believes that any failure by the State Legislature to make annual appropriations as contemplated would have a serious impact on the ability of the State and its Authorities to raise funds in the public credit markets.

Summary of Flow of Funds

The following paragraphs are a summary of the flow of funds relating to the collection and transfer of the 1% Sales Tax and other sources of payment for the Bonds under existing law and the Resolutions:

1. The Chairperson is required to submit a certificate to the Comptroller and the Governor, certifying all cash requirements of the Corporation for the next fiscal year, including all debt service on the Bonds, together with a schedule indicating the payment dates and amounts of payments required (or estimated to be required) to be made to the Corporation, 120 days prior to the beginning of that fiscal year. The Chairperson is required to amend or revise that certificate to provide for actual requirements as they become known.

2. Upon receipt, revenues from the 1% Sales Tax are required to be deposited in the Tax Fund, held jointly by the Commissioner of Taxation and Finance and the Comptroller.

3. The 1% Sales Tax moneys are required to be held in the Tax Fund, until an appropriation is made which is sufficient to pay all amounts certified by the Chairperson for the fiscal year.

4. If, and only if, an appropriation has been made sufficient to pay all amounts certified by the Chairperson for the fiscal year, receipts from the 1% Sales Tax on deposit in the Tax Fund will be paid monthly to the General Fund, but only to the extent that they are neither needed to pay debt service on the Bonds nor required to be impounded for the Bonds.

5. If the Chairperson amends the certificate such that the cash requirements of the Corporation exceed the appropriation therefor, then revenues attributable to the 1% Sales Tax thereafter received in the Tax Fund are required to be held therein until an additional appropriation sufficient to pay the additional amount is made.

6. Under the impoundment procedures, except for debt service due on a monthly or more frequent basis, the Comptroller is required to begin to impound 1% Sales Tax moneys either by the date when a payment for debt service or another required payment due to the Corporation first equals 95% of the amount of revenues from the 1% Sales Tax anticipated to be deposited in the Tax Fund prior to the due date of such payment, or by the 15th day preceding that date, whichever is earlier. For debt service due on a monthly or more frequent basis, the Comptroller is required to set aside all revenues from the 1% Sales Tax as received in the relevant interest period until the amount so set aside is, in the reasonable judgment of the Comptroller, sufficient to meet such debt service payment.

7. Subject to appropriation, the Comptroller is required to pay, directly into the Senior Debt Service Fund, the amount required for debt service on the Bonds, at least five days prior to a payment date, from amounts impounded in the Tax Fund, and if those amounts are insufficient, without further appropriation, to transfer sufficient moneys to the Tax Fund from the General Fund of the State. The Subordinate Bonds will be paid from the 1% Sales Tax and any other revenues deposited pursuant to the Senior Resolution that are transferred to the Senior Subordinated Payment Fund established under the Senior Resolution after sufficient amounts are deposited in the funds and accounts securing the Senior Bonds.

8. If a shortfall exists in the Senior Debt Service Fund immediately prior to a payment date on the Senior Bonds, moneys on deposit in the Senior Capital Reserve Fund sufficient to replenish the shortfall are required to be applied to the Senior Debt Service Fund for the payment of debt service on the Bonds. If the Senior Capital Reserve Fund is drawn upon for such purposes, the Chairperson is required immediately to certify amounts required to restore the Senior Capital Reserve Fund to its Requirement, and upon such certification the Comptroller is required to impound moneys in the Tax Fund to make such payment.

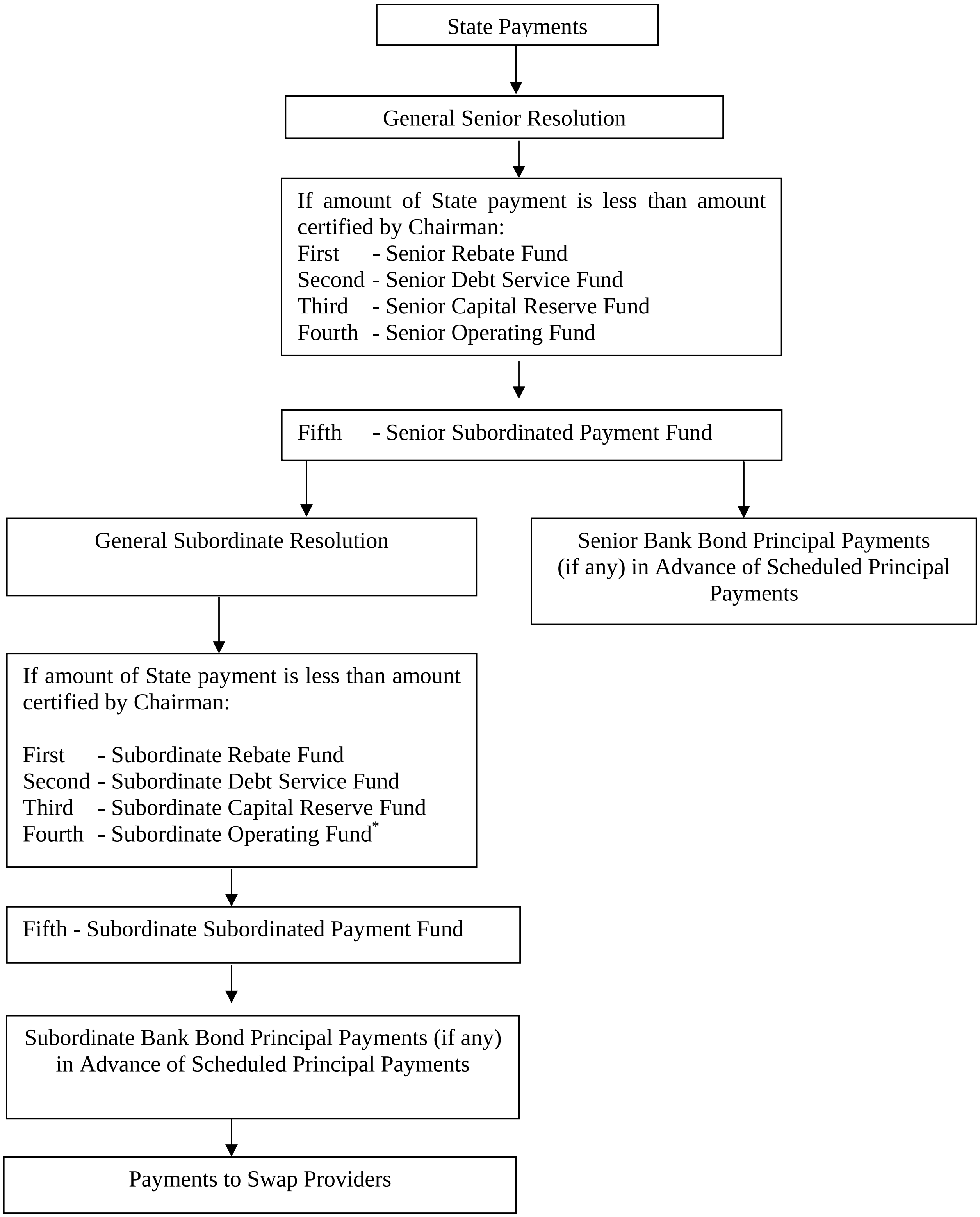
9. If a shortfall exists in the Subordinate Debt Service Fund immediately prior to a payment date on the Subordinate Bonds, moneys on deposit in the Subordinate Capital Reserve Fund sufficient to replenish the shortfall are required to be applied to the Subordinate Debt Service Fund for the payment of debt service on the Bonds. If the Subordinate Capital Reserve Fund is drawn upon for such purposes, the Chairperson is required immediately to certify amounts required to restore the Subordinate Capital Reserve Fund to its Requirement, and upon such certification the Comptroller is required to impound moneys in the Tax Fund to make such payment.

10. Under existing law, no moneys may be released from the Tax Fund unless all required amounts have been appropriated and all currently due payments have been made to the Corporation.

11. If all required amounts have been appropriated and all currently due payments have been made to the Corporation, then at the end of the State's fiscal year, the Comptroller is required to pay all remaining moneys in the Tax Fund to the General Fund of the State.

Set forth below is a chart showing the flow of funds under the Resolutions.

FLOW OF FUNDS



*Not established until General Senior Resolution is no longer in effect.

Capital Reserve Funds

The Senior Bonds are secured by amounts on deposit in, and earned on investment of, the Senior Capital Reserve Fund established pursuant to the Act in the Senior Resolution. The Senior Resolution establishes the requirement of the Senior Capital Reserve Fund (the “Senior Capital Reserve Fund Requirement”), as of any date of calculation, as an amount equal to the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest on all Senior Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding fiscal year, assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months’ interest and (ii) that interest on Variable Interest Rate Senior Bonds is calculated as if such Variable Interest Rate Senior Bonds bore interest at the maximum rate of interest permitted on such Variable Interest Rate Senior Bonds or under the related Reimbursement Obligation, provided that the Senior Capital Reserve Fund Requirement shall at no time exceed the sum of the Senior Capital Reserve Fund Requirement immediately prior to the issuance of such Series and an amount equal to 10% of the proceeds (as such term is defined under Section 148(d) of the Code) from the sale of such Series. The Senior Capital Reserve Fund was previously funded to the Capital Reserve Fund Requirement from the proceeds of prior Series of Bonds. Following the refunding of the Refunded Bonds with the proceeds of the Series 2012A Subordinate Bonds, the Senior Capital Reserve Fund Requirement will be $231,790,462.50.

The Subordinate Bonds are secured by amounts on deposit in, and earned on investment of, the Subordinate Capital Reserve Fund established pursuant to the Act in the Subordinate Resolution. The Subordinate Resolution establishes the requirement of the Subordinate Capital Reserve Fund (the “Subordinate Capital Reserve Fund Requirement”), as of any date of calculation, as an amount equal to one-half of the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest (exclusive of capitalized interest and accrued interest, if any) on all Subordinate Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding Fiscal Year assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months’ interest and (ii) that with respect to Variable Interest Rate Bonds, interest on such Subordinate Bonds shall be calculated at a rate or rates reasonably assumed by the Corporation on the date of issuance thereof having due regard for the security and marketability of all its bonds and notes. Following the issuance of the Series 2012A Subordinate Bonds, the Subordinate Capital Reserve Fund Requirement will be $91,879,061.34.

Moneys on deposit in the Senior Capital Reserve Fund may only be drawn upon to pay debt service on the Senior Bonds, and not on any Subordinate Bonds or Notes or Other Obligations of the Corporation. Moneys on deposit in the Subordinate Capital Reserve Fund may only be drawn upon to pay debt service on the Subordinate Bonds, and not on any Senior Bonds or Notes or Other Obligations of the Corporation. The Chairperson is required immediately to certify to the Comptroller and the Governor the extent of any deficiency in either Capital Reserve Fund resulting from the failure by the State to make any payment previously certified by the Chairperson, and under the Act, the Comptroller is required to make a payment in the amount so certified, subject to appropriation, as more fully described under “Certification of Payments Required by the Corporation” above in this Part. The Senior Resolution provides for an “event of default” whenever the Trustee shall have withdrawn amounts from the Senior Capital Reserve Fund to pay debt service on the Senior Bonds and the Senior Capital Reserve Fund is not restored to its requirement within 120 days thereafter. See Appendix A-1, “Summary of Certain Provisions of the Senior Resolution—Events of Default”, herein, for a description of “events of default” under the Senior Resolution. The Subordinate Resolution provides for an “event of default” whenever the Trustee shall have withdrawn amounts from the Subordinate Capital Reserve Fund to pay debt service on the Subordinate Bonds and the Subordinate Capital Reserve Fund is not restored to its requirement within 120 days thereafter. See Appendix A-2, “Summary of Certain Provisions of the Subordinate Resolution—Events of Default,” herein, for a description of “events of default” under the Subordinate Resolution.

Under each of the Resolutions, the Corporation may deposit a surety agreement, insurance agreement, letter of credit or other similar agreement or arrangement in the applicable Capital Reserve Fund in order to meet the applicable Capital Reserve Fund Requirement, provided that the financial institution providing such surety shall have an outstanding, unsecured, uninsured and unguaranteed debt issue that is assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) or any other modifier to any rating) by Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc. (“S&P”) and provided further that if the financial institution providing such surety is an insurance company, the claims-paying ability of such insurance company shall be assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) or any other modifier to any rating) by Moody's and S&P and provided further that no such surety agreement, insurance agreement, letter of credit or other similar agreement or arrangement may be deposited to such Capital Reserve Fund if such deposit would result in the downgrading of the rating on the applicable Bonds by either Moody's or S&P to the extent that either such firm is then maintaining a rating on such Bonds. With respect to any surety deposited in the Senior Capital Reserve Fund, the financial institution providing such surety is required to satisfy the foregoing ratings requirements at the time of deposit of such surety. On March 2, 2000, the Corporation deposited to the Senior Capital Reserve Fund a Municipal Bond Debt Service Reserve Fund Policy issued by the Financial Guaranty Insurance Company ("FGIC") in the amount of $170,000,000. As a result of this deposit, an approximately equal amount of money was released from the Senior Capital Reserve Fund and was applied or was deposited into escrow accounts to be applied to redeem Senior Bonds. At the time of such deposit, Moody's and S&P rated the claims paying ability of FGIC "Aaa" and "AAA" respectively. LGAC understands that pursuant to a reinsurance agreement between FGIC and National Public Finance Guarantee Corporation, a subsidiary of MBIA, Inc., National Public Finance Guarantee Corporation has reinsured certain obligations of FGIC, including the FGIC Municipal Bond Debt Service Reserve Insurance Policy on deposit in the Senior Capital Reserve Fund. As of the date hereof, National Public Finance Guarantee is rated "Baa2" by Moody's and "BBB" by S&P. Each of the Resolutions provides that moneys in the applicable Capital Reserve Fund are to be invested in Capital Reserve Fund Investments, as that term is defined in the Resolutions, summaries of which are set forth in Appendices A-1 and A-2 herein.

Each of the Resolutions provides that moneys in the applicable Capital Reserve Fund are to be invested in Capital Reserve Fund Investments, as that term is defined in the Resolutions, summaries of which are set forth in Appendices A-1 and A-2 herein.

Additional Bonds

Senior Bonds. The Act and the Senior Resolution authorize the issuance of Additional Senior Bonds on a parity with the Outstanding Senior Bonds in an amount (together with the Outstanding Senior Bonds) not in excess of $4.7 billion (exclusive of certain refunding and renewal obligations) plus a principal amount of Senior Bonds issued in connection with any Series (i) to fund the Senior Capital Reserve Fund in accordance with the Senior Capital Reserve Fund Requirement, (ii) to provide capitalized interest for a period not to exceed six months and (iii) to provide for the payment of fees and other charges and expenses, including underwriters' discount, related to the issuance of such Additional Senior Bonds, or related to the provision of any applicable Bond Facilities. The Corporation has reached its maximum authorization of $4.7 billion, and consequently no Additional Senior Bonds will be issued except for refunding purposes, as described in the following paragraph.

The Senior Resolution provides that Additional Senior Bonds may be issued for refunding purposes provided that there is filed with the Trustee a certificate of an Authorized Officer demonstrating that the amount of debt service on all Outstanding Bonds will not be increased in any future year after giving effect to such issuance of Additional Bonds or that the coverage test described above under "Part 1—Introduction—Additional Bonds and Estimated Debt Service Coverage" is satisfied.

The Senior Resolution also requires that a certificate by an Authorized Officer be filed with the Trustee stating that the amount of the Senior Capital Reserve Fund, upon the issuance and delivery of any such Additional Senior Bonds, shall not be less than the Senior Capital Reserve Fund Requirement.

The Senior Resolution provides that prior to the issuance of any Notes, Other Obligations or Additional Senior Bonds with provisions relating to a mandatory purchase or redemption other than as a result of scheduled Sinking Fund Installments, or other evidence of indebtedness not otherwise defined in the Senior Resolution issued by the Corporation, or Swaps and other financial instruments not otherwise defined in the Senior Resolution entered into by the Corporation, any of which is payable from revenues derived from the 1% Sales Tax, the Trustee shall receive, in conjunction with the certificate referred to in the requirement for Additional Senior Bonds if such certificate is required, a certificate of an Authorized Officer (i) identifying such securities as one or more of the obligations or instruments just described, (ii) setting forth the terms and provisions thereof, including, without limitation, the date or dates and amounts of payment of principal of and interest on the Notes, Other Obligations or other such evidences of indebtedness, or the date or dates of any such mandatory purchase or redemption provisions, and of any Swap Payments or other payments relating to such financial instruments, and (iii) stating that such date or dates and amounts of payments have been scheduled so that they do not materially adversely affect the ability of the Corporation to pay the principal of or interest on its Outstanding Senior Bonds when due.

The Senior Resolution provides that in the event that any Series of Additional Senior Bonds includes provisions relating to a mandatory purchase or redemption other than as a result of scheduled Sinking Fund Installments there is filed a certificate of an Authorized Officer setting forth the terms and provisions of such mandatory purchase or redemption and the conditions under which such purchase or redemption could occur and either (i) that the debt service coverage requirements for such Bonds have been calculated on the assumption that such mandatory purchase or redemption will occur or (ii) that provisions have been included in the Series Resolution to the effect that only the scheduled payments of principal on the Senior Bonds to be issued and the Sinking Fund Installments with respect thereto and interest on the Senior Bonds of such Series will be on a parity with Outstanding Senior Bonds and that all other redemptions of principal as a result of such mandatory purchase or redemption provisions are payable solely from the Senior Subordinated Payment Fund.

The Corporation has outstanding* under the Senior Resolution $1,291.728 million of Senior Bonds, of which there are $105.485 million of Series 2008B Variable Rate Senior Bonds, which are Senior Bonds with liquidity provided by standby bond purchase agreements. The Series 2008B Variable Rate Senior Bonds are subject to mandatory tender and purchase under certain circumstances. Provisions have been included in the Amended and Restated Variable Rate Supplemental Bond Resolution adopted pursuant to the Senior Resolution and the respective Series Resolutions authorizing the issuance of the Series 2008B Variable Rate Senior Bonds meeting the foregoing requirements of the Senior Resolution, so that only scheduled debt service on the Series 2008B Variable Rate Senior Bonds is on a parity with Outstanding Senior Bonds and all other redemptions of principal as a result of mandatory purchase will be payable solely from the Senior Subordinated Payment Fund on a parity with Subordinate Bonds.

Payments of debt service on Variable Interest Rate Senior Bonds purchased by the provider of a liquidity facility or a letter of credit for such Bonds may be accelerated. Such accelerated payments will be payable from the Senior Subordinated Payment Fund, subordinate to Senior Bonds, but on a parity with Subordinate Bonds.

Subordinate Bonds. The Act and the Subordinate Resolution authorize the issuance of Additional Subordinate Bonds on a parity with the Outstanding Subordinate Bonds in an amount (together with the Outstanding Subordinate Bonds and Outstanding Senior Bonds) not in excess of $4.7 billion (exclusive of certain refunding and renewal obligations) plus a principal amount of Subordinate Bonds issued in connection with any Series (i) to fund the Subordinate Capital Reserve Fund in accordance with the Subordinate Capital Reserve Fund Requirement, (ii) to provide capitalized interest for a period not to exceed six months and (iii) to provide for the payment of fees and other charges and expenses, including underwriters' discount, related to the issuance of such Additional Subordinate Bonds, or related to the provision of any applicable Bond Facilities. The Corporation has reached its maximum authorization of $4.7 billion, and consequently no Additional Subordinate Bonds will be issued except for refunding purposes, as described in the following paragraph.

The Subordinate Resolution provides that Additional Subordinate Bonds may be issued for refunding purposes provided that there is filed with the Trustee a certificate of an Authorized Officer demonstrating that the amount of debt service on all Outstanding Bonds will not be increased in any future year after giving effect to such issuance of Additional Bonds or that the coverage test described above under "Part 1—Introduction—Additional Bonds and Estimated Debt Service Coverage" is satisfied.

The Subordinate Resolution also requires that a certificate by an Authorized Officer be filed with the Trustee stating that the amount of the Subordinate Capital Reserve Fund, upon the issuance and delivery of any such Additional Subordinate Bonds, shall not be less than the Subordinate Capital Reserve Fund Requirement.

The Subordinate Resolution provides that prior to the issuance of any Notes, Other Obligations (as defined in the Subordinate Resolution) or Additional Subordinate Bonds with provisions relating to a mandatory purchase or redemption other than as a result of scheduled Sinking Fund Installments, or other evidence of indebtedness not otherwise defined in the Subordinate Resolution issued by the Corporation, or Swaps and other financial instruments

* Excludes Senior Bonds to be refunded by the Series 2012A Subordinate Bonds.

not otherwise defined in the Subordinate Resolution entered into by the Corporation, any of which is payable from revenues derived from the 1% Sales Tax, the Trustee shall receive, in conjunction with the certificate referred to in the requirement for Additional Subordinate Bonds if such certificate is required, a certificate of an Authorized Officer (i) identifying such securities as one or more of the obligations or instruments just described, (ii) setting forth the terms and provisions thereof, including, without limitation, the date or dates and amounts of payment of principal of and interest on the Notes, Other Obligations or other such evidences of indebtedness, or the date or dates of any such mandatory purchase or redemption provisions, and of any Swap Payments or other payments relating to such financial instruments, and (iii) stating that such date or dates and amounts of payments have been scheduled so that they do not materially adversely affect the ability of the Corporation to pay the principal of or interest on its Outstanding Subordinate Bonds and Senior Bonds when due.

The Subordinate Resolution provides that in the event that any Series of Additional Subordinate Bonds includes provisions relating to a mandatory purchase or redemption other than as a result of scheduled Sinking Fund Installments there is filed a certificate of an Authorized Officer setting forth the terms and provisions of such mandatory purchase or redemption and the conditions under which such purchase or redemption could occur and either (i) that the debt service coverage requirements for such Bonds have been calculated on the assumption that such mandatory purchase or redemption will occur or (ii) that provisions have been included in the Series Resolution to the effect that only the scheduled payments of principal on the Subordinate Bonds to be issued and the Sinking Fund Installments with respect thereto and interest on the Subordinate Bonds of such Series will be on a parity with Outstanding Subordinate Bonds and that all other redemptions of principal as a result of such mandatory purchase or redemption provisions are payable solely from the Subordinate Subordinated Payment Fund.

Together with the Series 2012A Subordinate Bonds, once issued, the Corporation will have outstanding under the General Subordinate Bond Resolution $1,543.96 million of Subordinate Bonds outstanding, of which there are $253.35 million of Series 2003A Variable Rate Subordinate Bonds, which are insured Subordinate Bonds in an auction rate mode, $178.385 million of Series 2003A Variable Rate Subordinate Bonds, which are uninsured Subordinate Bonds with liquidity provided by standby bond purchase agreements, and $188.65 million of Series 2008B Variable Rate Subordinate Bonds, which are uninsured Subordinate Bonds with liquidity provided by standby bond purchase agreements. The Series 2003A Variable Rate Subordinate Bonds and the Series 2008B Variable Rate Subordinate Bonds are subject to mandatory tender and purchase under certain circumstances. Provisions have been included in the Variable Rate Supplemental Subordinate Lien Bond Resolution adopted pursuant to the General Subordinate Bond Resolution and the respective Series Resolutions authorizing the issuance of the Series 2003A Variable Rate Subordinate Bonds and the Series 2008B Variable Rate Subordinate Bonds meeting the foregoing requirements of the Subordinate Resolution, so that only scheduled debt service on the Series 2003A Variable Rate Subordinate Bonds and the Series 2008B Variable Rate Subordinate Bonds will be on a parity with Outstanding Subordinate Bonds and that all other redemptions of principal as a result of such mandatory purchase or redemption provisions are payable solely from the Subordinate Subordinated Payment Fund.

Payments of debt service on Variable Interest Rate Subordinate Bonds purchased by the provider of a liquidity facility or a letter of credit for such Bonds may be accelerated. Such accelerated payments will be payable from the Subordinate Subordinated Payment Fund, subordinate to Subordinate Bonds.

No Prior Liens

Under the Senior Resolution, subject to its maximum authorization or for refunding purposes, the Corporation has the power to and reserves the right to issue or enter into (i) Notes, Other Obligations, Swaps or other financial instruments under the Senior Resolution, to be paid from amounts on deposit in the Senior Subordinated Payment Fund, or (ii) any other evidence of indebtedness or other financial instruments not otherwise defined in the Senior Resolution under another and separate resolution, so long as any such evidences of indebtedness or other financial instruments described in (i) and (ii) above are not entitled to a charge or lien or right prior or equal to the charge or lien created by, or prior or equal to the rights of the Corporation and Holders of the Senior Bonds provided by, the Senior Resolution, including, without limitation, the Senior Debt Service Fund and the Senior Capital Reserve Fund, and the Act, or with respect to the Revenues and other moneys pledged under the Senior Resolution or with respect to proceeds from the 1% Sales Tax or the sources set forth in the Act.

Under the Subordinate Resolution, subject to its maximum authorization or for refunding purposes, the Corporation has the power to and reserves the right to issue or enter into (i) Notes, Other Obligations, Swaps or other financial instruments under the Subordinate Resolution, to be paid from amounts on deposit in the Subordinate Subordinated Payment Fund, or (ii) any other evidence of indebtedness or other financial instruments not otherwise defined in the Subordinate Resolution under another and separate resolution, so long as any such evidences of indebtedness or other financial instruments described in (i) and (ii) above are not entitled to a charge or lien or right prior or equal to the charge or lien created by, or prior or equal to the rights of the Corporation and Holders of the Subordinate Bonds provided by, the Subordinate Resolution, including, without limitation, the Subordinate Debt Service Fund and the Subordinate Capital Reserve Fund, and the Act, or with respect to the Revenues and other moneys pledged under the Subordinate Resolution or with respect to proceeds from the 1% Sales Tax or the sources set forth in the Act. However, the Corporation retains the right to issue or enter into Senior Bonds or notes, other obligations, swaps, reimbursement obligations or other financial obligations as defined in, permitted by and/or incurred pursuant to the Senior Resolution.

PART 5—ESTIMATED SOURCES AND USES OF FUNDS AND DEBT SERVICE SCHEDULE

Estimated Sources and Uses

Estimated sources and uses of funds for the Series 2012A Subordinate Bonds are expected to be as follows:

Sources of Funds:	
Series 2012A Subordinate Bonds	$ 86,845,000
Original Issue Premium	14,502,116
Capital Reserve Fund Release	24,866,400
Total Sources	$ 126,213,516
Uses of Funds:	
Redemption of Refunded Bonds	$ 125,900,000
Purchaser’s Discount	61,749
Cost of Issuance	251,767
Total Uses	$ 126,213,516

The Corporation is issuing the Series 2012A Subordinate Bonds for the purpose of refunding the Refunded Bonds. See “Plan of Refunding” in Part 2 for a more detailed discussion of the refunding.

Debt Service Schedule

The following schedule sets forth the Debt Service requirements for the Bonds after the issuance of the Series 2012A Subordinate Bonds.

TABLE 4

Debt Service Schedule

Year Ending April 1	Outstanding Senior Debt Service [1]	Outstanding Subordinate Debt Service [1]	Series 2012A Subordinate Debt Service	Aggregate Subordinate Debt Service [1]	Total Debt Service [1]
2013	$ 217,022,562.50	$ 171,264,217.50	$ 7,494,166.67	$ 178,758,384.17	$ 395,780,946.67
2014	203,151,412.50	176,977,637.50	8,994,700.00	185,972,337.50	389,123,750.00
2015	208,817,862.50	179,131,850.00	8,994,450.00	188,126,300.00	396,944,162.50
2016	209,216,112.50	178,558,850.00	8,991,200.00	187,550,050.00	396,766,162.50
2017	190,015,375.00	175,453,100.00	8,994,450.00	184,447,550.00	374,462,925.00
2018	109,743,275.00	173,128,600.00	8,993,200.00	182,121,800.00	291,865,075.00
2019	214,758,925.00	173,733,850.00	8,991,950.00	182,725,800.00	397,484,725.00
2020	213,457,275.00	174,438,800.00	8,994,950.00	183,433,750.00	396,891,025.00
2021	80,202,500.00	174,154,150.00	8,991,200.00	183,145,350.00	263,347,850.00
2022	0.00	128,854,650.00	8,995,200.00	137,849,850.00	137,849,850.00
2023	0.00	90,416,150.00	8,995,700.00	99,411,850.00	99,411,850.00
2024	0.00	49,051,800.00	8,992,700.00	58,044,500.00	58,044,500.00
2025	0.00	23,665,200.00	8,991,900.00	32,657,100.00	32,657,100.00
Total	$1,646,385,300.00	$1,868,828,855.00	$115,415,766.67	$1,984,244,621.67	$3,630,629,921.67

[1] Assumes interest at 4% per annum, which is approximately equal to the sum of the rate payable by the Corporation under its interest rate exchange agreements and the related fees and expenses on the applicable bonds, on the Series 2003A Variable Rate Subordinate Bonds, the Series 2008B Variable Rate Senior Bonds and the Series 2008B Variable Rate Subordinate Bonds (for all but $630,000 of which interest rate exchange agreements were entered).

PART 6—DESCRIPTION OF THE SERIES 2012A SUBORDINATE BONDS

General

The Series 2012A Subordinate Bonds will be dated their date of delivery and will bear interest at the rates and will mature on the dates as set forth on the inside cover page of this Official Statement. All of the Series 2012A Subordinate Bonds will be issued in book-entry-only form as described below. The Series 2012A Subordinate Bonds will be issued in denominations of $5,000 or any whole multiple thereof. The Series 2012A Subordinate Bonds will bear interest calculated on the basis of a 360-day year.

The Series 2012A Refunding Bonds maturing April 1, 2013 through April 1 2022, inclusive, are not subject to redemption at the option of the Corporation.

The Series 2012A Refunding Bonds maturing after April 1, 2022 are subject to redemption at the option of the Corporation at any time on or after April 1, 2022, either as a whole or in part in such order of maturity as the Corporation may determine (and if less than all of a maturity is to be redeemed, in such manner as the Trustee may determine), at par plus accrued interest to the date of redemption.

Book-Entry-Only System

Beneficial ownership interests in the Series 2012A Subordinate Bonds will be available in book-entry-only form, in Authorized Denominations. Purchasers of beneficial ownership interests in the Series 2012A Subordinate Bonds will not receive certificates representing their interests in the Series 2012A Subordinate Bonds purchased.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2012A Subordinate Bonds. The Series 2012A Subordinate 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 bond certificate will be issued for each maturity of the Series 2012A Subordinate Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

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

Purchases of Series 2012A Subordinate Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2012A Subordinate Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012A Subordinate Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or

Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012A Subordinate Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012A Subordinate Bonds, except in the event that use of the book-entry system for the Series 2012A Subordinate Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012A Subordinate 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 Series 2012A Subordinate 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 2012A Subordinate Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012A Subordinate 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. Beneficial Owners of the Series 2012A Subordinate Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012A Subordinate Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012A Subordinate Bond documents. For example, Beneficial Owners of the Series 2012A Subordinate Bonds may wish to ascertain that the nominee holding the Series 2012A Subordinate Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012A Subordinate Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2012A Subordinate Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012A Subordinate Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2012A Subordinate Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Corporation or Trustee, on payable dates in accordance with the respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, 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 securities depository with respect to the Series 2012A Subordinate Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2012A Subordinate Bond certificates are required, pursuant to the Subordinate Resolution, to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2012A Subordinate Bond certificates will be printed and delivered.

The above information concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation does not take responsibility for the accuracy thereof. The Beneficial Owners may wish to confirm the foregoing information with DTC or the Direct Participants or Indirect Participants.

So long as Cede & Co. is the registered owner of the Series 2012A Subordinate Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the Series 2012A Subordinate Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of Series 2012A Subordinate Bonds.

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

NEITHER THE CORPORATION, THE TRUSTEE, NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2012A SUBORDINATE BONDS UNDER THE SUBORDINATE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2012A SUBORDINATE BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2012A SUBORDINATE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2012A SUBORDINATE BONDS; OR (VI) ANY OTHER MATTER.

PART 7—LIMITATION ON ISSUANCE OF CERTAIN TAX AND REVENUE ANTICIPATION NOTES BY THE STATE

In order to induce prospective purchasers to purchase bonds and notes of the Corporation, the State has pledged and agreed with the holders of the bonds and notes of the Corporation, including the holders of the Series 2012A Subordinate Bonds, that while any of the bonds or notes of the Corporation are outstanding, the State will abide by and not amend the provisions of the Act, more fully described below, limiting the issuance by the State of tax and revenue anticipation notes issued and due in the same fiscal year. The State may enact amendments which implement or clarify any ambiguity provided that they do not have a material adverse effect on the protections established by those provisions. The Corporation is authorized to include, and has included, to the fullest extent enforceable under applicable federal and State law, the foregoing pledge and agreement in the Resolutions.

The provisions of the Act limiting the issuance of tax and revenue anticipation notes of the State may be summarized as follows:

1. Except as otherwise provided in paragraph 2 below, the aggregate principal amount of tax and revenue anticipation notes issued in any fiscal year by the State and maturing in the same fiscal year shall not exceed $4.7 billion, less the aggregate principal amount of bonds and notes theretofore issued by the Corporation exclusive of any bonds or notes issued to fund a capital reserve fund or to pay costs of issuance and exclusive of notes to renew notes and bonds to pay notes and to refund bonds.

2. The State may issue in any fiscal year tax and revenue anticipation notes in an aggregate principal amount in excess of the limit on issuance set forth in paragraph 1 above, if and only if there shall have first been executed in such fiscal year a written certificate signed by the Governor, the Temporary President of the Senate and the Speaker of the Assembly, which shall set forth:

a. the emergency or extraordinary factors or factors unanticipated at the time of adoption of the budget for the fiscal year in which such borrowing is to be made that gave rise to the need for the issuance of tax and revenue anticipation notes in excess of such limit, and

b. the amount of tax and revenue anticipation notes projected to be issued in each of the three fiscal years commencing subsequent to the fiscal year in which such limit was originally exceeded, which will result in the elimination of such excess as soon as practicable but in no event later than by the end of the third fiscal year commencing subsequent to the fiscal year in which such limit was originally exceeded.

3. The need for the issuance referred to in subparagraph (a) of paragraph 2 above shall be in the conclusive, final and binding discretion of the signatories to the written certificate and not subject to judicial challenge or review.

4. In no event shall a written certificate referred to above be issued in more than four consecutive fiscal years.

5. In the event of any inconsistency between the foregoing provisions and any amendment to the State Constitution relating to the issuance of tax and revenue anticipation notes, the provisions of such constitutional amendment shall control.

The Corporation has acknowledged that the pledge and agreement set forth above is an important security provision of the Bonds and that any breach thereof may give rise to monetary damages. Under applicable federal and State law, the pledge and agreement would be enforceable, provided that a court would hold that the pledge and agreement is an important security provision of the Bonds, and enforceability would be subject at all times to the proper exercise of the State's reserved police power.

The foregoing pledge and agreement only limits the issuance of tax and revenue anticipation notes issued and maturing within the same fiscal year. As the Corporation has issued its entire authorization of bonds, the State may not issue such tax and revenue anticipation notes unless the certificate described above has been executed. No statutory limitation has been placed on the principal amount of tax and revenue anticipation notes issued in one fiscal year and maturing in the next ("Deficit Notes"), and the State may issue Deficit Notes in any amount to finance a cash deficit that was unanticipated at the time the State's budget was adopted. Under existing State law, however, Deficit Notes must be paid, and not rolled over, within one year, and the Governor's Executive Budget proposed for the fiscal year in which Deficit Notes mature is required to provide for the payment thereof in a balanced budget.

The Act also states that the State pledges to and agrees with the holders of the Corporation's bonds and notes that the State will not (i) limit or alter the rights vested in the Corporation by the Act to fulfill the terms of any agreements made with the holders of the Corporation's bonds and notes, or (ii) in any way impair the rights and remedies of such holders until such bonds and notes of the Corporation, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of bonds or notes, are fully met and discharged.

Notwithstanding the State's pledges and agreements contained in the Act, the State may in the exercise of its sovereign power enact or amend its laws, which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with the Corporation and with the holders of the Corporation's bonds or notes.

PART 8—LEGALITY FOR INVESTMENT AND DEPOSIT

Under the Act, the Series 2012A Subordinate Bonds are securities in which all public officers and bodies of the State and all municipalities and political 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 now authorized or who may become authorized to invest in bonds or other obligations of the State may properly and legally invest funds, including capital, in their control or belonging to them.

The Series 2012A Subordinate Bonds may be deposited with and may be received by all public officers and bodies of the State and all municipalities, political subdivisions and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

PART 9—TAX MATTERS

Opinion of Bond Counsel

In the opinion of each of Hawkins Delafield & Wood LLP and Gonzalez Saggio & Harlan LLP, Co-Bond Counsel to the Corporation, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2012A Subordinate Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2012A Subordinate Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering their opinions, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation in connection with the Series 2012A Subordinate Bonds, and Co-Bond Counsel have assumed compliance by the Corporation with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2012A Subordinate Bonds from gross income under Section 103 of the Code. A complete copy of the proposed form of opinions of Co-Bond Counsel is set forth in Appendix C hereto.

In addition, in the opinions of Co-Bond Counsel to the Corporation, under existing statutes, interest on the Series 2012A Subordinate Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Co-Bond Counsel express no opinion regarding any other federal or state tax consequences with respect to the Series 2012A Subordinate Bonds. Co-Bond Counsel render their opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement their opinions to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to their attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2012A Subordinate Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2012A Subordinate Bonds in order that interest on the Series 2012A Subordinate Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2012A Subordinate Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2012A Subordinate Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Corporation has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2012A Subordinate Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2012A Subordinate Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2012A Subordinate Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2012A Subordinate Bonds.

Prospective owners of the Series 2012A Subordinate Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2012A Subordinate Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a Series 2012A Subordinate Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2012A Subordinate Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2012A Subordinate Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2012A Subordinate Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2012A Subordinate Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2012A Subordinate Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2012A Subordinate Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2012A Subordinate Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2012A Subordinate Bonds.

Prospective purchasers of the Series 2012A Subordinate Bonds should consult their own tax advisors regarding the foregoing matters.

PART 10—LITIGATION

There is not now pending any litigation (i) restraining or enjoining the issuance or delivery of the Series 2012A Subordinate Bonds or questioning or affecting the validity of the Series 2012A Subordinate Bonds or the proceedings and authority under which they are issued; (ii) contesting the creation, organization or existence of the Corporation, or the title of the directors or officers of the Corporation to their respective offices; (iii) questioning the right of the Corporation to adopt the Resolutions and to pledge the Revenues and funds and other moneys and securities purported to be pledged by the Resolutions in the manner and to the extent provided in the Resolutions; or (iv) questioning or affecting the levy or collection of the Sales Tax in any material respect, or the application of the Sales Tax for the purposes contemplated by the Act, or the establishment of the Tax Fund or the procedure thereunder.

PART 11—RATINGS

The Series 2012A Subordinate Bonds have been assigned a rating of AAA by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. and Aa2 by Moody’s Investors Service, Inc. Ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings must be obtained from the rating agency furnishing such rating. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. A downward revision or withdrawal of such ratings, or either of them, may have an effect on the market price of the Series 2012A Subordinate Bonds.

PART 12—APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance and delivery of the Series 2012A Subordinate Bonds are subject to the approval of Hawkins Delafield & Wood LLP and Gonzalez Saggio & Harlan LLP, Co-Bond Counsel to the Corporation. Certain legal matters are subject to the approval of the Attorney General of the State of New York, General Counsel to the Corporation. Carter Ledyard & Milburn LLP, New York, New York has acted as counsel for the Trustee.

PART 13—FINANCIAL ADVISOR

Public Resources Advisory Group, New York, New York, is acting as financial advisor to the Corporation in connection with the issuance of the Series 2012A Subordinate Bonds.

PART 14—TRUSTEE

The Bank of New York Mellon (the “Trust Company”) is the Trustee under the Senior Resolution and under the Subordinate Resolution. Its trust offices are located at 101 Barclay Street, Floor 7W, New York, New York, 10286. The Trustee has accepted the duties and responsibilities imposed upon it by each of the Resolutions and is vested with all of the rights, powers and duties of a trustee appointed by Bondholders pursuant to the Act. Upon the happening of an “event of default” as defined in the Senior Resolution, the Trustee may, and in certain circumstances is required to, proceed to protect and enforce its rights and the rights of the Senior Bondholders. See Appendix A-1—“Summary of Certain Provisions of the Senior Resolution.” Upon the happening of an “event of default” as defined in the Subordinate Resolution, the Trustee may, and in certain circumstances is required to, proceed to protect and enforce its rights and the rights of the Subordinate Bondholders. See Appendix A-2—

"Summary of Certain Provisions of the Subordinate Resolution." In the performance of its duties, the Trustee is entitled to indemnification for any act which would involve it in expense or liability and will not be liable as a result of any action taken in connection with the performance of its duties except for its own negligence, misconduct or default or for the unexplained disappearance of funds or securities in its custody. The Trustee is protected in acting upon any direction or document reasonably believed by it to be genuine and to be signed by the proper party or parties or upon the opinion or advice of counsel. The Trustee may resign at any time upon 60 days written notice to the Corporation and publication thereof; provided that no resignation shall take effect until a successor trustee shall have been appointed and shall have accepted such appointment. Any such resignation shall take effect on the date specified in the notice, but in the event that a successor has been appointed, the resignation shall take effect immediately. The Trust Company may acquire obligations of the Corporation for its own account. The Trust Company also may in the future perform certain banking services for the Corporation.

PART 15—CONTINUING DISCLOSURE UNDER RULE 15c2-12

In order to assist the purchasers of the Bonds in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the State and the Corporation will undertake in a written agreement for the benefit of the holders of the Series 2012A Subordinate Bonds (the "Continuing Disclosure Agreement") 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, commencing with the fiscal year ending March 31, 2012, financial information and operating data concerning the State and the sources of revenue for the Local Government Assistance Tax Fund of the type included in this Official Statement, referred to herein as "Annual Information" and described in more detail below. The Comptroller is required by existing law to issue audited annual financial statements of the State, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), within 120 days after the close of the State fiscal year, and the State will also undertake to electronically file with the MSRB, the State's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, if and when such statements are available. In addition, the Corporation will undertake, for the benefit of the holders of the Series 2012A Subordinate Bonds, to electronically file with the MSRB, (i) no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2012, audited financial statements of the Corporation for such fiscal year and (ii) not later than ten Business Days after the occurrence of any of the events described below, the notices described below. If audited financial statements of the State or the Corporation are not available by the required filing date, then unaudited financial statements are required to be electronically filed with the MSRB and such audited financial statements are required to be electronically filed with the MSRB if and when they become available.

The Division of Budget will electronically file with the MSRB, through its EMMA system, the Annual Information on or before 120 days after the end of each state fiscal year, commencing with the fiscal year ending March 31, 2012. The Annual Information shall consist of (a) financial information and operating data of the type included in this Official Statement under the heading "The Sales Tax," including information relating to (1) the rate and base of the Sales Tax, together with information concerning tax imposition and collection of the Sales Tax; (2) historical information relating to Sales Tax receipts for the period of the ten most recent completed fiscal years then available, together with estimated amounts for the current fiscal year, if such estimates are available, in substance similar to Table 1 under the heading "The Sales Tax" in this Official Statement; (3) historical information setting forth monthly Sales Tax receipts for the period of the five most recent completed fiscal years then available, in substance similar to Table 2 under the heading "The Sales Tax" in this Official Statement; and (4) estimated debt service coverage in substance similar to the information set forth under "The Sales Tax-Estimated Debt Service Coverage" in this Official Statement for the most recent fiscal year available (unless, with respect to items (1) through (4) just described, the source of revenue for the payment of the Series 2012A Subordinate Bonds has been materially changed or modified, in which case the Annual Information will include similar information regarding such new or modified source of revenue, whether on an actual historical basis, a pro forma basis, or otherwise); (b) financial information and operating data of the type included in the Annual Information Statement of the State set forth in Appendix B hereto, under the headings or sub-headings "Prior Fiscal Years," "Debt and Other Financing Activities," "State Government Employment," "State Retirement Systems," and "Authorities and

Localities," including, more specifically, information consisting of (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 currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems; together with (c) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning the State and the sources of revenue for the Local Government Assistance Tax Fund and in judging the financial condition of the State and the Sales Tax (or other source of revenue).

The notices that the Corporation will undertake to provide as described above, include notices of any of the following events with respect to the Series 2012A Subordinate Bonds (each of which is described in more detail in the Continuing Disclosure Agreement): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) issuance by the IRS of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material events affecting the tax status of the security; (7) modifications to the rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the obligated person; and of the following events, if material; (13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

In addition, the Corporation will undertake, for the benefit of the holders of the Series 2012A Subordinate Bonds, to electronically file with the MSRB in a timely manner, notice of any material failure by the State to provide the Annual Information and annual financial statements by the date required in the State's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertakings of the State and the Corporation, and no person, including a holder of the Series 2012A Subordinate Bonds, 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 Subordinate Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The Corporation and the State have not in the previous five years failed to comply, in any material respects, with any previous undertakings pursuant to Rule 15c2-12. Copies of the Continuing Disclosure Agreement when executed by the parties thereto will be on file at the office of the Corporation. A complete copy of the proposed form of the Continuing Disclosure Agreement is set forth in Appendix E hereto.

PART 16—FINANCIAL STATEMENTS

The financial statements of the Corporation for its fiscal year ended March 31, 2011 and the accompanying report prepared by Toski, Schaefer & Co., P.C., the independent auditor of the Corporation, have been filed electronically with the MSRB and are hereby included by reference herein. In January 2012, Toski, Schaefer & Co., P.C. changed their name to Toski & Co., CPAs, P.C. and in February they announced a merger of their company with EFP Rotenberg, LLP and will now be a division of EFP Rotenberg, LLP, but will operate as Toski & Co., CPAs, P.C.. Neither Toski Schaefer & Co., P.C., or Toski & Co., CPAs, P.C. has been engaged to perform and has not performed, since the date of such report, any procedures on the financial statements addressed in that report or performed any procedures relating to this Official Statement.

PART 17—MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Act and the Resolutions are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to the Act and the Resolutions for full and complete statements of such provisions. Copies of the Act and the Resolutions are available at the offices of the Trustee.

The agreements of the Corporation with holders of the Series 2012A Subordinate Bonds are fully set forth in the Subordinate Resolution. Neither any advertisement of the Series 2012A Subordinate Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2012A Subordinate Bonds.

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

NEW YORK LOCAL GOVERNMENT
ASSISTANCE CORPORATION

By: /s/ Ronald Greenberg
Co-Executive Director

APPENDIX A-1

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR RESOLUTION

Certain provisions of the Senior Resolution are summarized below. The summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by, the Senior Resolution. For a complete statement of the rights, duties and obligations of the Corporation, the Trustee and Bondholders under the Senior Resolution, refer to the Senior Resolution, copies of which are on file with the Corporation and the Trustee. Unless otherwise indicated, references to section numbers herein refer to sections in the General Bond Resolution.

Certain Definitions

The following are definitions of certain of the terms defined in the Senior Resolution and used in this Official Statement. Certain other terms used in this Official Statement and not defined shall have the meanings given to such terms in the Senior Resolution.

Bondholders or Holder of Bonds or *Holder* (when used with reference to Bonds) or any similar term, means any person or party who shall be the registered owner of any Outstanding Bond; provided that for purposes of the section of the General Bond Resolution described in the third paragraph under the heading "Remedies" below, so long as any of the Bonds are in book-entry form, such terms shall include any owner of a beneficial interest in a Bond.

Bond Facility means any insurance policy, letter of credit or other credit enhancement or liquidity facility, agreement or arrangement referred to in subdivision 16 of Section 3235 of the Public Authorities Law, or any similar arrangement entered into for the same or similar purposes, with respect to the Bonds.

Business Day shall mean any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the State or in any of the cities in which the principal office of the Trustee, any Paying Agent or, with respect to a particular Series of Bonds, any remarketing agent, or any provider of a Bond Facility for such Series of Bonds is located, are required or are authorized by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

Capital Reserve Fund Investments means 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) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America; (ii) direct and general obligations of the State; provided that the rating thereon shall not be less than the rating on the Bonds, each as established by Fitch Investors Service, Inc., Moody's Investors Service and Standard & Poor's, a division of the McGraw-Hill Companies, Inc., respectively, if and to the extent that such firms continue to maintain a rating on the Bonds and on such obligations of the State; (iii) certificates of deposit, whether negotiable or non-negotiable, issued by any bank or trust company having a combined capital and surplus of at least $50,000,000 organized under the laws of any state of the United States of America or any national banking association (including the Trustee), which certificates of deposit are fully insured by the Federal Deposit Insurance Corporation or fully secured by such securities as are described in clause (i) above, but in any event collateralized to the level required by each of the rating agencies referred to in clause (ii) if and to the extent such firms maintain a rating on the Bonds; (iv) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York which agreement is secured by any one or more of the securities described in clause (i) above; provided that any such repurchase agreement shall meet the standards of each of the rating agencies referred to in clause (ii) that are applied to the evaluation of repurchase agreements resulting in a rating not less than the rating on the Bonds if and to the extent that such firms maintain a rating on the Bonds; (v) general obligation bonds and notes of any state other than the State, and to the extent permitted by law, general obligation bonds and notes of any political subdivision of the State or any state; provided that such bonds and notes receive the highest rating from each of Fitch Investors Service, Inc., Moody's Investors Service and Standard and Poor's, a division of the McGraw-Hill Companies, Inc., respectively, if and to the extent that such firms continue to maintain a rating on the Bonds and on such bonds and notes.

Capital Reserve Fund Requirement means, as of any date of computation, an amount equal to the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest (exclusive of capitalized interest and accrued interest, if any) on all Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding Fiscal Year, assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months' interest and (ii) that with respect to Variable Interest Rate Bonds, interest on such Bonds shall be calculated as if such Variable Interest Rate Bonds bore interest at the maximum rate of interest permitted on such Variable Interest Rate Bonds or under the related Reimbursement Obligation; provided that for the purposes of determining the amount required to be on deposit and thereafter maintained in the Capital Reserve Fund with respect to any Series of Bonds the interest on which is excludable from gross income for Federal income tax purposes, the Capital Reserve Fund Requirement shall at no time exceed the sum of the Capital Reserve Fund Requirement immediately prior to the issuance of such Series and an amount equal to ten per centum (10%) of the proceeds (as such term is used in Section 148(d) of the Code) from the sale of such Series.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Commissioner of Taxation and Finance means the Commissioner of Taxation and Finance of the State.

Comptroller means the Comptroller of the State.

Debt Service Fund Investments means, if and to the extent the securities are legal for investment of the Corporation's funds, the securities described in (i), (iii) and (iv) in the definition of Capital Reserve Fund Investments.

Director of the Budget means the Director of the Budget of the State.

Excess Earnings means, with respect to a Series of Bonds, (i) the amount by which the earnings on the Gross Proceeds of such Series of Bonds exceeds the amount that would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on such Series of Bonds, as such yield is determined in accordance with the Code, and (ii) amounts earned on the investment of such excess.

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

Fiscal Year means the fiscal year of the Corporation as determined from time to time by the Corporation, which as of the date of the General Bond Resolution ends March 31.

Gross Proceeds means, with respect to a Series of Bonds, unless inconsistent with the provisions of the Code, (i) amounts received by the Corporation from the sale of a Series of Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Capital Reserve Fund, (v) securities or obligations pledged by the Corporation as security for payment of debt service on the Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on a Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code.

Information Services means Bloomberg Municipal Repository, DPC Data Inc., FT Interactive Data, Standard and Poor's, and J.J. Kenny Repository, or, in accordance with the then current applicable guidelines of the

Securities and Exchange Commission, such other services providing information with respect to called bonds, or any other such services as the Corporation may designate in writing to the Trustee.

Local Government Assistance Tax Fund means the fund by that name established under Section 92-r of the State Finance Law.

Note or *Notes* means any short-term evidence of indebtedness or the renewals thereof or other similar obligation (other than Bonds, Reimbursement Obligations, Swap Payments or Other Obligations) issued by the Corporation.

Note Amortization Payment means, with respect to any Note, any required or scheduled amortization payment of the principal amount of such Note, as required by the terms of such Note, under any resolution authorizing the issuance of such Note, or under subdivision 9 of Section 3236 of the Public Authorities Law.

Operating Expenses means the Corporation's expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, as then in effect, and shall include, without limiting the generality of the foregoing: salaries, administrative expenses, insurance premiums, fees, expenses, indemnification or other similar charges payable to providers of a Surety or a Bond Facility or similar facility with respect to Notes, fees, expenses, indemnification or other similar obligations payable under any Swap or Swap Facility (net of any payments for similar expenses received by the Corporation), auditing and legal expenses and fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees for issuing and paying agents, remarketing agents and dealers, rating agencies, transfer or information agents, the publication of advertisements and notices, printers, fees or charges incurred by the Corporation to comply with applicable Federal and State securities or tax laws and any costs of issuance in excess of the amount provided therefor in the proceeds of the sale of Bonds or Notes, and any other operating expenses required or permitted to be paid by the Corporation under the provisions of the Act, as then in effect, and the General Bond Resolution.

Other Obligations means any obligations evidencing indebtedness (other than Bonds, Notes, and Reimbursement Obligations) issued by the Corporation and does not include any Swap Payments or payments under other financial instruments not evidencing indebtedness entered into by the Corporation.

Outstanding, when used with reference to Bonds, other than Bonds owned or held by or for the account of the Corporation, means, as of any date, Bonds theretofore or then being delivered under the provisions of the General Bond Resolution, except: (i) any Bonds canceled by the Trustee at or prior to such date, (ii) any 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 in the General Bond Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Bond Resolution, and (iv) Bonds deemed to have been paid as provided in the General Bond Resolution unless a Series Resolution provides that Bonds of a Series having the benefit of a Bond Facility shall not thereby be deemed paid if payment is provided by the Bond Facility. If principal of a Bond is paid or redeemed by the provider of a Bond Facility, the related Reimbursement Obligation shall be treated as an Outstanding Bond in lieu of the Bond so paid or redeemed, but only to the extent that principal of the Bond was so paid or redeemed, at the interest rate provided in the Reimbursement Obligation.

Principal means (i) in the case of references to the principal amount of capital appreciation Bonds, deferred income Bonds or other similar Bonds the payment of interest on which is deferred, the appreciated value of such Bonds, calculated as prescribed in the applicable Series Resolution, and (ii) in the case of references to the principal amount of any other Bonds, the principal amount at maturity thereof.

Public Authorities Law means the Public Authorities Law of the State, as amended by the Act, and except as otherwise specified in the General Bond Resolution, as from time to time amended and then in effect.

Redemption Price means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Bond Resolution and the Series Resolution pursuant to which the same was issued.

Refunding Bonds means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to the General Bond Resolution.

Reimbursement Obligation means any obligation of the Corporation to make payments to a provider of a Bond Facility or Surety in reimbursement of or as interest on (which interest may be higher than the interest rate on the related Bond) an advance or other payment made by such provider for the purpose of paying (i) the principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any Bonds, or (ii) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of the applicable Series Resolution, but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not include (i) any payments of any fees, expenses, indemnification, or other obligations to any such provider, which payments shall be Operating Expenses or (ii) any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds, which payments shall be Other Obligations. Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds," which may bear a higher interest rate than the rate borne by the Bonds to which they relate.

Revenues means all aid, rents, fees, charges, payments and other income and receipts paid to the Corporation or to the Trustee for the account of the Corporation, including, without limitation, any payment required to be made to the Corporation pursuant to the Act or under any Swap (except for payments for Operating Expenses under such Swap).

Sales Tax means the sales and compensating use taxes (including interest and penalties) imposed State-wide at the rate of four percent by Sections 1105 and 1110 of the Tax Law of the State, or any successor or substitute provisions thereof.

1% Sales Tax means that portion of the Sales Tax in an amount equal to the amount attributable to a one percent rate of taxation, less collection expenses and such amounts as the Commissioner of Taxation and Finance may determine to be necessary for refunds thereof, which is required to be deposited in the Local Government Assistance Tax Fund pursuant to Section 92-r of the State Finance Law.

Securities Depositories means The Depository Trust Company or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other securities depositories or any such other depositories as the Corporation may designate in writing to the Trustee.

Serial Bonds means the bonds so designated in a Series Resolution.

Series of Bonds or *Bonds of a Series* or words of similar meaning means the Series of Bonds authorized by a Series Resolution.

Sinking Fund Installment means, as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the General Bond Resolution or the applicable Series Resolution to be paid on a single future date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

State means the State of New York.

State Finance Law means the State Finance Law of the State, as amended by the Act, and except as otherwise specified in the General Bond Resolution, as from time to time amended and then in effect.

Surety means any surety agreement, insurance agreement, letters of credit or other type of agreement or arrangement satisfying the provisions of the General Bond Resolution or of any applicable Series Resolution, each of which provides for the availability, at all times required under the General Bond Resolution or under any Series Resolution, of the amount of money or the value of the obligations in lieu of the deposit of which such agreement or arrangement is provided, all as described in or contemplated by subdivision 2 of Section 3237 of the Public Authorities Law; provided that, at the time of deposit of such surety, the financial institution providing such surety shall have an outstanding, unsecured, uninsured and unguaranteed debt issue that is assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) to any rating) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and Moody's Investors Service; provided further that, at the time of deposit of such surety, if the financial institution providing such surety is an insurance company, the claims-paying ability of such insurance company shall be assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) to any rating) by Standard & Poor's, a division of the McGraw-Hill Companies, Inc. and Moody's Investors Service.

Swap means any interest rate exchange or similar arrangements described in or contemplated by subdivision 17 of Section 3235 of the Public Authorities Law or any similar arrangement entered into for the same or similar purposes.

Swap Facility means an insurance policy, letter of credit or other credit enhancement with respect to a Swap, as described in or contemplated in subdivision 18 of Section 3235 of the Public Authorities Law, or any similar facility entered into for the same or similar purposes. Payments under a Swap Facility applicable to the interest rate exchange effected under the related Swap shall be deemed Swap Payments under the General Bond Resolution and shall not be deemed Reimbursement Obligations. Payment under a Swap Facility applicable to any fees, expenses, indemnification or other charges or obligations thereunder shall be Operating Expenses.

Swap Payment means any payment required to be made by the Corporation under a Swap that is applicable to the interest rate exchange effected thereunder, but not any fees, expenses, indemnification or other charges or obligations thereunder, which shall be Operating Expenses.

Variable Interest Rate means a variable interest rate to be borne by any Bond within a Series of Bonds. The method of computing such variable interest rate shall be specified in the Series Resolution authorizing such Series of Bonds or the Comptroller's Series Certificate relating thereto. Such Series Resolution or Comptroller's Series Certificate shall also specify either (i) the particular period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

Variable Interest Rate Bonds means Bonds which bear a Variable Interest Rate.

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued by the General Bond Resolution by those who shall hold the same from time to time, the General Bond Resolution shall be deemed to be and shall constitute a contract between the Corporation and the Holders from time to time of the Bonds; and the pledge made in the General Bond Resolution and the covenants and agreements set forth in the General Bond Resolution to be performed on behalf of the Corporation shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by the General Bond Resolution.
(Section 103)

Provisions for Refunding Bonds

Subject to certain requirements set forth in the General Bond Resolution, all or any part of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding

Bonds or any part of one or more Series of Outstanding Bonds, or to refund all Senior Bonds or any part of one or more Series of Senior Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, the General Bond Resolution and the Series Resolution authorizing said Series of Refunding Bonds.
(Section 203)

Agreement with Comptroller

As of the date of sale of any Bonds, Notes or Other Obligations, the Corporation shall have entered into an agreement with the Comptroller pursuant to which the Comptroller shall have been designated the exclusive agent of the Corporation for the sale of such Bonds, Notes or Other Obligations.
(Section 205)

Notice of Redemption

Whenever Bonds are to be redeemed pursuant to the General Bond Resolution, the Trustee shall give notice, in the name of the Corporation, of the redemption of such Bonds, by first-class mail, postage prepaid to the registered owners of Bonds of the Series which are to be redeemed, at their last known addresses, if any, appearing on the registration books of the Corporation and to any applicable provider of a Bond Facility at least 30 days but not more than 45 days prior to the redemption date and a second notice of redemption shall be sent by registered or certified mail at such address to any registered owner who has not submitted his Bonds to the Trustee or Paying Agent for payment on or before the date sixty days following the date fixed for redemption. Such notices shall specify the Series and maturities of the 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 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of registered 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 such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The failure of any such owner to receive notice shall not affect the validity of the proceedings for the redemption of Bonds. If directed in writing by the Corporation, the Trustee shall give notice also by publication once a week for at least two (2) successive weeks in an Authorized Newspaper, the first such publication to be not less than thirty (30) or more than sixty (60) days prior to the redemption date. In case it shall be impossible to make publication of any required notice as provided in the General Bond Resolution, then such publication or other notice in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice, provided that such publication or other notice shall, so far as may be possible, approximate the terms and conditions of the publication in lieu of which it is given.

The Trustee shall also send any required notice of redemption by first-class mail, postage prepaid to certain municipal registered Securities Depositories which are known to the Trustee to be holding Bonds of such Series and to at least two of the national Information Services that disseminate securities redemption notices at least 30 but no more than 45 days prior to the date fixed for redemption; provided that neither failure to receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Series of Bonds.
(Section 405)

Application of Certain Proceeds

Except as otherwise specified in the General Bond Resolution or in the applicable Series Resolution, the Corporation shall apply the amount of the proceeds derived from the sale of each Series of Bonds to the Bond Proceeds Fund. Accrued interest, if any, received upon the delivery of such Series of Bonds shall be deposited in the Debt Service Fund unless otherwise provided in the applicable Series Resolution. The amount received as capitalized interest upon the delivery of such Series and any interest earned on amounts on deposit in the Bond

Proceeds Fund shall be deposited in the Debt Service Fund unless otherwise provided in the applicable Series Resolution. The amount received as a premium over the principal amount of such Series of Bonds, if any, upon the delivery of such Series shall be applied as provided in the Series Resolution authorizing such Series.

The Corporation is authorized to establish separate accounts within the Bond Proceeds Fund to be designated, respectively, the “Costs of Issuance Account,” into which moneys in the Bond Proceeds Fund shall be deposited for the purpose of making the payments described in clause (i) under the heading “Application of Bond Proceeds Fund” below, into which moneys in the Bond Proceeds Fund shall be deposited for the purposes of making the payments described in clause (iii) under the heading “Application of Bond Proceeds Fund” below.

By Series Resolution, the Corporation may designate one or more accounts in the Bond Proceeds Fund as a “Bond Anticipation Note Account—Series __” into which moneys in the Bond Proceeds Fund, derived from any Series of Bonds, in anticipation of the issuance of which notes designated as bond anticipation notes have been issued, shall be deposited for the purpose described in clause (ii) under the heading “Application of Bond Proceeds Fund” below. By Series Resolution, the Corporation may pledge and grant a lien on the moneys in such account to the holders of the bond anticipation notes for the payment of which such Series of Bonds has been issued.
(Section 501)

Application of Bond Proceeds Fund

Unless otherwise specified in the applicable Series Resolution, moneys in the Bond Proceeds Fund, or any accounts therein, shall be applied for any one or more of the following purposes:

(i) payment of costs of issuance at the direction of any Authorized Officer of the Corporation;

(ii) payment of the principal amount of Notes that have been designated as bond anticipation notes by the Corporation at the maturity or earlier redemption thereof, if authorized by the Series Resolution authorizing such Bonds; and

(iii) payments to local governments for any or all of the purposes set forth in subdivisions 1, 2 and 3 of Section 3238 of the Public Authorities Law as amended to the date of adoption of the General Bond Resolution, at the direction of an Authorized Officer of the Corporation; provided that appropriations to effect such purposes may be made after the date of adoption of the General Bond Resolution.

(Section 502)

The Pledge Effected by the General Bond Resolution

The Revenues and all funds (other than the Bond Proceeds Fund, the Operating Fund, the Subordinated Payment Fund and the Rebate Fund) established by the General Bond Resolution, and other moneys and securities referred to in the General Bond Resolution (other than moneys and securities in the Bond Proceeds Fund, the Operating Fund, the Subordinated Payment Fund and the Rebate Fund) are pledged for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the General Bond Resolution, subject only to the provisions of the General Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the General Bond Resolution. The pledge made by the General Bond Resolution shall be valid and binding from and after the time of adoption of the General Bond Resolution. The Revenues thereafter received by the Corporation and all funds and other moneys and securities therein pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such 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.
(Section 601)

Establishment of Funds

In addition to the Bond Proceeds Fund established under the General Bond Resolution, the following funds are established in the custody of the Trustee:

Operating Fund,
Debt Service Fund,
Capital Reserve Fund,
Rebate Fund, and
Subordinated Payment Fund.

Accounts and subaccounts within each of the foregoing funds or temporary accounts for the payment of costs of issuance or capitalized interest may from time to time be established in accordance with a Series Resolution or upon the direction of the Corporation.
(Section 602)

Application of Payments

The payments received in accordance with subdivision 3 of Section 3240 of the Public Authorities Law shall be applied to the Rebate Fund, the Operating Fund, the Debt Service Fund, the Capital Reserve Fund and the Subordinated Payment Fund in accordance with certificates of an Authorized Officer pursuant to which the payment is made, provided, however, that if the amount of payment is less than the amount certified, the payment shall be applied, first, to the Rebate Fund, second, to the Debt Service Fund, third, to the Capital Reserve Fund, fourth, to the Operating Fund, and fifth, to the Subordinated Payment Fund; and provided further that (i) no moneys shall be deposited into the Subordinated Payment Fund unless the Comptroller, in his sole and exclusive judgment, which judgment shall be reasonable, makes a determination in writing to the Corporation that upon such deposit, amounts to be derived from the 1% Sales Tax will be sufficient to meet all requirements of the Debt Service Fund and Capital Reserve Fund during the period in which the set aside payment requirements for each such Fund are applicable pursuant to paragraph (b) of subdivision 5 of Section 92-r of the State Finance Law, and (ii) if and to the extent the Comptroller does not make such determination, moneys otherwise to be deposited in the Subordinated Payment Fund shall be deposited into the Debt Service Fund to be applied as required under the General Bond Resolution. Payments received by the Corporation under any Swap applied to the interest exchange thereby effected shall be applied to the Debt Service Fund and payments thereunder for Operating Expenses shall be applied to the Operating Fund.
(Section 603)

Operating Fund

The Trustee shall pay out of the Operating Fund the amounts required for the payment of Operating Expenses at the written direction of the Corporation.
(Section 604)

Debt Service Fund

The Trustee shall pay, on or before the Business Day preceding each interest payment date for any of the Bonds, out of the amounts then held in the Debt Service Fund, to itself and the Paying Agent, the amounts respectively required for the payment of principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on any Bonds or any related Reimbursement Obligation due and payable on such date, and such amounts so paid out shall be irrevocably pledged to and applied to such payments.

In the event that on the Business Day preceding any interest payment date, the amount in the Debt Service Fund shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds and for the payment of the principal and Sinking Fund Installments of the Outstanding Bonds of any Series due and payable on such interest payment date, or any related Reimbursement Obligation, the Trustee shall withdraw from the

Capital Reserve Fund and deposit into the Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payment or payments.

As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, pursuant to the General Bond Resolution on such due date, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Term Bonds of such Series and maturity or the payment of any related Reimbursement Obligation. The Trustee shall so call such Term Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable principal amount thereof, together with interest thereon to the redemption date. The Trustee shall pay out of the Debt Service Fund to the appropriate Paying Agent, on the day preceding each such redemption date, the amount required for the redemption of the Term Bonds so called for redemption or the payment of any related Reimbursement Obligation, and such amount shall be applied by such Paying Agent to such redemption or payment.

The Corporation may, at any time prior to the forty-fifth day preceding the day on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys in the Debt Service Fund, at a price not in excess of par, plus unpaid interest accrued to the date of such purchase in the case of current interest obligations or at a price not in excess of accreted value in the case of capital appreciation obligations, Term Bonds payable from such Sinking Fund Installment and any Term Bonds so purchased shall be cancelled by the Trustee and the aggregate principal amount of the Term Bonds so purchased shall be credited against the Sinking Fund Installment next due.

Upon the purchase or redemption of any Bonds for which Sinking Fund Installments shall have been established, other than by application of moneys described in the preceding paragraph, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the Sinking Fund Installment in such order or proportionate amount as shall be specified by the Corporation in an applicable Series Resolution or otherwise with respect to the Bonds of such maturity.
(Section 605)

Capital Reserve Fund

The Corporation shall deposit into the Capital Reserve Fund (i) all moneys paid to the Corporation pursuant to subdivisions 1 and 4 of Section 3240 of the Public Authorities Law for the purpose of maintaining or restoring the amount in the Capital Reserve Fund to the amount of the Capital Reserve Fund Requirement; (ii) such portion of the proceeds of sale of Bonds, if any, as shall be prescribed by the applicable Series Resolution; (iii) any Surety as may be authorized by the General Bond Resolution or by the applicable Series Resolution; and (iv) any other moneys which may be made available to the Corporation for the purposes of the Capital Reserve Fund from any other source or sources.

Moneys and securities held for the credit of the Capital Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund at the times and in the amounts required to comply with the provisions of the General Bond Resolution. At any time moneys and securities in the Capital Reserve Fund in excess of the Capital Reserve Fund Requirement, upon written direction of the Corporation, may be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund, subject to the provisions of the General Bond Resolution described in the following two paragraphs.

Any income or interest earned on investments in the Capital Reserve Fund in excess of the amount needed to pay interest on the Bonds issued to fund the Capital Reserve Fund (and in excess of the Capital Reserve Fund Requirement) and not required to be rebated to the Department of the Treasury of the United States of America pursuant to the General Bond Resolution shall be withdrawn by the Trustee at the written direction of an Authorized Officer of the Corporation and deposited to the credit of the Debt Service Fund to be applied as provided in the General Bond Resolution.

The Corporation may deposit a Surety in the Capital Reserve Fund in substitution for an equal amount of moneys or securities then on deposit in the Capital Reserve Fund, provided that any such moneys or securities released from the Capital Reserve Fund shall be deposited to the credit of the Debt Service Fund to be applied at the written direction of an Authorized Officer of the Corporation to the redemption of Bonds on the first date on which such Bonds are subject to redemption, or by the Trustee in the case of an acceleration as a result of a continuing event of default under the General Bond Resolution and subject to certain other provisions of the General Bond Resolution. Any moneys or securities released from the Capital Reserve Fund as a result of an issue of refunding bonds shall be applied as though such moneys were released from the Capital Reserve Fund as a result of a deposit of a Surety under the provisions of the General Bond Resolution described in this paragraph except that such moneys may be applied to fund a capital reserve fund for Notes or Other Obligations issued by the Corporation and payable from the Subordinated Payment Fund.
(Section 606)

Rebate Fund

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the Corporation for deposit therein and, notwithstanding any other provisions of the General Bond Resolution, shall transfer to the Rebate Fund, in accordance with the written directions of an Authorized Officer of the Corporation, moneys on deposit in any other funds held by the Trustee under the General Bond Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Corporation to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Corporation shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Corporation determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund in accordance with the written directions of such Authorized Officer.

If and to the extent required by the Code, the Corporation shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Series of Bonds and direct the Trustee in writing to (i) transfer from any other of the funds and accounts held by the Trustee under the General Bond Resolution and deposit to the Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.
(Section 607)

Subordinated Payment Fund

Subject to the provisions of the General Bond Resolution described above under the heading "Application of Payments," the Corporation shall deposit into the Subordinated Payment Fund all moneys paid to the Corporation under the Act or otherwise for (i) payments on any Notes or Other Obligations, (ii) Swap Payments or payments on other financial instruments entered into by the Corporation, (iii) payments for certain mandatory purchases or redemption referred to in the General Bond Resolution.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in the provisions of the General Bond Resolution summarized in the first paragraph under this heading, pursuant to any resolution adopted by, or otherwise at the written direction of, the Corporation.
(Section 608)

Investment of Funds and Accounts

Except for money on deposit in the Debt Service Fund and the Capital Reserve Fund, moneys in the funds and accounts under the General Bond Resolution shall be invested in obligations in which the Comptroller is authorized to invest pursuant to Section 98-a of the State Finance Law as then in effect, except as may be otherwise limited by Supplemental Resolution or Series Resolution. Moneys on deposit in the Debt Service Fund shall be invested in Debt Service Fund Investments. Moneys on deposit in the Capital Reserve Fund shall be invested in Capital Reserve Fund Investments.

In computing the value of any fund or account held by the Trustee under the provisions of the General Bond Resolution, obligations purchased as an investment of moneys therein shall be valued at the cost or market price thereof, whichever is lower, inclusive of accrued interest. In computing the value of the Capital Reserve Fund, obligations in which all or a portion of such fund shall be invested shall be valued at par if purchased at par or, if purchased at a premium above or a discount below par, the value at any given date obtained by dividing the total premium or discount at which such obligations were purchased by the number of interest payment dates remaining to maturity on such obligations after such purchase, and by multiplying the number so calculated by the number of interest payment dates having passed since the date of such purchase and (i) in the case of such obligations purchased at a premium, by deducting the product thus obtained from the purchase price; and (ii) in the case of such obligations purchased at a discount, by adding the product thus obtained to the purchase price.

Except as otherwise provided in the General Bond Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any obligation purchased by it as an investment pursuant to the General Bond Resolution 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. The Trustee shall advise the Corporation in writing, on or before the tenth day of each calendar month, of the details of all investments held for the credit of each fund and account in its custody under the provisions of the General Bond Resolution as of the end of the preceding month.

Except as otherwise provided in the section of the General Bond Resolution described in the following paragraph, (i) the Corporation delegates to the Comptroller the power and duty to make, subject to the provisions of the General Bond Resolution, any and all investment decisions respecting moneys in the funds and accounts under the General Bond Resolution, and the Trustee shall, with respect to the investment of moneys held in the funds and accounts under the General Bond Resolution, act at the written direction of the Comptroller or his authorized representative as specified in the provisions of the General Bond Resolution summarized under this heading; (ii) the Comptroller shall determine the securities and other investments in which moneys held in the funds and accounts under the General Bond Resolution shall be invested, shall order any and all purchases and sales of securities in the funds and accounts under the General Bond Resolution, and shall authorize and direct the Trustee orally or by facsimile transmission, promptly confirmed in writing to deliver, redeliver or receive any and all securities held or to be held in the funds and accounts under the General Bond Resolution; and (iii) subject to compliance with the provisions of the General Bond Resolution described in the first paragraph under this heading, the Trustee shall not be responsible for making any investment decisions under the provisions of the General Bond Resolution summarized in this paragraph; provided, however, that the liability of the Trustee for any and all actions with respect to securities in and investments of the funds and accounts under the General Bond Resolution shall be as provided in the General Bond Resolution.

The Comptroller may withdraw, or the Corporation may release the Comptroller, from his powers and duties specified in the provisions of the General Bond Resolution summarized under this heading relating to the investment of funds and accounts held under the General Bond Resolution, each by delivery of ten days' prior written notice to the other and to the Trustee. Upon any such withdrawal or release, moneys in the funds and accounts under the General Bond Resolution shall be invested by the Trustee in accordance with the General Bond Resolution, upon direction of the Corporation in writing, signed by an Authorized Officer.
(Section 701)

Creation of Liens

The Corporation shall not issue any bonds or other evidences of indebtedness, other than the Bonds or any related Reimbursement Obligations, secured by a pledge of the Revenues or any moneys and securities in the Debt Service Fund or the Capital Reserve Fund, and shall not create or cause to be created any lien or charge equal or

prior to the Bonds or any related Reimbursement Obligations on Revenues or on any moneys and securities in the Debt Service Fund or the Capital Reserve Fund.
(Section 907)

Tax Exemption

The Corporation may include in the applicable Series Resolution for any Series of Bonds any and all covenants necessary or appropriate to maintain the exclusion from gross income for purposes of federal income taxation of interest on such Bonds; provided, however, that nothing in the General Bond Resolution shall be construed to preclude the Corporation from issuing Bonds the interest on which is not intended to be excluded from gross income, and is therefore taxable, for purposes of federal income taxation.
(Section 908)

Agreement With the Director of the Budget

The Corporation shall enter into one or more agreements with the State, acting through the Director of the Budget, as provided in subdivision 5 of Section 3240 of the Public Authorities Law providing for the specific manner, timing and amount of payments to be made to the Corporation under Section 3240 of the Public Authorities Law and the General Bond Resolution. Because the Comptroller is required to make the payments described under Section 3240 of the Public Authorities Law, the Comptroller shall have acknowledged, agreed to and approved such agreement, which, to ensure that payments under such Section will be made in the specified manner, timing and amounts provided in such agreement, may require the Comptroller to invest moneys derived from the 1% Sales Tax and required to be retained or set aside in the Local Government Assistance Tax Fund in Debt Service Fund Investments. The Corporation shall approve the form and substance of such agreement with respect to any Series of Bonds prior to or concurrently with the applicable Series Resolution and shall take all steps necessary or appropriate to enforce such agreement and to assure compliance by the State with such agreement. The Corporation shall not enter into any such agreement that is not in conformity with the Act and the General Bond Resolution.
(Section 910)

Purposes for Which Bonds May Be Issued

Except for Bonds, Notes or Other Obligations issued to fund a capital reserve fund, to provide for capitalized interest, and to pay costs of issuance thereof, the Corporation shall not issue any Bonds, Notes, or Other Obligations, except for the purposes specified in Sections 3236 and 3238 of the Public Authorities Law, as amended to the date of adoption of the General Bond Resolution; provided that appropriations to effect such purposes may be made after the date of adoption of the General Bond Resolution.
(Section 911)

Accounts and Reports

The Corporation shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made for its transactions relating to all funds established by the General Bond Resolution which shall at all reasonable times be subject to the inspection of the Holder of an aggregate of not less than five per centum (5%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.
(Section 912)

Surety or Bond Facility

Pursuant to the applicable Series Resolution, the Corporation may include any or all of the covenants and agreements set forth in the General Bond Resolution in an agreement with the provider of a Surety or Bond Facility.
(Section 914)

Modification and Amendment Without Consent

The Corporation may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer: (i) to provide for the issuance of a Series of Bonds pursuant to the provisions of the General Bond Resolution; (ii) to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Bond Resolution; (iii) to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; (iv) to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the General Bond Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Bond Resolution; (v) to confirm as further assurance any pledge under the General Bond Resolution subject to any lien, claim or pledge created or to be created by the provisions of the General Bond Resolution, of the Revenues or of any other moneys, securities or funds; (vi) to modify any of the provisions of the General Bond Resolution or any previously adopted Series Resolutions in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Series Resolution or Supplemental Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions; or (vii) with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provisions in the General Bond Resolution or to insert such provisions clarifying matters or questions arising under the General Bond Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the General Bond Resolution as theretofore in effect.
(Section 1001)

Supplemental Resolutions Effective With Consent of Bondholders

The provisions of the General Bond Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the provisions of the General Bond Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer.
(Section 1002)

Powers of Amendment

Any modification or amendment of the General Bond Resolution and of the rights and obligations of the Corporation and of the Holders of the Bonds under the General Bond Resolution, may be made by a Supplemental Resolution, with the written consent given as provided in the General Bond Resolution, (a) of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (c) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the section of the General Bond Resolution described under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the section of the General Bond Resolution described under this heading, a Series

shall be deemed to be affected by a modification or amendment of the General Bond Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular Series or maturity would be affected by any modification or amendment of the General Bond Resolution and any such determination shall be binding and conclusive on the Corporation and all Holders of Bonds. The Trustee may receive an opinion of counsel, including Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the General Bond Resolution. For purposes of this section, in the case of any Series of Bonds issued in one or more subseries, references in this section to "Series" or "Series of Bonds" shall be deemed to refer to such subseries.
(Section 1101)

Consent of Bondholders

The Corporation may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the General Bond Resolution described above under the heading "Powers of Amendment" to take effect when and as provided in the section of the General Bond Resolution described under this heading. 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 promptly after adoption be mailed by the Corporation to Bondholders and be published at least once a week for two (2) successive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in the section of the General Bond Resolution summarized under this heading). Such Supplemental Resolution shall not be effective unless and until (a) there shall have been filed with the Trustee certain documents required by the General Bond Resolution and (b) a notice shall have been published as provided in the General Bond Resolution. Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the General Bond Resolution. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee described under this heading is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by the General Bond Resolution. At any time after the Holders 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 Holders of such required percentages of Bonds have filed such consents. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Corporation on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the General Bond Resolution, shall be given to Bondholders by the Corporation by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in the General Bond Resolution) and by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee provided for in the General Bond Resolution is filed. A transcript, consisting of the papers required or permitted by the section of the General Bond Resolution described under this heading to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Trustee, each Paying Agent and the Holders of all Bonds at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Corporation, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.
(Section 1102)

Consent of Provider of Bond Facility

For purposes of Article XI of the General Bond Resolution, the provider of a Bond Facility shall be considered the sole Holder of all Bonds to which such Bond Facility relates, except as otherwise provided in an applicable Series Resolution.
(Section 1107)

Events of Default

Each of the following events is declared an "event of default" under the General Bond Resolution:

(i) the Corporation shall default in the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise or the Corporation shall default in the payment of interest on any of the Bonds; or

(ii) the Chairperson of the Corporation shall fail or refuse to comply with the provisions of subdivision 1 of Section 3240 of the Public Authorities Law and such failure or refusal shall continue for a period of thirty (30) days, or the Comptroller shall fail to pay to the Corporation, as and when provided by subdivision 2 of such Section, any amount or amounts as shall be certified by the Chairperson pursuant to subdivision 1 of such Section, or the Corporation shall fail or refuse to deposit in the Capital Reserve Fund or the Debt Service Fund the amount or amounts received by the Corporation for deposit in such funds, respectively; or

(iii) the State shall amend, alter, repeal or fail to comply with the provisions of subdivision 2 of Section 3241 of the Public Authorities Law as in effect on the date of adoption of the General Bond Resolution or shall, except as expressly provided in such subdivision 2, amend, alter, or repeal, or fail to comply with, the provisions of Section 3241-a of the Public Authorities Law as in effect on the date of adoption of the General Bond Resolution; or

(iv) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by him pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Chairperson pursuant to subdivision 1 of Section 3240 of the Public Authorities Law and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(v) the Trustee shall have withdrawn amounts from the Capital Reserve Fund pursuant to the provisions of the General Bond Resolution described in the second paragraph under the heading "Debt Service Fund" above resulting in a deficiency therein, and the Capital Reserve Fund shall not be restored to the Capital Reserve Fund Requirement within 120 days thereafter; or

(vi) the State shall have enacted a moratorium or other similar law affecting the Bonds; or

(vii) the State or any officer of the State shall fail or refuse to comply with any provision of Section 92-r of the State Finance Law; or,

(viii) the State shall fail or refuse to comply with the provisions of any agreement described in subdivision 5 of Section 3240 of the Public Authorities Law between the State, acting through the Director of the Budget, and the Corporation providing for the specific manner, timing and amount of payments to be made to the Corporation; or

(ix) the Corporation shall fail or refuse to comply with the provisions of the Act, as then in effect, other than as provided in (iii) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the General Bond Resolution, any Series

Resolution, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or by the Holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds;

provided that nothing in the section of the General Bond Resolution described under this heading may be construed to restrict the right of the State under subdivision 6 of Section 3240 of the Public Authorities Law to amend, repeal, modify or otherwise alter statutes imposing or relating to the Sales Tax without giving rise to an event of default under the General Bond Resolution.
(Section 1202)

Remedies

Upon the happening and continuance of any event of default described in clause (i) under the heading "Events of Default" above, the Trustee shall proceed, or upon the happening and continuance of any other event of default described under the heading "Events of Default" above, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (i) by mandamus or other suit, action or proceeding at law, including without limitation an action for damages, or in equity, to enforce all rights of the Bondholders, and to require the Corporation, and to the fullest extent permitted by applicable Federal and State law, the State, to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (ii) by bringing suit upon the Bonds; (iii) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the Holders of the Bonds; (iv) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and (v) upon 30 days' notice to the Corporation, the Governor, the Comptroller, the Temporary President of the Senate, the Speaker of the Assembly and the Attorney General of the State, in accordance with the provisions of Section 3243 of the Public Authorities Law, to declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and its consequences; provided that nothing in the General Bond Resolution shall preclude the Corporation from agreeing that consent of the provider of a Bond Facility is required for an acceleration of related Bonds in an event of default other than a failure to pay principal of or interest on the Bonds when due, as described in the last paragraph under this heading; provided further that the absence of such consent shall not limit the right of the Trustee to make such declaration with respect to all other Outstanding Bonds as provided in clause (v) above and upon consent of the Holders of twenty-five per centum (25%) in principal amount of all Outstanding Bonds.

In the enforcement of any remedy under the General Bond 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, under any provision of the General Bond Resolution or a Series 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 General Bond 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 a judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable, all in accordance with the provisions of the Act.

Notwithstanding the provisions of the General Bond Resolution described above under this heading, upon the happening and continuance of any event of default described in clause (iii) under the heading "Events of Default" above, a Bondholder may proceed, in his own name, to protect and enforce his rights by taking such action as he shall deem most effectual to protect and enforce such rights, including, without limitation, the actions specified in clauses (i), (ii), (iii) and (iv) above.

All remedies conferred upon or reserved to the Holders of Bonds under the General Bond Resolution may also be conferred upon and reserved to the provider of a related Bond Facility authorized by a Series Resolution and may be cumulative as provided in the General Bond Resolution. Nothing in the General Bond Resolution shall preclude the Corporation from providing in an applicable Series Resolution, or in any Bond Facility authorized thereby, that the exercise of any remedy, including without limitation acceleration or annulment, under the General Bond Resolution or the waiver of any event of default under the General Bond Resolution by the Trustee or the Holder of any such Bond shall be subject to the prior written consent of the provider of any related Bond Facility.
(Section 1203)

Bondholders' Direction of Proceedings

Anything in the General Bond Resolution to the contrary notwithstanding, the Holders of the majority in principal amount of the Bonds then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the General Bond Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the General Bond Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.
(Section 1206)

Limitation on Rights of Bondholders

No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Bond Resolution, or for the protection or enforcement of any right under the General Bond Resolution or any right under law unless such Holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and, except as described above under the heading "Remedies," unless the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted under the General Bond Resolution or under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the General Bond Resolution or for any other remedy under the General Bond Resolution or under law. It is understood and intended that no one or more Holders of the Bonds secured by the General Bond Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the General Bond Resolution, or to enforce any right under the General Bond Resolution or under law with respect to the Bonds or the General Bond Resolution, except in the manner provided in the General Bond Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the General Bond Resolution and for the benefit of all Holders of the Outstanding Bonds. Notwithstanding the foregoing provisions of the section of the General Bond Resolution described under this heading or any other provisions of Article XI of the General Bond Resolution, the obligation of the Corporation shall be absolute and unconditional to pay the principal and Redemption Price of and interest on the Bonds to the respective Holders thereof at the respective due dates thereof, and nothing in the General Bond Resolution shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything to the contrary notwithstanding contained in the General Bond Resolution, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the General Bond Resolution or any Series Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard

to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of the General Bond Resolution described in this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five per centum (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.
(Section 1207)

No Waiver of Default

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the General Bond Resolution to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.
(Section 1210)

Notice of Event of Default

The Trustee shall give to the Bondholders notice of each event of default under the General Bond Resolution known to the Trustee within ninety (90) days after knowledge of the occurrence thereof, unless such event of default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal, Sinking Fund Installment, or Redemption Price of or interest on any of the Bonds, or in the making of any payment required to be made into the Operating Fund, the Debt Service Fund or the Capital Reserve Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Each such notice of event of default shall be given by the Trustee by mailing such written notice thereof: (i) to all registered Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; and (ii) to such other persons as is required by law.
(Section 1211)

Defeasance

If the Corporation shall pay or cause to be paid to the Holders 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 General Bond Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer 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 all 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 General Bond 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 effect expressed in the provisions of the General Bond Resolution described in the preceding paragraph. All Outstanding Bonds of any Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the provisions of the General Bond Resolution described in the preceding paragraph 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 give notice of redemption as provided in the General Bond Resolution on said date of such Bonds, (b) there shall have been deposited with the Trustee either (i) moneys in an amount which shall be sufficient, (ii) non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed or (iii) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (ii), provided that such obligations shall be held in trust by the Trustee or a bank or trust company or national banking association meeting the requirements for a successor Trustee under the General Bond Resolution, the principal of and the 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, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders 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 the section of the General Bond Resolution described under 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. Non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed, qualified certificates evidencing ownership of the right to payments of principal or interest on such obligations, moneys deposited with the Trustee pursuant to the provisions of the General Bond Resolution described under this heading and principal or interest payments on any such securities 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 direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in non-callable direct obligations of the United States of America 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, and interest earned from such reinvestment shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for three 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 three years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become 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 at least twice, at an interval of not less than seven days between publications, 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 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Corporation.
(Section 1401)

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SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE RESOLUTION

Certain provisions of the Subordinate Resolution are summarized below. The summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by, the Subordinate Resolution. For a complete statement of the rights, duties and obligations of the Corporation, the Trustee and Bondholders under the Subordinate Resolution, refer to the Subordinate Resolution, copies of which are on file with the Corporation and the Trustee. Unless otherwise indicated, references to section numbers herein refer to sections in the General Subordinate Lien Bond Resolution.

Certain Definitions

The following are definitions of certain of the terms defined in the Subordinate Resolution and used in this Official Statement. Certain other terms used in this Official Statement and not defined shall have the meanings given to such terms in the Subordinate Resolution.

Bondholders or *Holder of Bonds* or *Holder* (when used with reference to Bonds) or any similar term, means any person or party who shall be the registered owner of any Outstanding Bond; provided that for purposes of the section of the General Subordinate Lien Bond Resolution described in the third paragraph under the heading "Remedies" below, so long as any of the Bonds are in book-entry form, such terms shall include any owner of a beneficial interest in a Bond.

Bond Facility means any insurance policy, letter of credit or other credit enhancement or liquidity facility, agreement or arrangement referred to in subdivision 16 of Section 3235 of the Public Authorities Law, or any similar arrangement entered into for the same or similar purposes, with respect to the Bonds.

Business Day means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the State or in any of the cities in which the principal office of the Trustee, any Paying Agent or, with respect to a particular Series of Bonds, any remarketing agent, or any provider of a Bond Facility for such Series of Bonds is located, are required or are authorized by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

Capital Reserve Fund Investments means 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) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America; (ii) direct and general obligations of the State; provided that the rating thereon shall not be less than the rating on the Bonds, each as established by Fitch Investors Service, Inc., Moody's Investors Service and Standard & Poor's, a division of The McGraw-Hill Companies, Inc., respectively, if and to the extent that such firms continue to maintain a rating on the Bonds and on such obligations of the State; (iii) certificates of deposit, whether negotiable or non-negotiable, issued by any bank or trust company having a combined capital and surplus of at least $50,000,000 organized under the laws of any state of the United States of America or any national banking association (including the Trustee), which certificates of deposit are fully insured by the Federal Deposit Insurance Corporation or fully secured by such securities as are described in clause (i) above, but in any event collateralized to the level required by each of the rating agencies referred to in clause (ii) if and to the extent such firms maintain a rating on the Bonds; (iv) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York which agreement is secured by any one or more of the securities described in clause (i) above; provided that any such repurchase agreement shall meet the standards of each of the rating agencies referred to in clause (ii) that are applied to the evaluation of repurchase agreements resulting in a rating not less than the rating on the Bonds if and to the extent that such firms maintain a rating on the Bonds; (v) general obligation bonds and notes of any state other than the State, and to the extent permitted by law, general obligation bonds and notes of any political subdivision of the State or any state; provided that such bonds and notes receive the highest rating from each of Fitch Investors Service, Inc., Moody's Investors Service and Standard and Poor's, a division of The McGraw-Hill Companies, Inc., respectively, if and to the extent that such firms continue to maintain a rating on the Bonds and on such bonds and notes.

Capital Reserve Fund Requirement means, as of any date of computation, an amount equal to one-half of the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest (exclusive of capitalized interest and accrued interest, if any) on all Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding Fiscal Year, assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months' interest and (ii) that with respect to Variable Interest Rate Bonds, interest on such Bonds shall be calculated at a rate or rates reasonably assumed by the Corporation on the date of issuance thereof having due regard for the security and marketability of all its bonds and notes.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Commissioner of Taxation and Finance means the Commissioner of Taxation and Finance of the State.

Comptroller means the Comptroller of the State.

Debt Service Fund Investments mean if and to the extent the securities are legal for investment of the Corporation's funds, the securities described in (i), (iii) and (iv) in the definition of Capital Reserve Fund Investments.

Director of the Budget means the Director of the Budget of the State.

Excess Earnings means, with respect to a Series of Bonds, (i) the amount by which the earnings on the Gross Proceeds of such Series of Bonds exceeds the amount that would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on such Series of Bonds, as such yield is determined in accordance with the Code, and (ii) amounts earned on the investment of such excess.

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

Fiscal Year means the fiscal year of the Corporation as determined from time to time by the Corporation, which as of the date of the General Subordinate Lien Bond Resolution ends March 31.

Gross Proceeds means, with respect to a Series of Bonds, unless inconsistent with the provisions of the Code, (i) amounts received by the Corporation from the sale of a Series of Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Capital Reserve Fund, (v) securities or obligations pledged by the Corporation as security for payment of debt service on the Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on a Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code.

Information Services means Bloomberg Municipal Repository, DPC Data Inc., FT Interactive Data, Standard and Poor's, and J.J. Kenny Repository, or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds, or any other such services as the Corporation may designate in writing to the Trustee.

Local Government Assistance Tax Fund means the fund by that name established under Section 92-r of the State Finance Law.

Note or *Notes* means any short-term evidence of indebtedness or the renewals thereof or other similar obligation (other than Senior Bonds, Bonds, Reimbursement Obligations, Swap Payments or Other Obligations) issued by the Corporation.

Note Amortization Payment means, with respect to any Note, any required or scheduled amortization payment of the principal amount of such Note, as required by the terms of such Note, under any resolution authorizing the issuance of such Note, or under subdivision 9 of Section 3236 of the Public Authorities Law.

Operating Expenses means the Corporation's expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, as then in effect, and shall include, without limiting the generality of the foregoing: salaries, administrative expenses, insurance premiums, fees, expenses, indemnification or other similar charges payable to providers of a Surety or a Bond Facility or similar facility with respect to Notes, fees, expenses, indemnification or other similar obligations payable under any Swap or Swap Facility (net of any payments for similar expenses received by the Corporation), auditing and legal expenses and fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees for issuing and paying agents, remarketing agents and dealers, rating agencies, transfer or information agents, the publication of advertisements and notices, printers, fees or charges incurred by the Corporation to comply with applicable Federal and State securities or tax laws and any costs of issuance in excess of the amount provided therefor in the proceeds of the sale of Bonds or Notes, and any other operating expenses required or permitted to be paid by the Corporation under the provisions of the Act, as then in effect, and the General Subordinate Lien Bond Resolution.

Other Obligations means any obligations evidencing indebtedness (other than Senior Bonds, Bonds, Notes, and Reimbursement Obligations) issued by the Corporation and does not include any Swap Payments or payments under other financial instruments not evidencing indebtedness entered into by the Corporation.

Outstanding, when used with reference to Bonds, other than Bonds owned or held by or for the account of the Corporation, means, as of any date, Bonds theretofore or then being delivered under the provisions of the General Subordinate Lien Bond Resolution, except: (i) any Bonds canceled by the Trustee at or prior to such date, (ii) any 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 Agents 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 in the General Subordinate Lien Bond Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Subordinate Lien Bond Resolution, and (iv) Bonds deemed to have been paid as provided in the General Subordinate Lien Bond Resolution unless a Series Resolution provides that Bonds of a Series having the benefit of a Bond Facility shall not thereby be deemed paid if payment is provided by the Bond Facility. If principal of a Bond is paid or redeemed by the provider of a Bond Facility, the related Reimbursement Obligation shall be treated as an Outstanding Bond in lieu of the Bond so paid or redeemed, but only to the extent that principal of the Bond was so paid or redeemed, at the interest rate provided in the Reimbursement Obligation.

Principal means (i) in the case of references to the principal amount of capital appreciation Bonds, deferred income Bonds or other similar Bonds the payment of interest on which is deferred, the appreciated value of such Bonds, calculated as prescribed in the applicable Series Resolution, and (ii) in the case of references to the principal amount of any other Bonds, the principal amount at maturity thereof.

Public Authorities Law means the Public Authorities Law of the State, as amended by the Act, and except as otherwise specified in the General Subordinate Lien Bond Resolution, as from time to time amended and then in effect.

Redemption Price means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Subordinate Lien Bond Resolution and the Series Resolution pursuant to which the same was issued.

Refunding Bonds means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to the General Subordinate Lien Bond Resolution.

Reimbursement Obligation means any obligation of the Corporation to make payments to a provider of a Bond Facility or Surety in reimbursement of or as interest on (which interest may be higher than the interest rate on the related Bond) an advance or other payment made by such provider for the purpose of paying (i) the principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any Bonds, or (ii) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of the applicable Series Resolution, but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not include (i) any payments of any fees, expenses, indemnification, or other obligations to any such provider, which payments shall be Operating Expenses or (ii) any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds, which payments shall be Other Obligations. Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds," which may bear a higher interest rate than the rate borne by the Bonds to which they relate.

Revenues means all aid, rents, fees, charges, payments and other income and receipts paid to the Corporation or to the Trustee for the account of the Corporation, including, without limitation, any payment required to be made to the Corporation pursuant to the Act or under any Swap (except for payments for Operating Expenses under such Swap).

Sales Tax means the sales and compensating use taxes (including interest and penalties) imposed State-wide at the rate of four percent by Sections 1105 and 1110 of the Tax Law of the State, or any successor or substitute provisions thereof.

1% Sales Tax means that portion of the Sales Tax in an amount equal to the amount attributable to a one percent rate of taxation, less collection expenses and such amounts as the Commissioner of Taxation and Finance may determine to be necessary for refunds thereof, which is required to be deposited in the Local Government Assistance Tax Fund pursuant to Section 92-r of the State Finance Law.

Securities Depositories means The Depository Trust Company or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other securities depositories or any such other depositories as the Corporation may designate in writing to the Trustee.

Senior Bonds means any bonds issued under the Senior Resolution.

Senior Resolution means the General Bond Resolution adopted by the Corporation of February 19, 1991, as amended and supplemented from time to time, including by (i) the Amended and Restated Variable Rate Supplemental Bond Resolution adopted on March 17, 1993 and amended on March 17, 1994 and amended and restated on December 30, 2002, (ii) Resolution 2000-4 of the Corporation adopted on February 29, 2000, (iii) the Second Supplemental Resolution of the Corporation adopted on August 1, 2008 and (iv) the Third Supplemental Resolution of the Corporation adopted on April 30, 2009.

Serial Bonds means the bonds so designated in a Series Resolution.

Series of Bonds or *Bonds of a Series* or words of similar meaning means the Series of Bonds authorized by a Series Resolution.

Sinking Fund Installment means, as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the General Subordinate Lien Bond Resolution or the applicable Series Resolution to be paid on a single future date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

State means the State of New York.

State Finance Law means the State Finance Law of the State, as amended by the Act, and except as otherwise specified in the General Subordinate Lien Bond Resolution, as from time to time amended and then in effect.

Surety means any surety agreement, insurance agreement, letters of credit or other type of agreement or arrangement satisfying the provisions of the General Subordinate Lien Bond Resolution or of any applicable Series Resolution, each of which provides for the availability, at all times required under the General Subordinate Lien Bond Resolution or under any Series Resolution, of the amount of money or the value of the obligations in lieu of the deposit of which such agreement or arrangement is provided, all as described in or contemplated by subdivision 2 of Section 3237 of the Public Authorities Law; provided that the financial institution providing such surety shall have an outstanding, unsecured, uninsured and unguaranteed debt issue that is assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) to any rating) by Standard & Poor's, a division of The McGraw–Hill Companies, Inc. and Moody's Investors Service; provided further that if the financial institution providing such surety is an insurance company, the claims-paying ability of such insurance company shall be assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) to any rating) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and Moody's Investors Service.

Swap means any interest rate exchange or similar arrangements described in or contemplated by Article 5-D of the State Finance Law or any similar arrangement entered into for the same or similar purposes.

Swap Facility means an insurance policy, letter of credit or other credit enhancement with respect to a Swap, as described in or contemplated in Article 5-D of the State Finance Law, or any similar facility entered into for the same or similar purposes. Payments under a Swap Facility applicable to the interest rate exchange effected under the related Swap shall be deemed Swap Payments under the General Subordinate Lien Bond Resolution and shall not be deemed Reimbursement Obligations. Payment under a Swap Facility applicable to any fees, expenses, indemnification or other charges or obligations thereunder shall be Operating Expenses.

Swap Payment means any payment required to be made by the Corporation under a Swap that is applicable to the interest rate exchange effected thereunder (including termination payments), but not any fees, expenses, indemnification or other charges or obligations thereunder, which shall be Operating Expenses.

Variable Interest Rate means a variable interest rate to be borne by any Bond within a Series of Bonds. The method of computing such variable interest rate shall be specified in the Series Resolution authorizing such Series of Bonds or the Comptroller's Series Certificate relating thereto. Such Series Resolution or Comptroller's Series Certificate shall also specify either (i) the particular period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

Variable Interest Rate Bonds means Bonds which bear a Variable Interest Rate.

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued by the General Subordinate Lien Bond Resolution by those who shall hold the same from time to time, the General Subordinate Lien Bond Resolution shall be deemed to be and shall constitute a contract between the Corporation and the Holders from time to time of the Bonds; and the pledge made in the General Subordinate Lien Bond Resolution and the covenants and agreements set forth in the General Subordinate Lien Bond Resolution to be performed on behalf of the Corporation shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by the General Subordinate Lien Bond Resolution.
(Section 103)

Provisions for Refunding Bonds

Subject to certain requirements set forth in the General Subordinate Lien Bond Resolution, all or any part of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any part of one or more Series of Outstanding Bonds, or to refund all Senior Bonds or any part of one or more Series of Senior Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, the General Subordinate Lien Bond Resolution and the Series Resolution authorizing said Series of Refunding Bonds.
(Section 203)

Agreement with Comptroller

As of the date of sale of any Bonds, Notes or Other Obligations, the Corporation shall have entered into an agreement with the Comptroller pursuant to which the Comptroller shall have been designated the exclusive agent of the Corporation for the sale of such Bonds, Notes or Other Obligations.
(Section 205)

Notice of Redemption

Whenever Bonds are to be redeemed pursuant to the General Subordinate Lien Bond Resolution, the Trustee shall give notice, in the name of the Corporation, of the redemption of such Bonds, by first-class mail, postage prepaid to the registered owners of Bonds of the Series which are to be redeemed, at their last known addresses, if any, appearing on the registration books of the Corporation and to any applicable provider of a Bond Facility at least 30 days but not more than 45 days prior to the redemption date and a second notice of redemption shall be sent by registered or certified mail at such address to any registered owner who has not submitted his Bonds to the Trustee or Paying Agent for payment on or before the date sixty days following the date fixed for redemption. Such notices shall specify the Series and maturities of the 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 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of registered 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 such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The failure of any such owner to receive notice shall not affect the validity of the proceedings for the redemption of Bonds. If directed in writing by the Corporation, the Trustee shall give notice also by publication once a week for at least two (2) successive weeks in an Authorized Newspaper, the first such publication to be not less than thirty (30) or more than sixty (60) days prior to the redemption date. In case it shall be impossible to make publication of any required notice as provided in the General Subordinate Lien Bond Resolution, then such publication or other notice in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice, provided that such publication or other notice shall, so far as may be possible, approximate the terms and conditions of the publication in lieu of which it is given.

The Trustee shall also send any required notice of redemption by first-class mail, postage prepaid to certain municipal registered Securities Depositories which are known to the Trustee to be holding Bonds of such Series and to at least two of the national Information Services that disseminate securities redemption notices at least 30 but no more than 45 days prior to the date fixed for redemption; provided that neither failure to receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Series of Bonds.
(Section 405)

Application of Certain Proceeds

Except as otherwise specified in the General Subordinate Lien Bond Resolution or in the applicable Series Resolution, the Corporation shall apply the amount of the proceeds derived from the sale of each Series of Bonds to the Bond Proceeds Fund. Accrued interest, if any, received upon the delivery of such Series of Bonds shall be deposited in the Debt Service Fund unless otherwise provided in the applicable Series Resolution. The amount received as capitalized interest upon the delivery of such Series and any interest earned on amounts on deposit in the Bond Proceeds Fund shall be deposited in the Debt Service Fund unless otherwise provided in the applicable Series Resolution. The amount received as a premium over the principal amount of such Series of Bonds, if any, upon the delivery of such Series shall be applied as provided in the Series Resolution authorizing such Series.

The Corporation is authorized to establish separate accounts within the Bond Proceeds Fund to be designated, respectively, the "Costs of Issuance Account," into which moneys in the Bond Proceeds Fund shall be deposited for the purpose of making the payments described in clause (i) under the heading "Application of Bond Proceeds Fund" below, into which moneys in the Bond Proceeds Fund shall be deposited for the purposes of making the payments described in clause (iii) under the heading "Application of Bond Proceeds Fund" below.

By Series Resolution, the Corporation may designate one or more accounts in the Bond Proceeds Fund as a "Bond Anticipation Note Account—Series __" into which moneys in the Bond Proceeds Fund, derived from any Series of Bonds, in anticipation of the issuance of which notes designated as bond anticipation notes have been issued, shall be deposited for the purpose described in clause (ii) under the heading "Application of Bond Proceeds Fund" below. By Series Resolution, the Corporation may pledge and grant a lien on the moneys in such account to the holders of the bond anticipation notes for the payment of which such Series of Bonds has been issued.
(Section 501)

Application of Bond Proceeds Fund

Unless otherwise specified in the applicable Series Resolution, moneys in the Bond Proceeds Fund, or any accounts therein, shall be applied for any one or more of the following purposes:

(i) payment of costs of issuance at the direction of any Authorized Officer of the Corporation;

(ii) payment of the principal amount of Notes that have been designated as bond anticipation notes by the Corporation at the maturity or earlier redemption thereof, if authorized by the Series Resolution authorizing such Bonds; and

(iii) payments to local governments for any or all of the purposes set forth in subdivisions 1, 2 and 3 of Section 3238 of the Public Authorities Law as amended to the date of adoption of the General Subordinate Lien Bond Resolution, at the direction of an Authorized Officer of the Corporation; provided that appropriations to effect such purposes may be made after the date of adoption of the General Subordinate Lien Bond Resolution.

(Section 502)

The Pledge Effected by the General Subordinate Lien Bond Resolution

The Revenues and all funds (other than the Bond Proceeds Fund, the Operating Fund, the Subordinated Payment Fund and the Rebate Fund) established by the General Subordinate Lien Bond Resolution, and other moneys and securities referred to in the General Subordinate Lien Bond Resolution (other than moneys and securities in the Bond Proceeds Fund, the Operating Fund, the Subordinated Payment Fund and the Rebate Fund) are pledged for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the General Subordinate Lien Bond Resolution, subject only to the provisions of the General Subordinate Lien Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the General Subordinate Lien Bond Resolution. The

pledge made by the General Subordinate Lien Bond Resolution shall be valid and binding from and after the time of adoption of the General Subordinate Lien Bond Resolution. The Revenues thereafter received by the Corporation and all funds and other moneys and securities therein pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such 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. The pledge created by this Resolution, insofar as it relates to revenues, monies and securities and funds pledged under the Senior Resolution, is, and is hereby expressly declared to be, subordinate in all respects to the pledge of such revenues, monies and securities and funds created by the Senior Resolution. The Bonds issued under this resolution shall be "Other Obligations" as defined in the Senior Resolution and shall be payable from amounts on deposit in the Subordinated Payment Fund held under the Senior Resolution on a parity with all "Other Obligations" as defined in the Senior Resolution and the financial obligations of the Corporation payable therefrom.
(Section 601)

Establishment of Funds

In addition to the Bond Proceeds Fund established under the General Subordinate Lien Bond Resolution, the following funds are established in the custody of the Trustee:

Debt Service Fund,
Capital Reserve Fund,
Rebate Fund, and
Subordinated Payment Fund.

At such time as the Senior Resolution is no longer in effect, the Operating Fund shall be established under the General Subordinate Lien Bond Resolution.

Accounts and subaccounts within each of the foregoing funds or temporary accounts for the payment of costs of issuance or capitalized interest may from time to time be established in accordance with a Series Resolution or upon the direction of the Corporation.
(Section 602)

Application of Payments

The payments received in accordance with subdivision 3 of Section 3240 of the Public Authorities Law following application under the Senior Resolution and deposit into the Subordinated Payment Fund held under the Senior Resolution shall be applied to the Rebate Fund, the Operating Fund, the Debt Service Fund, the Capital Reserve Fund and the Subordinated Payment Fund in accordance with certificates of an Authorized Officer pursuant to which the payment is made, provided, however, that if the amount of payment is less than the amount certified, the payment shall be applied, first, to the Rebate Fund, second, to the Debt Service Fund, third, to the Capital Reserve Fund, fourth, to the Operating Fund, and fifth, to the Subordinated Payment Fund; and provided further that (i) no moneys shall be deposited into the Subordinated Payment Fund unless the Comptroller, in his sole and exclusive judgment, which judgment shall be reasonable, makes a determination in writing to the Corporation that upon such deposit, amounts to be derived from the 1% Sales Tax will be sufficient to meet all requirements of the Debt Service Fund and Capital Reserve Fund during the period in which the set aside payment requirements for each such Fund are applicable pursuant to paragraph (b) of subdivision 5 of Section 92-r of the State Finance Law, and (ii) if and to the extent the Comptroller does not make such determination, moneys otherwise to be deposited in the Subordinated Payment Fund shall be deposited into the Debt Service Fund to be applied as required under the General Subordinate Lien Bond Resolution. Payments received by the Corporation under any Swap applied to the interest exchange thereby effected shall be applied to the Debt Service Fund and payments thereunder for Operating Expenses shall be applied to the Operating Fund; provided however that so long as the Senior Resolution is in effect, payments received by the Corporation under any Swap shall be applied to the debt service fund established under the Senior Resolution and payments under a Swap for Operating Expenses shall be applied to the operating fund created under the Senior Resolution.
(Section 603)

Operating Fund

The Trustee shall pay out of the Operating Fund the amounts required for the payment of Operating Expenses at the written direction of the Corporation.
(Section 604)

Debt Service Fund

The Trustee shall pay, on or before the Business Day preceding each interest payment date for any of the Bonds, out of the amounts then held in the Debt Service Fund, to itself and the Paying Agents, the amounts respectively required for the payment of principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on any Bonds or any related Reimbursement Obligation due and payable on such date, and such amounts so paid out shall be irrevocably pledged to and applied to such payments.

In the event that on the Business Day preceding any interest payment date, the amount in the Debt Service Fund shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds and for the payment of the principal and Sinking Fund Installments of the Outstanding Bonds of any Series due and payable on such interest payment date, or any related Reimbursement Obligation, the Trustee shall withdraw from the Capital Reserve Fund and deposit into the Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payment or payments.

As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, pursuant to the General Subordinate Lien Bond Resolution on such due date, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Term Bonds of such Series and maturity or the payment of any related Reimbursement Obligation. The Trustee shall so call such Term Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable principal amount thereof, together with interest thereon to the redemption date. The Trustee shall pay out of the Debt Service Fund to the appropriate Paying Agents, on the day preceding each such redemption date, the amount required for the redemption of the Term Bonds so called for redemption or the payment of any related Reimbursement Obligation, and such amount shall be applied by such Paying Agent to such redemption or payment.

The Corporation may, at any time prior to the forty-fifth day preceding the day on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys in the Debt Service Fund, at a price not in excess of par, plus unpaid interest accrued to the date of such purchase in the case of current interest obligations or at a price not in excess of accreted value in the case of capital appreciation obligations, Term Bonds payable from such Sinking Fund Installment and any Term Bonds so purchased shall be cancelled by the Trustee and the aggregate principal amount of the Term Bonds so purchased shall be credited against the Sinking Fund Installment next due.

Upon the purchase or redemption of any Bonds for which Sinking Fund Installments shall have been established, other than by application of moneys described in the preceding paragraph, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the Sinking Fund Installment in such order or proportionate amount as shall be specified by the Corporation in an applicable Series Resolution or otherwise with respect to the Bonds of such maturity.
(Section 605)

Capital Reserve Fund

The Corporation shall deposit into the Capital Reserve Fund (i) all moneys paid to the Corporation pursuant to subdivisions 1 and 4 of Section 3240 of the Public Authorities Law for the purpose of maintaining or restoring the amount in the Capital Reserve Fund to the amount of the Capital Reserve Fund Requirement provided that there shall be no deficiency in the Capital Reserve Fund held under the Senior Resolution; (ii) such portion of the proceeds of sale of Bonds, if any, as shall be prescribed by the applicable Series Resolution; (iii) any Surety as may be authorized by the General Subordinate Lien Bond Resolution or by the applicable Series Resolution; and (iv) any other moneys which may be made available to the Corporation for the purposes of the Capital Reserve Fund from any other source or sources.

Moneys and securities held for the credit of the Capital Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund at the times and in the amounts required to comply with the provisions of the General Subordinate Lien Bond Resolution. At any time moneys and securities in the Capital Reserve Fund in excess of the Capital Reserve Fund Requirement, upon written direction of the Corporation, may be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund, subject to the provisions of the General Subordinate Lien Bond Resolution described in the following two paragraphs.

Any income or interest earned on investments in the Capital Reserve Fund in excess of the amount needed to pay interest on the Bonds issued to fund the Capital Reserve Fund (and in excess of the Capital Reserve Fund Requirement) and not required to be rebated to the Department of the Treasury of the United States of America pursuant to the General Subordinate Lien Bond Resolution shall be withdrawn by the Trustee at the written direction of an Authorized Officer of the Corporation and deposited to the credit of the Debt Service Fund to be applied as provided in the General Subordinate Lien Bond Resolution.

The Corporation may deposit a Surety in the Capital Reserve Fund in substitution for an equal amount of moneys or securities then on deposit in the Capital Reserve Fund, provided that any such moneys or securities released from the Capital Reserve Fund shall be deposited to the credit of the Debt Service Fund to be applied at the written direction of an Authorized Officer of the Corporation to the redemption of Bonds on the first date on which such Bonds are subject to redemption, or by the Trustee in the case of an acceleration as a result of a continuing event of default under the General Subordinate Lien Bond Resolution and subject to certain other provisions of the General Subordinate Lien Bond Resolution. Any moneys or securities released from the Capital Reserve Fund as a result of an issue of refunding bonds shall be applied as though such moneys were released from the Capital Reserve Fund as a result of a deposit of a Surety under the provisions of the General Subordinate Lien Bond Resolution described in this paragraph except that such moneys may be applied to fund a capital reserve fund for Notes or Other Obligations issued by the Corporation and payable from the Subordinated Payment Fund. At any time that there is on deposit in the Capital Reserve Fund both (i) cash and securities and (ii) one or more Sureties, the Trustee shall apply all of the cash and securities in the Capital Reserve Fund for the purposes provided in this Resolution prior to requesting payment under any Surety. If more than one Surety is on deposit in the Capital Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Surety, pro rata, based upon the respective amounts then available to be paid thereunder.
(Section 606)

Rebate Fund

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the Corporation for deposit therein and, notwithstanding any other provisions of the General Subordinate Lien Bond Resolution, shall transfer to the Rebate Fund, in accordance with the written directions of an Authorized Officer of the Corporation, moneys on deposit in any other funds held by the Trustee under the General Subordinate Lien Bond Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Corporation to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Corporation shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Corporation determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund in accordance with the written directions of such Authorized Officer.

If and to the extent required by the Code, the Corporation shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Series of Bonds

and direct the Trustee in writing to (i) transfer from any other of the funds and accounts held by the Trustee under the General Subordinate Lien Bond Resolution and deposit to the Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.
(Section 607)

Subordinated Payment Fund

Subject to the provisions of the General Subordinate Lien Bond Resolution described above under the heading "Application of Payments," the Corporation shall deposit into the Subordinated Payment Fund all moneys paid to the Corporation under the Act or otherwise (following application under the Senior Resolution and deposit into the Subordinated Payment Fund held under the Senior Resolution) for (i) payments on any Notes or Other Obligations, (ii) Swap Payments or payments on other financial instruments entered into by the Corporation, (iii) payments for certain mandatory purchases or redemption referred to in the General Subordinate Lien Bond Resolution.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in the provisions of the General Subordinate Lien Bond Resolution summarized in the first paragraph under this heading, pursuant to any resolution adopted by, or otherwise at the written direction of, the Corporation.
(Section 608)

Investment of Funds and Accounts

Except for money on deposit in the Debt Service Fund and the Capital Reserve Fund, moneys in the funds and accounts under the General Subordinate Lien Bond Resolution shall be invested in obligations in which the Comptroller is authorized to invest pursuant to Section 98-a of the State Finance Law as then in effect, except as may be otherwise limited by Supplemental Resolution or Series Resolution. Moneys on deposit in the Debt Service Fund shall be invested in Debt Service Fund Investments. Moneys on deposit in the Capital Reserve Fund shall be invested in Capital Reserve Fund Investments.

In computing the value of any fund or account held by the Trustee under the provisions of the General Subordinate Lien Bond Resolution, obligations purchased as an investment of moneys therein shall be valued at the cost or market price thereof, whichever is lower, inclusive of accrued interest. In computing the value of the Capital Reserve Fund, obligations in which all or a portion of such fund shall be invested shall be valued at par if purchased at par or, if purchased at a premium above or a discount below par, the value at any given date obtained by dividing the total premium or discount at which such obligations were purchased by the number of interest payment dates remaining to maturity on such obligations after such purchase, and by multiplying the number so calculated by the number of interest payment dates having passed since the date of such purchase and (i) in the case of such obligations purchased at a premium, by deducting the product thus obtained from the purchase price; and (ii) in the case of such obligations purchased at a discount, by adding the product thus obtained to the purchase price.

Except as otherwise provided in the General Subordinate Lien Bond Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any obligation purchased by it as an investment pursuant to the General Subordinate Lien Bond Resolution 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. The Trustee shall advise the Corporation in writing, on or before the tenth day of each calendar month, of the details of all investments held for the credit of each fund and account in its custody under the provisions of the General Subordinate Lien Bond Resolution as of the end of the preceding month.

Except as otherwise provided in the section of the General Subordinate Lien Bond Resolution described in the following paragraph, (i) the Corporation delegates to the Comptroller the power and duty to make, subject to the provisions of the General Subordinate Lien Bond Resolution, any and all investment decisions respecting moneys in the funds and accounts under the General Subordinate Lien Bond Resolution, and the Trustee shall, with respect to the investment of moneys held in the funds and accounts under the General Subordinate Lien Bond Resolution, act at the written direction of the Comptroller or his authorized representative as specified in the provisions of the General Subordinate Lien Bond Resolution summarized under this heading; (ii) the Comptroller shall determine the securities and other investments in which moneys held in the funds and accounts under the General Subordinate Lien Bond Resolution shall be invested, shall order any and all purchases and sales of securities in the funds and accounts under the General Subordinate Lien Bond Resolution, and shall authorize and direct the Trustee orally or by facsimile transmission, promptly confirmed in writing to deliver, redeliver or receive any and all securities held or to be held in the funds and accounts under the General Subordinate Lien Bond Resolution; and (iii) subject to compliance with the provisions of the General Subordinate Lien Bond Resolution described in the first paragraph under this heading, the Trustee shall not be responsible for making any investment decisions under the provisions of the General Subordinate Lien Bond Resolution summarized in this paragraph; provided, however, that the liability of the Trustee for any and all actions with respect to securities in and investments of the funds and accounts under the General Subordinate Lien Bond Resolution shall be as provided in the General Subordinate Lien Bond Resolution.

The Comptroller may withdraw, or the Corporation may release the Comptroller, from his powers and duties specified in the provisions of the General Subordinate Lien Bond Resolution summarized under this heading relating to the investment of funds and accounts held under the General Subordinate Lien Bond Resolution, each by delivery of ten days' prior written notice to the other and to the Trustee. Upon any such withdrawal or release, moneys in the funds and accounts under the General Subordinate Lien Bond Resolution shall be invested by the Trustee in accordance with the General Subordinate Lien Bond Resolution, upon direction of the Corporation in writing, signed by an Authorized Officer.
(Section 701)

Creation of Liens

The Corporation shall not issue any bonds or other evidences of indebtedness, other than the Bonds or any related Reimbursement Obligations, secured by a pledge of the Revenues or any moneys and securities in the Debt Service Fund or the Capital Reserve Fund, and shall not create or cause to be created any lien or charge equal or prior to the Bonds or any related Reimbursement Obligations on Revenues or on any moneys and securities in the Debt Service Fund or the Capital Reserve Fund other than as provided in or permitted by the Senior Resolution.
(Section 907)

Tax Exemption

The Corporation may include in the applicable Series Resolution for any Series of Bonds any and all covenants necessary or appropriate to maintain the exclusion from gross income for purposes of federal income taxation of interest on such Bonds; provided, however, that nothing in the General Subordinate Lien Bond Resolution shall be construed to preclude the Corporation from issuing Bonds the interest on which is not intended to be excluded from gross income, and is therefore taxable, for purposes of federal income taxation.
(Section 908)

In order to maintain the exclusion from gross income for purposes of Federal income taxation of interest on the Series 2012A Subordinate Bonds, the Corporation covenants to comply with the provisions of the Code, and any regulations or rulings issued thereunder, applicable to the Series 2012A Subordinate Bonds. Further, the Corporation covenants that it will not take any action or fail to take any action that would cause the Series 2012A Subordinate Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. In fulfilling the covenants set forth in the section of the Series 2012A Subordinate Resolution described in this paragraph, the Corporation agrees to instruct all parties acting by or on behalf of the Corporation or in any manner with respect to the Series 2012A Subordinate Bonds regarding all acts necessary to satisfy and fulfill such covenants. Notwithstanding any provision of the Series 2012A Subordinate Resolution to the contrary, so long as necessary in order to maintain the exclusion of interest on the Series 2012A Subordinate Bonds from gross income for Federal income tax purposes under Section 103 of the Code, the covenant contained in this paragraph shall survive payment of the Series 2012A Subordinate Bonds, including any payment or defeasance thereof pursuant to the General Subordinate Lien Bond Resolution.
(Series 2012A Subordinate Resolution, Section 5.02)

Agreement With the Director of the Budget

The Corporation shall enter into one or more agreements with the State, acting through the Director of the Budget, as provided in subdivision 5 of Section 3240 of the Public Authorities Law providing for the specific manner, timing and amount of payments to be made to the Corporation under Section 3240 of the Public Authorities Law and the General Subordinate Lien Bond Resolution. Because the Comptroller is required to make the payments described under Section 3240 of the Public Authorities Law, the Comptroller shall have acknowledged, agreed to and approved such agreement, which, to ensure that payments under such Section will be made in the specified manner, timing and amounts provided in such agreement, may require the Comptroller to invest moneys derived from the 1% Sales Tax and required to be retained or set aside in the Local Government Assistance Tax Fund in Debt Service Fund Investments. The Corporation shall approve the form and substance of such agreement with respect to any Series of Bonds prior to or concurrently with the applicable Series Resolution and shall take all steps necessary or appropriate to enforce such agreement and to assure compliance by the State with such agreement. The Corporation shall not enter into any such agreement that is not in conformity with the Act and the General Subordinate Lien Bond Resolution.
(Section 910)

Purposes for Which Bonds May Be Issued

Except for Bonds, Notes or Other Obligations issued to fund a capital reserve fund, to provide for capitalized interest, and to pay costs of issuance thereof, the Corporation shall not issue any Bonds, Notes, or Other Obligations, except for the purposes specified in Sections 3236 and 3238 of the Public Authorities Law, as amended to the date of adoption of the General Subordinate Lien Bond Resolution; provided that appropriations to effect such purposes may be made after the date of adoption of the General Subordinate Lien Bond Resolution.
(Section 911)

Accounts and Reports

The Corporation shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made for its transactions relating to all funds established by the General Subordinate Lien Bond Resolution which shall at all reasonable times be subject to the inspection of the Holder of an aggregate of not less than five per centum (5%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.
(Section 912)

Surety or Bond Facility

Pursuant to the applicable Series Resolution, the Corporation may include any or all of the covenants and agreements set forth in the General Subordinate Lien Bond Resolution in an agreement with the provider of a Surety or Bond Facility.
(Section 914)

Modification and Amendment Without Consent

The Corporation may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer: (i) to provide for the issuance of a Series of Bonds pursuant to the provisions of the General Subordinate Lien Bond Resolution; (ii) to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Subordinate Lien Bond Resolution; (iii) to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; (iv) to surrender any right, power or privilege reserved to or conferred

upon the Corporation by the terms of the General Subordinate Lien Bond Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Subordinate Lien Bond Resolution; (v) to confirm as further assurance any pledge under the General Subordinate Lien Bond Resolution subject to any lien, claim or pledge created or to be created by the provisions of the General Subordinate Lien Bond Resolution, of the Revenues or of any other moneys, securities or funds; (vi) to modify any of the provisions of the General Subordinate Lien Bond Resolution or any previously adopted Series Resolutions in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Series Resolution or Supplemental Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions; or (vii) with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provisions in the General Subordinate Lien Bond Resolution or to insert such provisions clarifying matters or questions arising under the General Subordinate Lien Bond Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the General Subordinate Lien Bond Resolution as theretofore in effect.
(Section 1001)

Supplemental Resolutions Effective With Consent of Bondholders

The provisions of the General Subordinate Lien Bond Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the provisions of the General Subordinate Lien Bond Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer.
(Section 1002)

Powers of Amendment

Any modification or amendment of the General Subordinate Lien Bond Resolution and of the rights and obligations of the Corporation and of the Holders of the Bonds under the General Subordinate Lien Bond Resolution, may be made by a Supplemental Resolution, with the written consent given as provided in the General Subordinate Lien Bond Resolution, (a) of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (c) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the section of the General Subordinate Lien Bond Resolution described under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the section of the General Subordinate Lien Bond Resolution described under this heading, a Series shall be deemed to be affected by a modification or amendment of the General Subordinate Lien Bond Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular Series or maturity would be affected by any modification or amendment of the General Subordinate Lien Bond Resolution and any such determination shall be binding and conclusive on the Corporation and all Holders of Bonds. The Trustee may receive an opinion of counsel, including Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the General Subordinate Lien Bond Resolution. For purposes of this section, in the case of any Series of Bonds

issued in one or more subseries, references in this section to “Series” or “Series of Bonds” shall be deemed to refer to such subseries.
(Section 1101)

Consent of Bondholders

The Corporation may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the General Subordinate Lien Bond Resolution described above under the heading “Powers of Amendment” to take effect when and as provided in the section of the General Subordinate Lien Bond Resolution described under this heading. 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 promptly after adoption be mailed by the Corporation to Bondholders and be published at least once a week for two (2) successive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in the section of the General Subordinate Lien Bond Resolution summarized under this heading). Such Supplemental Resolution shall not be effective unless and until (a) there shall have been filed with the Trustee certain documents required by the General Subordinate Lien Bond Resolution and (b) a notice shall have been published as provided in the General Subordinate Lien Bond Resolution. Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the General Subordinate Lien Bond Resolution. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee described under this heading is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by the General Subordinate Lien Bond Resolution. At any time after the Holders 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 Holders of such required percentages of Bonds have filed such consents. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Corporation on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the General Subordinate Lien Bond Resolution, shall be given to Bondholders by the Corporation by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in the General Subordinate Lien Bond Resolution) and by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee provided for in the General Subordinate Lien Bond Resolution is filed. A transcript, consisting of the papers required or permitted by the section of the General Subordinate Lien Bond Resolution described under this heading to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Trustee, each Paying Agent and the Holders of all Bonds at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Corporation, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.
(Section 1102)

Consent of Provider of Bond Facility

For purposes of Article XI of the General Subordinate Lien Bond Resolution, the provider of a Bond Facility shall be considered the sole Holder of all Bonds to which such Bond Facility relates, except as otherwise provided in an applicable Series Resolution.
(Section 1107)

Events of Default

Each of the following events is declared an "event of default" under the General Subordinate Lien Bond Resolution:

(i) the Corporation shall default in the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise or the Corporation shall default in the payment of interest on any of the Bonds; or

(ii) the Chairperson of the Corporation shall fail or refuse to comply with the provisions of subdivision 1 of Section 3240 of the Public Authorities Law and such failure or refusal shall continue for a period of thirty (30) days, or the Comptroller shall fail to pay to the Corporation, as and when provided by subdivision 2 of such Section, any amount or amounts as shall be certified by the Chairperson pursuant to subdivision 1 of such Section, or the Corporation shall fail or refuse to deposit in the Capital Reserve Fund or the Debt Service Fund the amount or amounts received by the Corporation for deposit in such funds, respectively; or

(iii) the State shall amend, alter, repeal or fail to comply with the provisions of subdivision 2 of Section 3241 of the Public Authorities Law as in effect on the date of adoption of the General Subordinate Lien Bond Resolution or shall, except as expressly provided in such subdivision 2, amend, alter, or repeal, or fail to comply with, the provisions of Section 3241-a of the Public Authorities Law as in effect on the date of adoption of the General Subordinate Lien Bond Resolution; or

(iv) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by him pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Chairperson pursuant to subdivision 1 of Section 3240 of the Public Authorities Law and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(v) the Trustee shall have withdrawn amounts from the Capital Reserve Fund pursuant to the provisions of the General Subordinate Lien Bond Resolution described in the second paragraph under the heading "Debt Service Fund" above resulting in a deficiency therein, and the Capital Reserve Fund shall not be restored to the Capital Reserve Fund Requirement within 120 days thereafter; or

(vi) the State shall have enacted a moratorium or other similar law affecting the Bonds; or

(vii) the State or any officer of the State shall fail or refuse to comply with any provision of Section 92-r of the State Finance Law; or,

(viii) the State shall fail or refuse to comply with the provisions of any agreement described in subdivision 5 of Section 3240 of the Public Authorities Law between the State, acting through the Director of the Budget, and the Corporation providing for the specific manner, timing and amount of payments to be made to the Corporation; or

(ix) the Corporation shall fail or refuse to comply with the provisions of the Act, as then in effect, other than as provided in (iii) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the General Subordinate Lien Bond Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or by the Holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds;

provided that nothing in the section of the General Subordinate Lien Bond Resolution described under this heading may be construed to restrict the right of the State under subdivision 6 of Section 3240 of the Public Authorities Law to amend, repeal, modify or otherwise alter statutes imposing or relating to the Sales Tax without giving rise to an event of default under the General Subordinate Lien Bond Resolution.
(Section 1202)

Remedies

Upon the happening and continuance of any event of default described in clause (i) under the heading "Events of Default" above, the Trustee shall proceed, or upon the happening and continuance of any other event of default described under the heading "Events of Default" above, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (i) by mandamus or other suit, action or proceeding at law, including without limitation an action for damages, or in equity, to enforce all rights of the Bondholders, and to require the Corporation, and to the fullest extent permitted by applicable Federal and State law, the State, to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (ii) by bringing suit upon the Bonds; (iii) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the Holders of the Bonds; (iv) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and (v) upon 30 days' notice to the Corporation, the Governor, the Comptroller, the Temporary President of the Senate, the Speaker of the Assembly and the Attorney General of the State, in accordance with the provisions of Section 3243 of the Public Authorities Law, to declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and its consequences. Provided that the Bonds may not be declared due and payable unless and until all of the Senior Bonds are no longer outstanding or have been declared due and payable; provided that nothing in the General Subordinate Lien Bond Resolution shall preclude the Corporation from agreeing that consent of the provider of a Bond Facility is required for an acceleration of related Bonds in an event of default other than a failure to pay principal of or interest on the Bonds when due, as described in the last paragraph under this heading; provided further that the absence of such consent shall not limit the right of the Trustee to make such declaration with respect to all other Outstanding Bonds as provided in clause (v) above and upon consent of the Holders of twenty-five per centum (25%) in principal amount of all Outstanding Bonds.

In the enforcement of any remedy under the General Subordinate Lien Bond 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, under any provision of the General Subordinate Lien Bond Resolution or a Series 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 General Subordinate Lien Bond 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 a judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable, all in accordance with the provisions of the Act.

Notwithstanding the provisions of the General Subordinate Lien Bond Resolution described above under this heading, upon the happening and continuance of any event of default described in clause (iii) under the heading "Events of Default" above, a Bondholder may proceed, in his own name, to protect and enforce his rights by taking such action as he shall deem most effectual to protect and enforce such rights, including, without limitation, the actions specified in clauses (i), (ii), (iii) and (iv) above.

All remedies conferred upon or reserved to the Holders of Bonds under the General Subordinate Lien Bond Resolution may also be conferred upon and reserved to the provider of a related Bond Facility authorized by a Series Resolution and may be cumulative as provided in the General Subordinate Lien Bond Resolution. Nothing in the General Subordinate Lien Bond Resolution shall preclude the Corporation from providing in an applicable Series Resolution, or in any Bond Facility authorized thereby, that the exercise of any remedy, including without limitation acceleration or annulment, under the General Subordinate Lien Bond Resolution or the waiver of any event of default under the General Subordinate Lien Bond Resolution by the Trustee or the Holder of any such Bond shall be subject to the prior written consent of the provider of any related Bond Facility.
(Section 1203)

Bondholders' Direction of Proceedings

Anything in the General Subordinate Lien Bond Resolution to the contrary notwithstanding, the Holders of the majority in principal amount of the Bonds then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the General Subordinate Lien Bond Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the General Subordinate Lien Bond Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.
(Section 1206)

Limitation on Rights of Bondholders

No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Subordinate Lien Bond Resolution, or for the protection or enforcement of any right under the General Subordinate Lien Bond Resolution or any right under law unless such Holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and, except as described above under the heading "Remedies," unless the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted under the General Subordinate Lien Bond Resolution or under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the General Subordinate Lien Bond Resolution or for any other remedy under the General Subordinate Lien Bond Resolution or under law. It is understood and intended that no one or more Holders of the Bonds secured by the General Subordinate Lien Bond Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the General Subordinate Lien Bond Resolution, or to enforce any right under the General Subordinate Lien Bond Resolution or under law with respect to the Bonds or the General Subordinate Lien Bond Resolution, except in the manner provided in the General Subordinate Lien Bond Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the General Subordinate Lien Bond Resolution and for the benefit of all Holders of the Outstanding Bonds. Notwithstanding the foregoing provisions of the section of the General Subordinate Lien Bond Resolution described under this heading or any other provisions of Article XI of the General Subordinate Lien Bond Resolution, the obligation of the Corporation shall be absolute and unconditional to pay the principal and Redemption Price of and interest on the Bonds to the respective Holders thereof at the respective due dates thereof, and nothing in the General Subordinate Lien Bond Resolution shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything to the contrary notwithstanding contained in the General Subordinate Lien Bond Resolution, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the General Subordinate Lien Bond Resolution or any Series Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of the General Subordinate Lien Bond Resolution described in this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five per centum (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.
(Section 1207)

No Waiver of Default

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the General Subordinate Lien Bond Resolution to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.
(Section 1210)

Notice of Event of Default

The Trustee shall give to the Bondholders notice of each event of default under the General Subordinate Lien Bond Resolution known to the Trustee within ninety (90) days after knowledge of the occurrence thereof, unless such event of default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal, Sinking Fund Installment, or Redemption Price of or interest on any of the Bonds, or in the making of any payment required to be made into the Operating Fund, the Debt Service Fund or the Capital Reserve Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Each such notice of event of default shall be given by the Trustee by mailing such written notice thereof: (i) to all registered Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; and (ii) to such other persons as is required by law.
(Section 1211)

Defeasance

If the Corporation shall pay or cause to be paid to the Holders 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 General Subordinate Lien Bond Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer 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 all 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 General Subordinate Lien Bond 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 effect expressed in the provisions of the General Subordinate Lien Bond Resolution described in the preceding paragraph. All Outstanding Bonds of any Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the provisions of the General Subordinate Lien Bond Resolution described in the preceding paragraph 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 give notice of redemption as provided in the General Subordinate Lien Bond Resolution on said date of such Bonds, (b) there shall have been deposited with the Trustee either (i) moneys in an amount which shall be sufficient, (ii) non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed or (iii) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (ii), provided that such obligations shall be held in trust by the Trustee or a bank or trust company or national banking association meeting the requirements for a successor Trustee under the General Subordinate Lien Bond Resolution, the principal of and the 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, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders 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 the section of the General Subordinate Lien Bond Resolution described under 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. Non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed, qualified certificates evidencing ownership of the right to payments of principal or interest on such obligations, moneys deposited with the Trustee pursuant to the provisions of the General Subordinate Lien Bond Resolution described under this heading and principal or interest payments on any such securities 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 direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in non-callable direct obligations of the United States of America 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, and interest earned from such reinvestment shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for three 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 three years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become 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 at least twice, at an interval of not less than seven days between publications, 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 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Corporation.
(Section 1401)

APPENDIX B

INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX B

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 B 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 B 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 B is dated May 11, 2012. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.budget.ny.gov.

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

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

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Annual Information Statement

State of New York

May 11, 2012

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

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INTRODUCTION

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

In this AIS, readers will find:

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

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

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

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

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

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

INTRODUCTION

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

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

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

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

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

USAGE NOTICE

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

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

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

BUDGETARY AND ACCOUNTING BACKGROUND

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

THE STATE BUDGET PROCESS

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

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

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

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

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

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

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

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

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

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

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

FINANCIAL PLAN INFORMATION

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

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

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

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

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

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

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

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

FINANCIAL PLAN OVERVIEW

PROJECTED SPENDING MEASURES AT-A-GLANCE *

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

PROJECTED RECEIPTS AT-A-GLANCE*

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

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

PROJECTED ECONOMIC INDICATORS AT-A-GLANCE

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

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

OTHER KEY FINANCIAL MEASURES AT-A-GLANCE

OTHER FINANCIAL PLAN MEASURES
(millions of dollars)

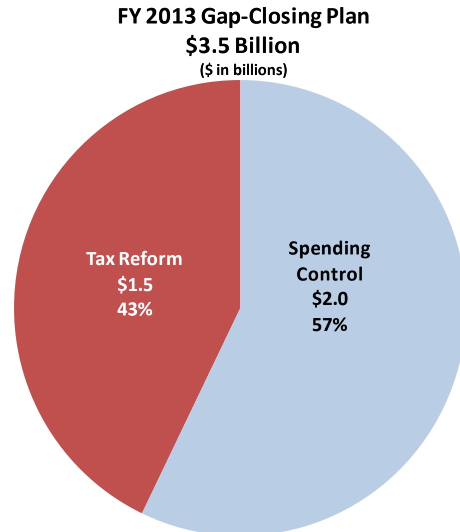
	FY 2012 Results	FY 2013 Enacted
Total General Fund Reserves	$1,787	$1,819
Rainy Day Reserves	$1,306	$1,306
All Other Reserves	$481	$513
State Workforce (Subject to Direct Executive Control)[1]	119,579	121,841
Debt		
State Related Debt Outstanding	$56,375	$57,737
Debt Service as % All Funds Receipts	4.9%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

1 Workforce results are through February 2012.

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

ENACTED BUDGET FOR FISCAL YEAR 2013

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



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

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

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

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

Spending Control

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

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

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

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

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

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

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

Tax Reform

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

Other Changes

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

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

PROJECTED CLOSING BALANCES

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

GENERAL FUND ESTIMATED CLOSING BALANCES
(millions of dollars)

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

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

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

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

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

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

ANNUAL SPENDING GROWTH

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

STATE SPENDING MEASURES
(millions of dollars)

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

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

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

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

FISCAL YEAR 2013 ENACTED BUDGET GAP-CLOSING PLAN

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

GENERAL FUND GAP-CLOSING PLAN FOR FY 2013
(millions of dollars)

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

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

SPENDING CONTROL

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

STATE AGENCY OPERATIONS

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

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

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

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

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

- **Fringe Benefits:** Savings are achieved by pre-paying certain pension obligations in FY 2012 to avoid annual interest costs ($35 million); increasing Federal Medicare Part D reimbursements through the conversion of the retiree drug coverage program from the current Retiree Drug Subsidy to an Employer Group Waiver Plan ($26 million); requiring public authority employees and retirees with NYSHIP coverage to contribute toward the cost of Medicare Part B premium reimbursement ($11 million); and downward reductions to health insurance and workers' compensation spending estimates ($40 million).

LOCAL ASSISTANCE

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

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

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

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

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

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

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

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

INITIATIVES/INVESTMENTS

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

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

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

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

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

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

OTHER CHANGES

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

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

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

OTHER MATTERS AFFECTING THE ENACTED BUDGET FINANCIAL PLAN

GENERAL

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

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

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

BUDGET RISKS AND UNCERTAINTIES

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

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

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

STATUS OF CURRENT LABOR NEGOTIATIONS

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

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

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

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

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

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

CURRENT CASH-FLOW PROJECTIONS

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

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

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

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

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

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

PENSION AMORTIZATION

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

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

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

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

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

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

FEDERAL ACTIONS

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

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

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

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

HEALTH INSURANCE COMPANY CONVERSIONS

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

LITIGATION

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

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

As reported in the State's Basic Financial Statements for FY 2011, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008, with results projected to April 1, 2010 for the fiscal year ended March 31, 2011. The valuation calculated the present value of the actuarial accrued total liability for OPEB as of March 31, 2011 at $55.9 billion ($46.3 billion for the State and $9.6 billion for SUNY), determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

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

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

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

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

BOND MARKET

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

DEBT REFORM ACT LIMIT

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

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

NEW DEBT OUTSTANDING - CAPPED AT 4 PERCENT OF PERSONAL INCOME (millions of dollars)					
Year	Personal Income	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	983,868	4.00%	3.64%	3,552	0.36%
FY 2013	1,017,103	4.00%	3.85%	1,492	0.15%
FY 2014	1,061,148	4.00%	3.94%	602	0.06%
FY 2015	1,122,828	4.00%	3.92%	866	0.08%
FY 2016	1,183,444	4.00%	3.88%	1,408	0.12%
FY 2017	1,243,645	4.00%	3.79%	2,585	0.21%

NEW DEBT SERVICE COSTS - CAPPED AT 5 PERCENT OF ALL FUNDS RECEIPTS (millions of dollars)					
Year	All Funds Receipts	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	132,745	4.65%	2.65%	2,652	2.00%
FY 2013	133,270	4.98%	2.85%	2,845	2.13%
FY 2014	138,792	5.00%	2.95%	2,848	2.05%
FY 2015	143,060	5.00%	3.03%	2,813	1.97%
FY 2016	147,856	5.00%	3.11%	2,793	1.89%
FY 2017	154,109	5.00%	3.15%	2,844	1.85%

Secured Hospital Program

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

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

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2013 THROUGH 2016

INTRODUCTION

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

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

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

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

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

SUMMARY

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

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

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

GENERAL FUND PROJECTIONS

GENERAL FUND PROJECTIONS
(millions of dollars)

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

STATE OPERATING FUNDS PROJECTIONS

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

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

PRELIMINARY FY 2012 RESULTS AND FY 2013 FORECAST OVERVIEW

RECEIPTS

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

OVERVIEW OF THE RECEIPTS FORECAST

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

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

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

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

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

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

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

TOTAL RECEIPTS (millions of dollars)

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

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

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

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)

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

[1] Excludes Transfers.

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

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

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

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

PERSONAL INCOME TAX
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund[1]	**28,920**	**29,612**	**692**	**30,614**	**1,002**
Gross Collections	50,930	53,120	2,190	55,044	1,924
Refunds/Offsets	(7,757)	(8,781)	(1,024)	(9,233)	(452)
STAR	(3,460)	(3,642)	(182)	(3,744)	(102)
RBTF	(10,793)	(11,085)	(292)	(11,453)	(368)
State/All Funds	**43,173**	**44,339**	**1,166**	**45,811**	**1,472**
Gross Collections	50,930	53,120	2,190	55,044	1,924
Refunds	(7,757)	(8,781)	(1,024)	(9,233)	(452)

[1] Excludes Transfers.

All Funds income tax receipts for FY 2015 of $44.3 billion are projected to increase $1.2 billion (2.7 percent) from the prior year. This change primarily reflects increases of $1.2 billion (3.5 percent) in withholding, $1 billion (11.5 percent) in estimated payments related to tax year 2014 partially offset by a $1 billion (13.2 percent) increase in total refunds and a $115 million decrease in final returns payments for tax year 2013. Extension payments for tax year 2013 are almost flat from the prior year with a $7 million (0.2 percent) decrease while delinquencies are projected to increase $51 million (4.7 percent) from the prior year. The increase in total refunds of $1 billion almost entirely reflects an increase in current refunds for tax year 2013.

General Fund income tax receipts for FY 2015 of $29.6 billion are projected to increase by $692 billion (2.4 percent). The increases in the All Funds receipts are partially offset by a $292 million increase in RBFT deposits and $182 million increase in STAR payments.

All Funds income tax receipts are projected to increase by nearly $1.5 billion (3.4 percent) in FY 2016 to reach $45.8 billion while General Fund receipts are projected to be $30.6 billion.

USER TAXES AND FEES

USER TAXES AND FEES
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund*	**9,055**	**9,271**	**216**	**2.4%**	**9,626**	**355**	**3.8%**
Sales Tax	8,346	8,561	215	2.6%	8,922	361	4.2%
Cigarette and Tobacco Taxes	471	469	(2)	-0.4%	462	(7)	-1.5%
Alcoholic Beverage Taxes	238	241	3	1.3%	242	1	0.4%
State/All Funds	**14,571**	**14,921**	**350**	**2.4%**	**15,413**	**492**	**3.3%**
Sales Tax	11,876	12,205	329	2.8%	12,717	512	4.2%
Cigarette and Tobacco Taxes	1,633	1,615	(18)	-1.1%	1,585	(30)	-1.9%
Motor Fuel	501	515	14	2.8%	517	2	0.4%
Highway Use Tax	132	147	15	11.4%	142	(5)	-3.4%
Alcoholic Beverage Taxes	238	241	3	1.3%	242	1	0.4%
Taxicab Surcharge	87	89	2	2.3%	96	7	7.9%
Auto Rental Tax	104	109	5	4.8%	114	5	4.6%

*Excludes Transfers.

All Funds user taxes and fees receipts for FY 2013 are estimated to be $14.9 billion, an increase of $350 million (2.4 percent) from FY 2012. Sales tax receipts are expected to increase by $329 million (2.8 percent) from the prior year due to base growth (i.e., absent law changes) of 4 percent partially offset by a loss of $210 million from an increase in the clothing and footwear exemption threshold from $55 to $110. The remaining estimated increase of $21 million from FY 2012 is mainly from an increase in motor fuel and highway use tax collections offset by a decline in cigarette and tobacco collections. Motor fuel collections are expected to rebound with an increase in gasoline and diesel gallonage due to an improving economy. Highway use tax collections are estimated to increase due to the issuance of decals and a triennial registration year. The estimated decline in cigarette and tobacco tax collections reflects trend declines in taxable consumption.

General Fund user taxes and fees receipts are expected to total nearly $9.3 billion in FY 2013, an increase of $216 million (2.4 percent) from FY 2012. This increase mainly reflects growth in sales tax receipts ($215 million).

All Funds user taxes and fees receipts for FY 2014 are projected to be $15.4 billion, an increase of $492 million (3.3 percent) from FY 2013. The increase in sales tax receipts of $512 million (4.2 percent) reflects sales tax base growth of 3.4 percent. Cigarette and tobacco tax receipts primarily reflect the long-term trend decline from this revenue source.

General Fund user taxes and fees receipts are projected to total $9.6 billion in FY 2014, an increase of $355 million (3.8 percent) from FY 2013. This increase largely reflects the projected increases in All Funds sales tax receipts discussed above.

USER TAXES AND FEES (millions of dollars)	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund*	**9,626**	**10,042**	**416**	**10,406**	**364**
Sales Tax	8,922	9,340	418	9,712	372
Cigarette and Tobacco Taxes	462	455	(7)	447	(8)
Alcoholic Beverage Taxes	242	247	5	247	0
State/All Funds	**15,413**	**15,989**	**576**	**16,502**	**513**
Sales Tax	12,717	13,303	586	13,829	526
Cigarette and Tobacco Taxes	1,585	1,556	(29)	1,526	(30)
Motor Fuel	517	520	3	523	3
Highway Use Tax	142	144	2	152	8
Alcoholic Beverage Taxes	242	247	5	247	0
Taxicab Surcharge	96	100	4	101	1
Auto Rental Tax	114	119	5	124	5

*Excludes Transfers.

All Funds user taxes and fees are projected to be nearly $16.0 billion in FY 2015 and $16.5 billion in FY 2016, representing increases of $576 million (3.7 percent) and $513 million (3.2 percent) respectively. These increases represent base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund	**5,760**	**6,038**	**278**	**4.8%**	**6,208**	**170**	**2.8%**
Corporate Franchise Tax	2,724	2,905	181	6.6%	3,009	104	3.6%
Corporation & Utilities Tax	617	652	35	5.7%	696	44	6.7%
Insurance Tax	1,257	1,322	65	5.2%	1,373	51	3.9%
Bank Tax	1,161	1,159	(2)	-0.2%	1,130	(29)	-2.5%
Petroleum Business Tax	1	0	(1)	-100.0%	0	0	0.0%
State/All Funds	**7,877**	**8,229**	**352**	**4.5%**	**8,463**	**234**	**2.8%**
Corporate Franchise Tax	3,176	3,360	184	5.8%	3,511	151	4.5%
Corporation & Utilities Tax	797	847	50	6.3%	894	47	5.5%
Insurance Tax	1,413	1,479	66	4.7%	1,539	60	4.1%
Bank Tax	1,391	1,381	(10)	-0.7%	1,319	(62)	-4.5%
Petroleum Business Tax	1,100	1,162	62	5.6%	1,200	38	3.3%

All Funds business tax receipts for FY 2013 are estimated at $8.2 billion, an increase of $352 million, or 4.5 percent from the prior year. The estimate reflects base growth across all taxes from an improving economy as well as an incremental increase of $71 million from the deferral of certain tax credits that was part of the FY 2011 Enacted Budget. Adjusted for this deferral, All Funds growth is 3.6 percent.

General Fund business tax receipts for FY 2013 of $6.0 billion are estimated to increase by $278 million (4.8 percent) from FY 2012 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

All Funds business tax receipts for FY 2014 of $8.5 billion are projected to increase $234 million (2.8 percent) from the prior year, reflecting growth across all business taxes except the bank tax. The decline in FY 2014 bank tax receipts is driven by an expected decrease in audit receipts.

General Fund business tax receipts for FY 2014 of $6.2 billion are projected to increase $170 million (2.8 percent) from the prior year.

BUSINESS TAXES
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund	**6,208**	**5,713**	**(495)**	**6,291**	**578**
Corporate Franchise Tax	3,009	2,320	(689)	2,726	406
Corporation & Utilities Tax	696	718	22	741	23
Insurance Tax	1,373	1,414	41	1,487	73
Bank Tax	1,130	1,261	131	1,337	76
State/All Funds	**8,463**	**8,038**	**(425)**	**8,676**	**638**
Corporate Franchise Tax	3,511	2,855	(656)	3,289	434
Corporation & Utilities Tax	894	918	24	947	29
Insurance Tax	1,539	1,587	48	1,666	79
Bank Tax	1,319	1,472	153	1,562	90
Petroleum Business Tax	1,200	1,206	6	1,212	6

All Funds business tax receipts for FY 2015 and FY 2016 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. Business tax receipts are projected to decline to $8.0 billion (5.0 percent) in FY 2015, and increase to $8.7 billion (7.9 percent) in FY 2016. The decline in FY 2015 reflects the first year of the repayment of deferred tax credits to taxpayers. General Fund business tax receipts over this period are expected to decline to $5.7 billion (8.0 percent) in FY 2015 and increase to $6.3 billion (10.1 percent) in FY 2016.

OTHER TAXES

OTHER TAXES (millions of dollars)							
	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund[1]	**1,096**	**1,144**	**48**	**4.4%**	**1,137**	**(7)**	**-0.6%**
Estate Tax	1,078	1,127	49	4.5%	1,120	(7)	-0.6%
Gift Tax	0	0	0	NA	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Pari-Mutuel Taxes	17	16	(1)	-5.9%	16	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**1,706**	**1,804**	**98**	**5.7%**	**1,847**	**43**	**2.4%**
Estate Tax	1,078	1,127	49	4.5%	1,120	(7)	-0.6%
Gift Tax	0	0	0	NA	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Real Estate Transfer Tax	610	660	50	8.2%	710	50	7.6%
Pari-Mutuel Taxes	17	16	(1)	-5.9%	16	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

[1] Excludes Transfers.

All Funds other tax receipts for FY 2013 are estimated to be $1.8 billion, an increase of $98 million (5.7 percent) from FY 2012. This mainly reflects a rise of $49 million (4.5 percent) in estate tax receipts and $50 million (8.2 percent) in the real estate transfer tax, which are the result of expected large estate payments in FY 2013 and strong commercial activity and improving vacancy rates in NYC, respectively.

General Fund other tax receipts are expected to be $1.1 billion in FY 2013, an increase of $48 million (4.4 percent) from FY 2012. This reflects the changes in the estate tax and pari-mutuel taxes noted above.

All Funds other tax receipts for FY 2014 are projected to be $1.8 billion, an increase of $43 million (2.4 percent) from FY 2013. This reflects growth in the real estate transfer tax slightly offset by a decline in estate tax receipts. General Fund other tax receipts are expected to total approximately $1.1 billion in FY 2014. This reflects a decrease of $7 million in estate tax receipts due to a forecast decrease in estate payments of $25 million or more ("super large" payments).

OTHER TAXES (millions of dollars)					
	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund[1]	**1,137**	**1,222**	**85**	**1,222**	**0**
Estate Tax	1,120	1,205	85	1,205	0
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-Mutuel Taxes	16	16	0	16	0
All Other Taxes	1	1	0	1	0
State/All Funds	**1,847**	**2,002**	**155**	**2,077**	**75**
Estate Tax	1,120	1,205	85	1,205	0
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	710	780	70	855	75
Pari-Mutuel Taxes	16	16	0	16	0
All Other Taxes	1	1	0	1	0

[1] Excludes Transfers.

The FY 2015 All Funds receipts projection for other taxes is $2.0 billion, an increase of $155 million (8.4 percent) from FY 2014. Modest growth in the estate tax is projected to follow expected increases in household net worth. Receipts from the real estate transfer tax are projected to increase slightly, reflecting the continuing rebound in the residential and commercial markets.

The FY 2016 All Funds receipts projection for other taxes is nearly $2.1 billion, an increase of $75 million (3.7 percent) from FY 2015. The forecast reflects continued increases in the real estate transfer tax as a result of increases in the value of real property transfers.

General Fund other tax receipts for FY 2015 and FY 2016 are expected to increase by $85 million and remain flat, respectively, consistent with the All Funds trends noted above.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund	**3,222**	**3,289**	**67**	**2.1%**	**2,831**	**(458)**	**-13.9%**
Miscellaneous Receipts	3,162	3,229	67	2.1%	2,829	(400)	-12.4%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
State Funds	**23,814**	**24,228**	**414**	**1.7%**	**24,371**	**143**	**0.6%**
Miscellaneous Receipts	23,669	24,083	414	1.7%	24,284	201	0.8%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	**68,448**	**66,902**	**(1,546)**	**-2.3%**	**68,656**	**1,754**	**2.6%**
Miscellaneous Receipts	23,837	24,269	432	1.8%	24,470	201	0.8%
Federal Grants	44,611	42,633	(1,978)	-4.4%	44,186	1,553	3.6%

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total nearly $24.3 billion in FY 2013, an increase of $432 million from FY 2012, largely driven by growth in HCRA, SUNY, and lottery receipts, partially offset by a decline in mental hygiene receipts.

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, School Aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans for Federal reimbursement to be received in the State fiscal year in which spending occurs, but timing sometimes varies. All Funds Federal grants are projected to total $42.6 billion in FY 2013, a decline of nearly $2.0 billion from the current year, reflecting the expiration of certain Federal ARRA moneys.

General Fund miscellaneous receipts and Federal grants collections are estimated to be $3.3 billion, an increase of $67 million (2.1 percent) from FY 2012 results.

All Funds miscellaneous receipts are projected to increase by $201 million in FY 2014, driven by increases in HCRA resources ($286 million) and SUNY Income Fund revenues ($232 million), partially offset by the General Fund decline that reflects the loss of certain one-time resources.

All Funds Federal grants are projected to increase by $1.6 billion in FY 2014, driven primarily by Medicaid spending.

General Fund miscellaneous receipts and Federal grants for FY 2014 are projected to decline by $458 million from FY 2013, and primarily reflect the loss of certain one-time sweeps and payments expected in FY 2013, including SONYMA and the 18-A utility assessment.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)

	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund	**2,831**	**2,297**	**(534)**	**2,389**	**92**
Miscellaneous Receipts	2,829	2,297	(532)	2,389	92
Federal Grants	2	0	(2)	0	0
State Funds	**24,371**	**24,008**	**(363)**	**24,244**	**236**
Miscellaneous Receipts	24,284	23,923	(361)	24,159	236
Federal Grants	87	85	(2)	85	0
All Funds	**68,656**	**71,362**	**2,706**	**73,371**	**2,009**
Miscellaneous Receipts	24,470	24,109	(361)	24,345	236
Federal Grants	44,186	47,253	3,067	49,026	1,773

All Funds miscellaneous receipts decrease by $361 million in FY 2015, driven by the decline in General Fund resources, partially offset by increases in HCRA ($141 million) and SUNY Income Fund revenues ($161 million).

All Funds miscellaneous receipts increase by $236 million in FY 2016, driven by the increase in General Fund resources, augmented by increases in SUNY Income Fund revenues ($161 million).

Annual Federal grants growth of $3.1 billion in FY 2015 and $1.8 billion is primarily due to growth in Medicaid spending.

General Fund miscellaneous receipts and Federal grants are projected to total $2.3 billion in FY 2015, and increase to $2.4 billion in FY 2016.

DISBURSEMENTS

General Fund disbursements in FY 2013 are estimated to total $58.9 billion, an increase of $2.4 billion (4.2 percent) over preliminary FY 2012 results. State Operating Funds disbursements for FY 2013 are estimated to total $88.9 billion, an increase of $1.7 billion (2 percent) over preliminary FY 2012 results.

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

Over the multi-year Financial Plan, State Operating Funds spending is expected to increase by an average annual rate of 3.5 percent. The projections reflect spending at the capped growth rates for Medicaid and School Aid, and contemplate the effect of national health care reform on State health care costs. The projections do <u>not</u> reflect any potential impact of automatic spending reductions that would be triggered if changes are implemented by the Federal government as part of its deficit reduction plan.

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

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at $58.8 billion in FY 2013 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

			Forecast		
	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Medicaid					
Medicaid Caseload[1]	4,535,463	4,628,505	4,856,565	5,324,544	5,395,005
Family Health Plus Caseload	427,066	453,355	479,644	505,932	532,221
Child Health Plus Caseload	418,241	436,241	454,241	472,241	490,241
State Takeover of County/NYC Costs ($000)	$1,544	$1,467	$1,846	$2,458	$3,201
- Family Health Plus	$428	$515	$597	$682	$775
- Medicaid	$1,116	$952	$1,249	$1,776	$2,426
Education					
School Aid (School Year) ($000)	$19,542	$20,347	$21,059	$21,901	$22,908
Education Personal Income Growth Index	N/A	4.1	3.5	4.0	4.6
Higher Education					
Public Higher Education Enrollment (FTEs)	576,300	577,664	578,242	578,820	579,399
Tuition Assistance Program Recipients	309,334	310,633	310,633	310,633	310,633
Welfare					
Family Assistance Caseload[1]	385,180	374,822	363,077	352,880	343,935
Single Adult/No Children Caseload	180,338	178,207	176,780	175,786	175,622
Mental Hygiene					
Total Mental Hygiene Community Beds	87,984	91,793	96,330	100,588	101,393
- OMH Community Beds	36,179	39,431	43,097	46,616	47,366
- OPWDD Community Beds	39,101	39,621	40,404	41,077	41,077
- OASAS Community Beds	12,704	12,741	12,829	12,895	12,950
Prison Population (Corrections)	55,944	55,900	55,900	55,900	55,900

[1] FY 2012 results are subject to revision.

EDUCATION

SCHOOL AID

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

School Year (July 1 -June 30)

The FY 2013 Enacted Budget includes a two-year appropriation and continues to tie future increases in School Aid to the rate of growth in New York State personal income. School Aid funding will increase by $805 million (4.1 percent) in the 2012-13 school year, and by an estimated $712 million (3.5 percent) in the 2013-14 school year.

Over the multi-year financial plan, School Aid funding is expected to be a function of both a personal income growth index used to determine allowable growth and future legislation to allocate the allowable increases. Current law prescribes that allowable growth shall include spending for new competitive performance grant programs which reward school districts that demonstrate significant student performance improvements or those that undertake long-term structural changes to reduce costs and improve efficiency. Allowable growth also includes increases in expense-based aid programs (e.g., Building Aid, Transportation Aid) and certain other aid categories under existing statutory provisions. Any remaining amount of allowable growth can be allocated pursuant to a chapter of law for purposes including, but not limited to, additional spending for competitive grants, phase-in increases in Foundation Aid or restoration of the GEA.

For the 2012-13 school year, this $805 million allowable increase includes $243 million in growth in expense-based aids and other miscellaneous aid categories under current law, a $400 million GEA restoration, a $112 million increase in Foundation Aid, and $50 million to support the first of three annual payments for the first round of performance grants. A second, expanded round of performance grants will be awarded in the 2012-13 school year from $75 million in annual funding outside the school aid growth limit.

School Aid is currently projected to increase by $712 million in the 2013-14 school year and $842 million in 2014-15. School Aid is projected to reach an annual total of $22.9 billion in the 2015-16 school year.

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

SY 2012	SY 2013	Change	SY 2014	Change	SY 2015	Change	SY 2016	Change
$19,542	$20,347	$805	$21,059	$712	$21,901	$842	$22,908	$1,007
		4.1%		3.5%		4.0%		4.6%

State Fiscal Year

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

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

TOTAL SCHOOL AID - STATE FISCAL YEAR BASIS
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**19,662**	**20,039**	**1.9%**	**20,911**	**4.4%**	**21,725**	**3.9%**	**22,671**	**4.4%**
General Fund Local Assistance	16,778	16,986	1.2%	17,832	5.0%	18,641	4.5%	19,585	5.1%
Core Lottery Aid	2,147	2,187	1.9%	2,200	0.6%	2,195	-0.2%	2,197	0.1%
VLT Lottery Aid	682	821	20.4%	879	7.1%	889	1.1%	889	0.0%
General Fund Lottery/VLT Guarantee	55	45	-18.2%	0	-100.0%	0	0.0%	0	0.0%

State spending for School Aid is projected to total $20 billion in FY 2013. In future years, receipts available to finance School Aid from core lottery sales is projected to remain relatively flat while VLT receipts are anticipated to increase through FY 2015 as a result of the new VLT facility at the Aqueduct Racetrack.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2013 are: the basic school property tax exemption for homeowners with income under $500,000 (57 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (25 percent), and a flat refundable credit and rate reduction for New York City resident personal-income taxpayers (18 percent).

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**3,233**	**3,276**	**1.3%**	**3,459**	**5.6%**	**3,642**	**5.3%**	**3,744**	**2.8%**
Basic Exemption	1,856	1,859	0.2%	1,986	6.8%	2,125	7.0%	2,188	3.0%
Enhanced (Seniors)	807	829	2.7%	862	4.0%	898	4.2%	925	3.0%
New York City PIT	570	588	3.2%	611	3.9%	619	1.3%	631	1.9%

The STAR program exempts the first $30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens receive a $62,200 exemption. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

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

The multi-year Financial Plan includes a new policy whereby the Department of Taxation and Finance will instruct local assessors to withhold the STAR exemption benefit from taxpayers who have a State-imposed and State-administered tax liability of $4,500 or more, and own a home that is STAR-eligible. New York City residents who are similarly in arrears would lose their City PIT rate-reduction benefit, as well as the State School Tax Reduction Credit.

OTHER EDUCATION AID

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

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

Spending for special education is expected to increase as program costs and enrollment rise. In FY 2012, school districts financed the costs associated with schools for the blind and deaf in the first instance and will be reimbursed by the State in FY 2013, which drives a significant annual increase in FY 2013 spending.

OTHER EDUCATION
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**1,698**	**1,961**	**15.5%**	**2,000**	**2.0%**	**2,065**	**3.3%**	**2,141**	**3.7%**
Special Education	1,176	1,358	15.5%	1,456	7.2%	1,529	5.0%	1,604	4.9%
All Other Education	522	603	15.5%	544	-9.8%	536	-1.5%	537	0.2%

HIGHER EDUCATION

Local assistance for higher education spending includes funding for CUNY, SUNY and HESC. The State provides reimbursements to New York City for costs associated with CUNY's senior college operations, and works in conjunction with the City of New York to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses. HESC administers the TAP program that provides awards to income-eligible students and provides centralized processing for other student financial aid programs. The financial aid programs that HESC administers are funded by the State and the Federal government.

The State also provides a sizeable benefit to SUNY and CUNY through the debt service it pays on bond-financed capital projects at the universities, not reflected in the annual local assistance spending totals for the universities provided in the table below. State debt service payments for higher education are expected to total over $1.2 billion in FY 2013.

HIGHER EDUCATION
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**2,608**	**2,618**	**0.4%**	**2,812**	**7.4%**	**2,888**	**2.7%**	**2,967**	**2.7%**
City University	**1,203**	**1,220**	**1.4%**	**1,342**	**10.0%**	**1,405**	**4.7%**	**1,472**	**4.8%**
Operating Aid to NYC (Senior Colleges)	1,024	1,025	0.1%	1,149	12.1%	1,212	5.5%	1,279	5.5%
Community College Aid	178	194	9.0%	193	-0.5%	193	0.0%	193	0.0%
Community Projects	1	1	0.0%	0	-100.0%	0	0.0%	0	0.0%
Higher Education Services	**924**	**936**	**1.3%**	**1,001**	**6.9%**	**1,014**	**1.3%**	**1,026**	**1.2%**
Tuition Assistance Program	873	877	0.5%	935	6.6%	940	0.5%	946	0.6%
Aid for Part Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
Scholarships/Awards	39	47	20.5%	54	14.9%	62	14.8%	68	9.7%
State University	**481**	**462**	**-4.0%**	**469**	**1.5%**	**469**	**0.0%**	**469**	**0.0%**
Community College Aid[1]	444	457	2.9%	465	1.8%	465	0.0%	465	0.0%
Hospital Subsidy[2]	32	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Other	5	5	0.0%	4	-20.0%	4	0.0%	4	0.0%

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

Growth in spending for higher education over the multi-year Financial Plan period largely reflects aid to New York City for reimbursement of CUNY senior college operating expenses associated with the rising contribution rates for fringe benefits, and increased support for the TAP program..

HEALTH CARE

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

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately $54.0 billion in FY 2013, including the local contribution.[4]

The Enacted Budget Financial Plan reflects continuation of the Medicaid spending cap enacted in FY 2012, and authorizes funding consistent with its provisions. The cap is based on the ten-year average change in the medical component of the CPI. Statutory changes approved with the FY 2012 Budget grant the Executive certain administrative powers to help hold Medicaid spending to the capped level. The statutory changes, which were set to expire at the end of FY 2013, have been extended through FY 2014, pursuant to authorization included in the FY 2013 Enacted Budget Financial Plan. The cap itself remains in place and the Enacted Budget Financial Plan assumes that statutory authority will be extended in subsequent years.

[4] The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for local social services districts. The FY 2013 Enacted Budget amends these statutory indexing provisions by implementing a three-year phased-takeover of the local share of growth above the previous year's enacted levels beginning in April 2013 for County Fiscal Year 2013 (the county fiscal year is on a calendar year basis), with the State assuming all growth in County Fiscal Year 2015. This initiative is expected to save local governments nearly $1.2 billion through the next five State fiscal years.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS [1] (millions of dollars)	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Department of Health:					
State Share Without FMAP	16,000	15,606	16,513	17,049	17,895
Enhanced FMAP	(703)	254	0	0	0
DOH State Share With FMAP	15,297	15,860	16,513	17,049	17,895
Annual $ Change - DOH Only		563	653	536	846
Annual % Change - DOH Only		3.7%	4.1%	3.2%	5.0%
Other State Agencies:					
Mental Hygiene	5,403	5,810	6,206	6,508	6,868
Education	64	0	0	0	0
Foster Care	113	93	117	122	127
Corrections	0	12	12	12	13
State Operations - Contractual Expenses [2]	15	51	56	56	55
Total State Share (All Agencies)	**20,892**	**21,826**	**22,904**	**23,747**	**24,958**
Annual $ Change - Total State Share		934	1,078	843	1,211
Annual % Change - Total State Share		4.5%	4.9%	3.7%	5.1%

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

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

Factors affecting Medicaid spending over the Financial Plan period include Medicaid enrollment, costs of provider health care services (particularly in managed care), levels of service utilization and the expiration of enhanced Federal aid.[5] The number of Medicaid recipients, including FHP, is expected to total approximately 5.1 million at the end of FY 2013, an increase of 2.4 percent from the FY 2012 caseload. The expiration of the enhanced FMAP contributes to an increase in State-share spending of nearly $1 billion from FY 2012 to FY 2013, and includes costs associated with the Federal funding reconciliation between the State and counties. Pursuant to Federal Health Care Reform, the Federal

[5] In August 2010, the U.S. Congress approved a six-month extension through June 30, 2011 of the enhanced FMAP benefit, as provided through the American Recovery and Reinvestment Act (ARRA). Under enhanced FMAP (which covered the period from October 2008 through June 30, 2011), the Federal match rate increased from 50 percent to approximately 57 percent, which resulted in a concomitant decrease in the State and local share.

government is expected to finance a greater share of Medicaid costs for individuals and couples without children, which is expected to lower growth in State-share Medicaid costs beginning in FY 2015.

The FY 2013 Enacted Budget includes authorization to establish a phased-takeover of local government administration of the Medicaid program, and to cap spending on local Medicaid administration at FY 2012 appropriation levels. The FY 2013 Enacted Budget also provides Medicaid spending relief for all counties and New York City by reducing the growth in local Medicaid payments. These changes are expected to further provide fiscal and administrative relief to local governments, consistent with other legislation the State has enacted in recent years to reduce the tax burden on its citizens.

The State share of DOH Medicaid spending is financed from both the General Fund, as well as special revenue funding primarily through HCRA. The chart below provides information on the financing sources for State Medicaid spending.

DEPARTMENT OF HEALTH MEDICAID
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
State Operating Funds (Before FMAP) [1]	**16,000**	**15,606**	**-2.5%**	**16,513**	**5.8%**	**17,049**	**3.2%**	**17,895**	**5.0%**
Enhanced FMAP -- State Share [2]	(703)	254	-136.1%	0	-100.0%	0	0.0%	0	0.0%
State Operating Funds (After FMAP)	**15,297**	**15,860**	**3.7%**	**16,513**	**4.1%**	**17,049**	**3.2%**	**17,895**	**5.0%**
Total General Fund	10,301	10,604	2.9%	11,158	5.2%	11,454	2.7%	12,332	7.7%
Other State Funds Support	4,996	5,256	5.2%	5,355	1.9%	5,595	4.5%	5,563	-0.6%
HCRA Financing	3,392	3,672	8.3%	3,778	2.9%	4,018	6.4%	3,986	-0.8%
Indigent Care Support	777	792	1.9%	792	0.0%	792	0.0%	792	0.0%
Provider Assessment Revenue	827	792	-4.2%	785	-0.9%	785	0.0%	785	0.0%

[1] Does not include Medicaid spending in other State agencies, DOH State operations spending, or the local government share of total Medicaid program spending.
[2] Excludes benefits realized in other State agencies. Costs in FY 2013 reflect the reconciliation of the local share benefit for FY 2012 that will occur in FY 2013.

PUBLIC HEALTH/AGING PROGRAMS

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

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

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

PUBLIC HEALTH AND AGING (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**2,104**	**2,041**	**-3.0%**	**2,219**	**8.7%**	**2,315**	**4.3%**	**2,169**	**-6.3%**
Public Health	**1,992**	**1,925**	**-3.4%**	**2,101**	**9.1%**	**2,190**	**4.2%**	**2,037**	**-7.0%**
Child Health Plus	344	334	-2.9%	369	10.5%	395	7.0%	409	3.5%
General Public Health Work	247	247	0.0%	270	9.3%	283	4.8%	288	1.8%
EPIC	169	151	-10.7%	231	53.0%	255	10.4%	267	4.7%
Early Intervention	167	164	-1.8%	164	0.0%	167	1.8%	171	2.4%
HCRA Program Account	435	452	3.9%	476	5.3%	478	0.4%	478	0.0%
F-SHRP	234	175	-25.2%	205	17.1%	205	0.0%	0	-100.0%
All Other	396	402	1.5%	386	-4.0%	407	5.4%	424	4.2%
Aging	**112**	**116**	**3.6%**	**118**	**1.7%**	**125**	**5.9%**	**132**	**5.6%**

Increased State support for the EPIC program authorized in the FY 2013 Enacted Budget, reinstituting more expansive coverage of Medicare Part D co-payments and co-insurance for enrollees outside of the existing coverage gap, is expected to drive a substantial portion of growth in the outyears of the Financial Plan. The spending growth related to EPIC coverage is partly financed by additional revenue generated from rebates received from drug manufacturers. Other spending growth over the Financial Plan period largely reflects costs associated with increased enrollment in the CHP program, as well as increased spending for GPHW, consistent with patterns in claiming from counties.

The decline in FY 2013 spending is due in large part to decreased Federal aid. The F-SHRP program was provided to the State on a time-limited basis (expiring March 31, 2014) through a Federal waiver under certain terms and conditions aimed at improving the delivery and access of community health care services. EPIC spending is projected to temporarily decline in FY 2013, since the more expansive coverage authorized in the FY 2013 Enacted Budget does not take effect until January 1, 2013. After FY 2014, EPIC coverage is expected to stabilize, while spending is projected to increase due to the rising costs of prescription medication.

HCRA

HCRA was established in 1996 to help finance a portion of State health care activities in various areas of the budget: Medicaid, Public Health, and the Department of Financial Services. Extensions and modifications to HCRA continue to finance new health care programs, including CHP and FHP.

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

HCRA spending primarily finances Medicaid, EPIC, CHP, FHP and Indigent Care payments, which provide funds to hospitals that serve a disproportionate share of individuals without health insurance. HCRA also provides funding for Workforce Recruitment and Retention to health facilities, physician excess medical malpractice insurance, and HEAL NY for capital improvements to health care facilities.

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

Given the close relationship between the General Fund and HCRA, any balances in HCRA are typically eliminated by adjusting the level of Medicaid expenditures that HCRA finances. This reduces costs that otherwise would have been supported by the General Fund. Conversely, any shortfall in HCRA Medicaid funding is expected to be financed by the General Fund.

HCRA FINANCIAL PLAN FY 2012 THROUGH FY 2016
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Opening Balance	**159**	**3**	**0**	**0**	**0**
Total Receipts	**5,317**	**5,921**	**6,184**	**6,303**	**6,281**
Surcharges	2,711	3,016	3,171	3,263	3,239
Covered Lives Assessment	1,018	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,162	1,146	1,123	1,101	1,079
Conversion Proceeds	0	250	300	300	300
Hospital Assessments	367	394	417	444	469
NYC Cigarette Tax Transfer/Other	59	70	128	150	149
Total Disbursements	**5,473**	**5,924**	**6,184**	**6,303**	**6,281**
Medicaid Assistance Account	3,398	3,679	3,785	4,025	3,993
Medicaid Costs	*2,176*	*2,290*	*2,464*	*2,704*	*2,672*
Family Health Plus	*602*	*690*	*657*	*657*	*657*
Workforce Recruitment & Retention	*184*	*211*	*197*	*197*	*197*
All Other	*436*	*488*	*467*	*467*	*467*
HCRA Program Account	461	476	499	501	501
Hospital Indigent Care	777	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	102	162	246	270	282
Child Health Plus	350	342	377	403	417
Public Health Programs	137	129	129	129	129
All Other	248	344	356	183	167
Annual Operating Surplus/(Deficit)	**(156)**	**(3)**	**0**	**0**	**0**
Closing Balance	**3**	**0**	**0**	**0**	**0**

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of four independent agencies, OMH, OPWDD, OASAS, and DDPC, which is funded entirely by Federal aid, as well as one oversight agency, the CQCAPD. Services are administered to adults with serious and persistent mental illness; children with serious emotional disturbances; individuals with developmental disabilities and their families; and persons with chemical dependence. These agencies provide services directly to their patients through State-operated facilities and indirectly through community service providers. The costs associated with providing these services are funded by reimbursements from Medicaid, Medicare, third-party insurance and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, which are issued to finance improvements to infrastructure at mental hygiene facilities throughout the State, with the remaining revenue used to support State operating costs.

MENTAL HYGIENE
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**3,756**	**3,640**	**-3.1%**	**4,047**	**11.2%**	**4,308**	**6.4%**	**4,500**	**4.5%**
People with Developmental Disabilities	**2,324**	**2,235**	**-3.8%**	**2,461**	**10.1%**	**2,571**	**4.5%**	**2,642**	**2.8%**
Residential Services	1,600	1,535	-4.1%	1,699	10.7%	1,779	4.7%	1,831	2.9%
Day Programs	613	588	-4.1%	650	10.5%	681	4.8%	700	2.8%
Clinic	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Other	86	87	1.2%	87	0.0%	86	-1.1%	86	0.0%
Mental Health	**1,124**	**1,090**	**-3.0%**	**1,247**	**14.4%**	**1,381**	**10.7%**	**1,486**	**7.6%**
Adult Local Services	938	909	-3.1%	1,042	14.6%	1,154	10.7%	1,242	7.6%
Children Local Services	186	181	-2.7%	205	13.3%	227	10.7%	244	7.5%
Alcohol and Substance Abuse	**307**	**314**	**2.3%**	**338**	**7.6%**	**355**	**5.0%**	**371**	**4.5%**
Outpatient/Methadone	131	135	3.1%	142	5.2%	148	4.2%	155	4.7%
Residential	112	116	3.6%	125	7.8%	132	5.6%	139	5.3%
Prevention	32	33	3.1%	38	15.2%	40	5.3%	41	2.5%
Crisis	17	17	0.0%	19	11.8%	20	5.3%	21	5.0%
Program Support	8	8	0.0%	9	12.5%	10	11.1%	10	0.0%
LGU Administration	7	5	-28.6%	5	0.0%	5	0.0%	5	0.0%
CQCAPD	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 4.6 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the mental hygiene service systems, including: increases primarily associated with the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline. Additional outyear spending is assumed in Financial Plan estimates for costs associated with efforts to move individuals in nursing homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

SOCIAL SERVICES

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**1,413**	**1,488**	**5.3%**	**1,543**	**3.7%**	**1,441**	**-6.6%**	**1,469**	**1.9%**
SSI	730	741	1.5%	766	3.4%	664	-13.3%	691	4.1%
Public Assistance Benefits[1]	513	620	20.9%	657	6.0%	657	0.0%	657	0.0%
Welfare Initiatives	24	19	-20.8%	18	-5.3%	18	0.0%	18	0.0%
All Other	146	108	-26.0%	102	-5.6%	102	0.0%	103	1.0%

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

The average public assistance caseload is projected to total 553,029 recipients in FY 2013, a decrease of 2.2 percent from FY 2012 levels. Approximately 255,031 families are expected to receive benefits through the Family Assistance program, a decrease of 2.6 percent from the FY 2012 level. In the Safety Net Families program, an average of 119,791 families are expected to receive aid in FY 2013, an annual decrease of 2.9 percent. The caseload for single adults/childless couples supported through the Safety Net Families program is projected at 178,207, an annual decrease of 1.2 percent.

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

CHILDREN AND FAMILY SERVICES (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**1,604**	**1,543**	**-3.8%**	**1,891**	**22.6%**	**1,990**	**5.2%**	**2,094**	**5.2%**
Child Welfare Service	446	330	-26.0%	463	40.3%	508	9.7%	556	9.4%
Foster Care Block Grant	436	436	0.0%	464	6.4%	492	6.0%	521	5.9%
Adoption	181	175	-3.3%	182	4.0%	190	4.4%	199	4.7%
Day Care	143	220	53.8%	355	61.4%	354	-0.3%	354	0.0%
Youth Programs	109	125	14.7%	150	20.0%	155	3.3%	156	0.6%
Medicaid	113	93	-17.7%	117	25.8%	122	4.3%	127	4.1%
Committees on Special Education	64	39	-39.1%	42	7.7%	46	9.5%	51	10.9%
Adult Protective/Domestic Violence	33	34	3.0%	39	14.7%	44	12.8%	51	15.9%
All Other	79	91	15.2%	79	-13.2%	79	0.0%	79	0.0%

OCFS spending reflects expected growth in claims-based programs and an increase in child care General Fund spending to offset a reduction in available TANF dollars.

TRANSPORTATION

In FY 2013, the DOT will provide $4.4 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. The MTA, due to the size and scope of its transit system, receives the majority of the statewide mass transit operating aid, within which the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Spending from this fund is projected to grow between 5 percent and 10 percent each year from FY 2014 to FY 2016.

TRANSPORTATION (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**4,230**	**4,378**	**3.5%**	**4,556**	**4.1%**	**4,650**	**2.1%**	**4,745**	**2.0%**
Mass Transit Operating Aid:	1,784	1,907	6.9%	1,907	0.0%	1,907	0.0%	1,907	0.0%
Metro Mass Transit Aid	1,645	1,762	7.1%	1,762	0.0%	1,762	0.0%	1,762	0.0%
Public Transit Aid	87	93	6.9%	93	0.0%	93	0.0%	93	0.0%
18-B General Fund Aid	27	27	0.0%	27	0.0%	27	0.0%	27	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,725	1,742	1.0%	1,915	9.9%	2,007	4.8%	2,100	4.6%
Dedicated Mass Transit	674	683	1.3%	689	0.9%	691	0.3%	693	0.3%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	2	1	-50.0%	0	-100.0%	0	0.0%	0	0.0%

Legislation enacted in December 2011 eliminates the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The State is expected to compensate the MTA for the decrease in receipts from the December 2011 tax reduction which is expected to result in a net cost to the State of approximately $250 million per year.

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments primarily includes the AIM program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams. Along with AIM, the State provides incentive grants to local governments. Other direct aid to local governments includes VLT impact aid, Small Government Assistance and Miscellaneous Financial Assistance.

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

	FY 2012 Results	FY 2013 Enacted	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Total State Operating Funds	**754**	**777**	**3.1%**	**789**	**1.5%**	**801**	**1.5%**	**803**	**0.2%**
AIM:									
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Efficiency Incentives	6	25	316.7%	42	68.0%	58	38.1%	60	3.4%
All Other Local Aid	33	37	12.1%	32	-13.5%	28	-12.5%	28	0.0%

ALL OTHER LOCAL ASSISTANCE SPENDING

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

AGENCY OPERATIONS

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

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

Selected assumptions used in preparing the spending projections for agency operations are summarized in the following table.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

	Forecast				
	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Negotiated Base Salary Increases [1]					
CSEA	0	0	0	2%	2%
PEF	0	0	0	2%	TBD
State Workforce [2]	119,579	121,841	122,142	122,142	122,142
ERS Pension Contribution Rate[3]					
Before Amortization	16.5%	19.4%	21.6%	23.1%	20.6%
After Amortization	10.5%	11.5%	12.5%	13.5%	14.5%
PFRS Pension Contribution Rate[3]					
Before Amortization	22.3%	26.9%	29.2%	31.3%	28.5%
After Amortization	18.5%	19.5%	20.5%	21.5%	22.5%
Employee/Retiree Health Insurance Growth Rates	6.0%	-2.7%	7.2%	8.3%	8.3%
PS/Fringe as % of Receipts (All Funds Basis)	14.7%	14.6%	14.6%	14.7%	14.9%

[1] Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated workforce agreements.
[2] Subject to direct Executive control. This table reflects State workforce counts through February 2012.
[3] As Percent of Salary.

Growth in agency operating spending over the multi-year Financial Plan is concentrated in agencies that operate large facilities, such as the State University, the mental hygiene agencies, and the Department of Corrections and Community Supervision. The main causes of growth include inflationary increases in operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities, offset by expected savings from enterprise procurement efforts.

STATE OPERATING FUNDS - AGENCY OPERATIONS (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Subject to Direct Executive Control	**9,594**	**9,652**	**0.6%**	**9,725**	**0.8%**	**9,982**	**2.6%**	**10,392**	**4.1%**
Mental Hygiene	2,941	2,961	0.7%	3,078	4.0%	3,186	3.5%	3,337	4.7%
Corrections and Community Supervision	2,472	2,391	-3.3%	2,445	2.3%	2,499	2.2%	2,630	5.2%
State Police	611	643	5.2%	649	0.9%	655	0.9%	668	2.0%
Public Health	540	555	2.8%	607	9.4%	629	3.6%	634	0.8%
Tax and Finance	383	393	2.6%	395	0.5%	406	2.8%	413	1.7%
Children and Family Services	293	316	7.8%	315	-0.3%	301	-4.4%	298	-1.0%
Environmental Conservation	245	235	-4.1%	235	0.0%	236	0.4%	239	1.3%
Financial Services	210	202	-3.8%	207	2.5%	209	1.0%	212	1.4%
Temporary and Disability Assistance	150	203	35.3%	205	1.0%	216	5.4%	214	-0.9%
Parks, Recreation and Historic Preservation	183	164	-10.4%	166	1.2%	169	1.8%	171	1.2%
Workers' Compensation Board	158	151	-4.4%	150	-0.7%	153	2.0%	156	2.0%
Lottery	140	161	15.0%	155	-3.7%	159	2.6%	159	0.0%
General Services	120	154	28.3%	138	-10.4%	133	-3.6%	136	2.3%
All Other	1,148	1,123	-2.2%	980	-12.7%	1,031	5.2%	1,125	9.1%
University System	**5,538**	**5,624**	**1.6%**	**5,735**	**2.0%**	**5,881**	**2.5%**	**6,022**	**2.4%**
State University	5,430	5,521	1.7%	5,630	2.0%	5,773	2.5%	5,912	2.4%
City University	108	103	-4.6%	105	1.9%	108	2.9%	110	1.9%
Independent Agencies	**295**	**304**	**3.1%**	**305**	**0.3%**	**313**	**2.6%**	**321**	**2.6%**
Law	160	165	3.1%	163	-1.2%	167	2.5%	171	2.4%
Audit & Control	135	139	3.0%	142	2.2%	146	2.8%	150	2.7%
Total, excluding Legislature and Judiciary	**15,427**	**15,580**	**1.0%**	**15,765**	**1.2%**	**16,176**	**2.6%**	**16,735**	**3.5%**
Judiciary	1,827	1,856	1.6%	1,914	3.1%	2,000	4.5%	2,095	4.8%
Legislature	197	219	11.2%	221	0.9%	224	1.4%	227	1.3%
Statewide Total	**17,451**	**17,655**	**1.2%**	**17,900**	**1.4%**	**18,400**	**2.8%**	**19,057**	**3.6%**
Personal Service	12,047	12,165	1.0%	12,366	1.7%	12,683	2.6%	13,188	4.0%
Non-Personal Service	5,404	5,490	1.6%	5,534	0.8%	5,717	3.3%	5,869	2.7%

In most years, there are 26 bi-weekly pay periods. However, in FY 2016 there is an one additional State institutional payroll, therefore an “extra” 27th pay period results in higher spending. In addition, in FY 2016 the State will begin repayment to State employees for portions of the Deficit Reduction program taken during FY 2012 and FY 2013 as part of negotiated workforce savings initiatives.

GENERAL STATE CHARGES

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

GENERAL STATE CHARGES
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**6,593**	**6,422**	**-2.6%**	**7,001**	**9.0%**	**7,500**	**7.1%**	**7,974**	**6.3%**
Fringe Benefits	**6,217**	**6,069**	**-2.4%**	**6,646**	**9.5%**	**7,130**	**7.3%**	**7,605**	**6.7%**
Health Insurance	3,275	3,202	-2.2%	3,411	6.5%	3,670	7.6%	3,951	7.7%
Employee Health Insurance	2,052	1,987	-3.2%	2,132	7.3%	2,294	7.6%	2,469	7.6%
Retiree Health Insurance	1,223	1,215	-0.7%	1,279	5.3%	1,376	7.6%	1,482	7.7%
Pensions	1,697	1,600	-5.7%	2,012	25.8%	2,257	12.2%	2,467	9.3%
Social Security	914	931	1.9%	944	1.4%	969	2.6%	1,000	3.2%
All Other Fringe	331	336	1.5%	279	-17.0%	234	-16.1%	187	-20.1%
Fixed Costs	**376**	**353**	**-6.1%**	**355**	**0.6%**	**370**	**4.2%**	**369**	**-0.3%**

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

GSCs are projected to increase at an average annual rate of 4.9 percent over the Financial Plan period. The annual decrease in FY 2013 is driven by the impact of collective bargaining agreements, workforce attrition and the prepayment of certain pension costs in FY 2012. Increases in future years are driven by projected growth in health insurance and pension costs, offset by revenue collected from fringe benefit assessments, particularly from the mental hygiene agencies. For more information on long-term pension costs, see the section on "Other Matters Affecting the Enacted Budget Financial Plan - Pension Amortization" herein.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Total Transfers to Other Funds	**5,856**	**7,084**	**8,680**	**9,592**	**9,853**
Medicaid State Share	2,722	2,978	2,772	2,626	2,526
Debt Service	1,516	1,580	1,653	1,585	1,559
Capital Projects	798	1,055	1,293	1,408	1,301
Dedicated Highway and Bridge Trust Fund	449	499	600	624	624
All Other Capital	349	556	693	784	677
All Other Transfers	820	1,471	2,962	3,973	4,467
Mental Hygiene	0	8	803	1,732	2,320
SUNY - Disproportionate Share/Medicaid	225	228	228	228	228
Judiciary Funds	123	115	116	117	118
School Aid - Lottery/VLT Aid Guarantee	55	45	0	0	0
SUNY - University Operations	0	340	982	1,001	1,021
SUNY - Hospital Operations	60	81	88	88	88
Banking Services	70	57	65	65	65
Statewide Financial System	36	48	55	55	55
Indigent Legal Services	40	40	40	40	40
Department of Transportation (MTA Tax)	22	279	332	334	334
Mass Transportation Operating Assistance	47	19	19	19	19
Alcoholic Beverage Control	16	17	19	20	20
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
OFT Centralized Tech Services	0	22	52	20	10
All Other	104	150	141	232	127

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

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

Transfers to other funds are expected to total $7.1 billion in FY 2013, an annual increase of $1.3 billion, or 22 percent. This increase is mainly due to higher costs related to the Financial Plan re-categorization of SUNY operating support, supplementation to MTA for the recent payroll tax reduction, Medicaid State share, and capital projects.

DEBT SERVICE

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Annual Change	Percent Change
General Fund	**1,516**	**1,580**	**64**	**4.2%**
Other State Support	4,348	4,484	136	3.1%
State Operating Funds	**5,864**	**6,064**	**200**	**3.4%**

Total debt service is projected at $6.1 billion in FY 2013, of which $1.6 billion is financed via a General Fund transfer, and $4.5 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

Enacted Budget Financial Plan projections for debt service spending reflect the pre-payment of $135 million of SUNY debt service in March 2012. Otherwise, FY 2013 debt service estimates have been revised downward by approximately $84 million, primarily to reflect bond sale results to date and anticipated savings from refundings and other debt management actions. For more information on debt service, see the section on "Debt and Other Financing Activities" later in this AIS.

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

	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change
Opening Fund Balance	1,376	1,787	411	29.9%
Receipts:				
Taxes:				
Personal Income Tax	25,843	26,916	1,073	4.2%
User Taxes and Fees	9,055	9,271	216	2.4%
Business Taxes	5,760	6,038	278	4.8%
Other Taxes	1,096	1,144	48	4.4%
Miscellaneous Receipts	3,162	3,229	67	2.1%
Federal Receipts	60	60	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,097	8,272	175	2.2%
Sales Tax in Excess of LGAC Debt Service	2,396	2,456	60	2.5%
Real Estate Taxes in Excess of CW/CA Debt Service	387	444	57	14.7%
All Other Transfers	1,044	1,070	26	2.5%
Total Receipts	56,900	58,900	2,000	3.5%
Disbursements:				
Local Assistance Grants	38,419	39,645	1,226	3.2%
Departmental Operations:				
Personal Service	5,781	5,892	111	1.9%
Non-Personal Service	1,713	1,844	131	7.6%
General State Charges	4,720	4,403	(317)	-6.7%
Transfers to Other Funds:				
Debt Service	1,516	1,580	64	4.2%
Capital Projects	798	1,055	257	32.2%
State Share Medicaid	2,722	2,978	256	9.4%
SUNY Operations	0	340	340	--
Other Purposes	820	1,131	311	37.9%
Total Disbursements	56,489	58,868	2,379	4.2%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	411	32	(379)	-92.2%
Closing Fund Balance	1,787	1,819	32	1.8%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	102	57	(45)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	283	422	139	
Undesignated Fund Balance	75	13	(62)	

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2013 through FY 2016
(millions of dollars)

	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts:				
Taxes:				
Personal Income Tax	26,916	28,920	29,612	30,614
User Taxes and Fees	9,271	9,626	10,042	10,406
Business Taxes	6,038	6,208	5,713	6,291
Other Taxes	1,144	1,137	1,222	1,222
Miscellaneous Receipts	3,229	2,829	2,297	2,389
Federal Receipts	60	2	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,272	8,842	8,981	9,195
Sales Tax in Excess of LGAC Debt Service	2,456	2,579	2,706	2,832
Real Estate Taxes in Excess of CW/CA Debt Service	444	500	576	651
All Other Transfers	1,070	862	770	760
Total Receipts	58,900	61,505	61,919	64,360
Disbursements:				
Local Assistance Grants	39,645	41,872	43,227	45,490
Departmental Operations:				
Personal Service	5,892	5,370	5,496	5,753
Non-personal Service	1,844	1,637	1,722	1,806
General State Charges	4,403	4,834	5,179	5,470
Transfers to Other Funds:				
Debt Service	1,580	1,653	1,585	1,559
Capital Projects	1,055	1,293	1,408	1,301
State Share Medicaid	2,978	2,772	2,626	2,526
SUNY Operations	340	982	1,001	1,021
Other Purposes	1,131	1,980	2,972	3,446
Total Disbursements	58,868	62,393	65,216	68,372
Reserves:				
Community Projects Fund	(45)	(56)	0	0
Undesignated Fund Balance	(62)	0	0	0
Prior-Year Labor Agreements (2007-2011)	139	118	118	118
Increase (Decrease) in Reserves	32	62	118	118
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(950)	(3,415)	(4,130)

Source: NYS DOB

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

	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Taxes:				
Withholdings	32,748	34,817	36,032	37,947
Estimated Payments	11,602	12,663	13,702	13,560
Final Payments	2,203	2,266	2,151	2,251
Other Payments	1,149	1,184	1,235	1,286
Gross Collections	47,702	50,930	53,120	55,044
State/City Offset	(298)	(198)	(148)	(148)
Refunds	(7,148)	(7,559)	(8,633)	(9,085)
Reported Tax Collections	40,256	43,173	44,339	45,811
STAR (Dedicated Deposits)	(3,276)	(3,460)	(3,642)	(3,744)
RBTF (Dedicated Transfers)	(10,064)	(10,793)	(11,085)	(11,453)
Personal Income Tax	26,916	28,920	29,612	30,614
Sales and Use Tax	11,414	11,895	12,452	12,948
Cigarette and Tobacco Taxes	469	462	455	447
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	241	242	247	247
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	12,124	12,599	13,154	13,642
LGAC Sales Tax (Dedicated Transfers)	(2,853)	(2,973)	(3,112)	(3,236)
User Taxes and Fees	9,271	9,626	10,042	10,406
Corporation Franchise Tax	2,905	3,009	2,320	2,726
Corporation and Utilities Tax	652	696	718	741
Insurance Taxes	1,322	1,373	1,414	1,487
Bank Tax	1,159	1,130	1,261	1,337
Petroleum Business Tax	0	0	0	0
Business Taxes	6,038	6,208	5,713	6,291
Estate Tax	1,127	1,120	1,205	1,205
Real Estate Transfer Tax	660	710	780	855
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	16	16	16	16
Other Taxes	1	1	1	1
Gross Other Taxes	1,804	1,847	2,002	2,077
Real Estate Transfer Tax (Dedicated)	(660)	(710)	(780)	(855)
Other Taxes	1,144	1,137	1,222	1,222
Payroll Tax	0	0	0	0
Total Taxes	43,369	45,891	46,589	48,533
Licenses, Fees, Etc.	678	689	621	612
Abandoned Property	785	670	655	655
Motor Vehicle Fees	99	26	26	26
ABC License Fee	51	50	50	50
Reimbursements	262	262	262	262
Investment Income	10	30	30	30
Other Transactions	1,344	1,102	653	754
Miscellaneous Receipts	3,229	2,829	2,297	2,389
Federal Grants	60	2	0	0
Total	46,658	48,722	48,886	50,922

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,787	1,632	428	3,847
Receipts:				
Taxes	43,369	8,142	13,458	64,969
Miscellaneous Receipts	3,229	15,707	996	19,932
Federal Receipts	60	1	79	140
Total Receipts	46,658	23,850	14,533	85,041
Disbursements:				
Local Assistance Grants	39,645	19,128	0	58,773
Departmental Operations:				
Personal Service	5,892	6,273	0	12,165
Non-Personal Service	1,844	3,599	47	5,490
General State Charges	4,403	2,019	0	6,422
Debt Service	0	0	6,064	6,064
Capital Projects	0	5	0	5
Total Disbursements	51,784	31,024	6,111	88,919
Other Financing Sources (Uses):				
Transfers from Other Funds	12,242	7,736	6,322	26,300
Transfers to Other Funds	(7,084)	(480)	(14,609)	(22,173)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,158	7,256	(8,287)	4,127
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	32	82	135	249
Closing Fund Balance	1,819	1,714	563	4,096

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,891	8,469	14,357	68,717
Miscellaneous Receipts	2,829	16,352	1,043	20,224
Federal Receipts	2	1	79	82
Total Receipts	48,722	24,822	15,479	89,023
Disbursements:				
Local Assistance Grants	41,872	20,007	0	61,879
Departmental Operations:				
Personal Service	5,370	6,996	0	12,366
Non-Personal Service	1,637	3,850	47	5,534
General State Charges	4,834	2,167	0	7,001
Debt Service	0	0	6,401	6,401
Capital Projects	0	5	0	5
Total Disbursements	53,713	33,025	6,448	93,186
Other Financing Sources (Uses):				
Transfers from Other Funds	12,783	8,731	6,188	27,702
Transfers to Other Funds	(8,680)	(247)	(15,107)	(24,034)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,103	8,484	(8,919)	3,668
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(888)	281	112	(495)
Designated General Fund Reserves:				
Community Projects Fund	(56)			
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	62			
Net General Fund Deficit	(950)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,589	8,819	14,858	70,266
Miscellaneous Receipts	2,297	16,653	1,094	20,044
Federal Receipts	0	1	79	80
Total Receipts	48,886	25,473	16,031	90,390
Disbursements:				
Local Assistance Grants	43,227	20,688	0	63,915
Departmental Operations:				
Personal Service	5,496	7,187	0	12,683
Non-Personal Service	1,722	3,948	47	5,717
General State Charges	5,179	2,321	0	7,500
Debt Service	0	0	6,522	6,522
Capital Projects	0	5	0	5
Total Disbursements	55,624	34,149	6,569	96,342
Other Financing Sources (Uses):				
Transfers from Other Funds	13,033	9,103	5,691	27,827
Transfers to Other Funds	(9,592)	(45)	(15,017)	(24,654)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,441	9,058	(9,326)	3,173
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,297)	382	136	(2,779)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	118			
Net General Fund Deficit	(3,415)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,533	9,078	15,425	73,036
Miscellaneous Receipts	2,389	16,823	1,092	20,304
Federal Receipts	0	1	79	80
Total Receipts	50,922	25,902	16,596	93,420
Disbursements:				
Local Assistance Grants	45,490	20,774	0	66,264
Departmental Operations:				
Personal Service	5,753	7,435	0	13,188
Non-Personal Service	1,806	4,016	47	5,869
General State Charges	5,470	2,504	0	7,974
Debt Service	0	0	6,655	6,655
Capital Projects	0	5	0	5
Total Disbursements	58,519	34,734	6,702	99,955
Other Financing Sources (Uses):				
Transfers from Other Funds	13,438	9,500	5,444	28,382
Transfers to Other Funds	(9,853)	(216)	(15,332)	(25,401)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,585	9,284	(9,888)	2,981
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,012)	452	6	(3,554)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	118			
Net General Fund Deficit	(4,130)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,787	1,594	(449)	428	3,360
Receipts:					
Taxes	43,369	8,142	1,401	13,458	66,370
Miscellaneous Receipts	3,229	15,893	4,151	996	24,269
Federal Receipts	60	40,303	2,191	79	42,633
Total Receipts	46,658	64,338	7,743	14,533	133,272
Disbursements:					
Local Assistance Grants	39,645	53,781	2,104	0	95,530
Departmental Operations:					
Personal Service	5,892	6,918	0	0	12,810
Non-Personal Service	1,844	4,528	0	47	6,419
General State Charges	4,403	2,295	0	0	6,698
Debt Service	0	0	0	6,064	6,064
Capital Projects	0	5	5,867	0	5,872
Total Disbursements	51,784	67,527	7,971	6,111	133,393
Other Financing Sources (Uses):					
Transfers from Other Funds	12,242	7,737	1,328	6,322	27,629
Transfers to Other Funds	(7,084)	(4,464)	(1,479)	(14,609)	(27,636)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	5,158	3,273	249	(8,287)	393
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	32	84	21	135	272
Closing Fund Balance	1,819	1,678	(428)	563	3,632

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	45,891	8,469	1,421	14,357	70,138
Miscellaneous Receipts	2,829	16,538	4,060	1,043	24,470
Federal Receipts	2	41,893	2,212	79	44,186
Total Receipts	48,722	66,900	7,693	15,479	138,794
Disbursements:					
Local Assistance Grants	41,872	56,407	2,107	0	100,386
Departmental Operations:					
Personal Service	5,370	7,611	0	0	12,981
Non-Personal Service	1,637	4,872	0	47	6,556
General State Charges	4,834	2,449	0	0	7,283
Debt Service	0	0	0	6,401	6,401
Capital Projects	0	5	5,808	0	5,813
Total Disbursements	53,713	71,344	7,915	6,448	139,420
Other Financing Sources (Uses):					
Transfers from Other Funds	12,783	8,732	1,545	6,188	29,248
Transfers to Other Funds	(8,680)	(4,006)	(1,533)	(15,107)	(29,326)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	4,103	4,726	350	(8,919)	260
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(888)	282	128	112	(366)
Designated General Fund Reserves:					
Community Projects Fund	(56)				
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	62				
Net General Fund Deficit	(950)				

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,589	8,819	1,431	14,858	71,697
Miscellaneous Receipts	2,297	16,839	3,879	1,094	24,109
Federal Receipts	0	45,203	1,971	79	47,253
Total Receipts	48,886	70,861	7,281	16,031	143,059
Disbursements:					
Local Assistance Grants	43,227	60,994	1,883	0	106,104
Departmental Operations:					
Personal Service	5,496	7,814	0	0	13,310
Non-Personal Service	1,722	4,929	0	47	6,698
General State Charges	5,179	2,616	0	0	7,795
Debt Service	0	0	0	6,522	6,522
Capital Projects	0	5	5,661	0	5,666
Total Disbursements	55,624	76,358	7,544	6,569	146,095
Other Financing Sources (Uses):					
Transfers from Other Funds	13,033	9,104	1,471	5,691	29,299
Transfers to Other Funds	(9,592)	(3,225)	(1,519)	(15,017)	(29,353)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	3,441	5,879	258	(9,326)	252
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,297)	382	(5)	136	(2,784)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	118				
Net General Fund Deficit	(3,415)				

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,533	9,078	1,448	15,425	74,484
Miscellaneous Receipts	2,389	17,009	3,855	1,092	24,345
Federal Receipts	0	47,291	1,656	79	49,026
Total Receipts	50,922	73,378	6,959	16,596	147,855
Disbursements:					
Local Assistance Grants	45,490	63,553	1,552	0	110,595
Departmental Operations:					
Personal Service	5,753	8,074	0	0	13,827
Non-Personal Service	1,806	4,892	0	47	6,745
General State Charges	5,470	2,812	0	0	8,282
Debt Service	0	0	0	6,655	6,655
Capital Projects	0	5	5,395	0	5,400
Total Disbursements	58,519	79,336	6,947	6,702	151,504
Other Financing Sources (Uses):					
Transfers from Other Funds	13,438	9,501	1,365	5,444	29,748
Transfers to Other Funds	(9,853)	(3,092)	(1,531)	(15,332)	(29,808)
Bond and Note Proceeds	0	0	121	0	121
Net Other Financing Sources (Uses)	3,585	6,409	(45)	(9,888)	61
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,012)	451	(33)	6	(3,588)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	118				
Net General Fund Deficit	(4,130)				

Source: NYS DOB

CASHFLOW
GENERAL FUND
FY 2013
(dollars in millions)

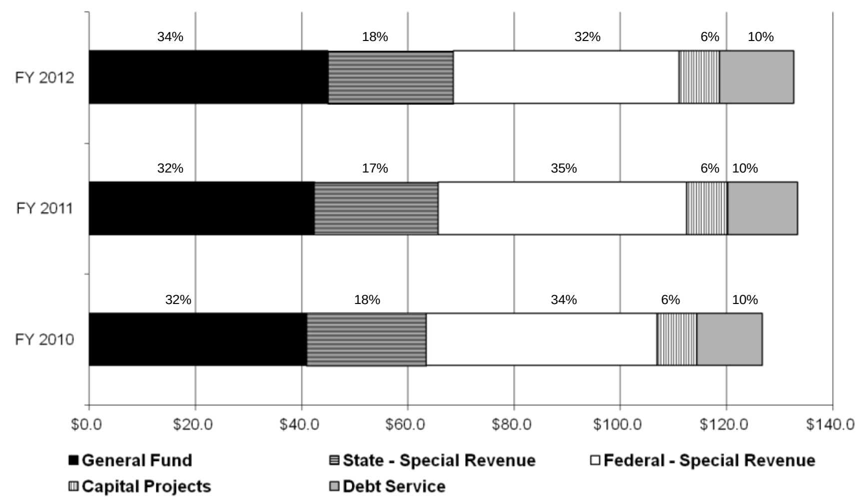
	2012 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2013 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,787	4,332	1,293	2,121	2,206	1,242	4,271	3,440	2,555	2,051	5,961	6,108	1,787
RECEIPTS:													
Personal Income Tax	3,514	1,287	2,680	1,782	1,913	2,873	1,811	1,473	371	5,253	2,173	1,786	26,916
User Taxes and Fees	711	694	904	727	706	913	710	701	926	754	639	886	9,271
Business Taxes	111	46	1,056	64	91	1,154	109	268	1,193	106	137	1,703	6,038
Other Taxes	95	95	96	95	96	96	95	95	95	95	95	96	1,144
Total Taxes	4,431	2,122	4,736	2,668	2,806	5,036	2,725	2,537	2,585	6,208	3,044	4,471	43,369
Licenses, Fees, etc.	46	64	56	50	60	72	48	59	72	50	43	58	678
Abandoned Property	1	1	40	32	18	77	23	300	12	5	24	252	785
ABC License Fee	4	5	4	4	5	4	5	4	4	4	4	4	51
Motor vehicle fees	0	0	0	0	0	0	0	17	17	17	17	31	99
Reimbursements	4	7	55	2	18	36	10	26	33	8	29	34	262
Investment Income	2	1	1	1	1	1	1	1	0	0	1	0	10
Other Transactions	21	129	131	31	21	334	65	31	114	20	46	401	1,344
Total Miscellaneous Receipts	78	207	287	120	123	524	152	438	252	104	164	780	3,229
Federal Grants	0	13	0	0	0	15	0	0	15	0	0	17	60
PIT in Excess of Revenue Bond Debt Service	1,171	287	1,028	512	223	1,136	412	174	1,020	933	404	972	8,272
Sales Tax in Excess of LGAC Debt Service	214	42	449	220	153	279	217	214	286	230	3	149	2,456
Real Estate Taxes in Excess of CW/CA Debt Service	65	46	32	44	44	42	41	22	31	31	32	14	444
All Other	26	1	54	1	2	31	43	2	38	3	68	801	1,070
Total Transfers from Other Funds	1,476	376	1,563	777	422	1,488	713	412	1,375	1,197	507	1,936	12,242
TOTAL RECEIPTS	5,985	2,718	6,586	3,565	3,351	7,063	3,590	3,387	4,227	7,509	3,715	7,204	58,900
DISBURSEMENTS:													
School Aid	157	2,500	1,887	115	510	1,300	510	950	1,500	410	590	6,557	16,986
Higher Education	22	8	566	115	298	51	461	22	216	33	305	489	2,586
All Other Education	14	316	69	144	391	89	60	284	176	73	186	154	1,956
Medicaid - DOH	842	1,168	652	1,043	1,297	576	1,185	1,158	588	907	788	400	10,604
Public Health	22	39	91	95	50	71	65	23	49	51	21	87	664
Mental Hygiene	0	1	377	1	1	394	166	1	382	115	124	385	1,947
Children and Families	75	75	199	75	75	223	75	75	221	112	78	259	1,542
Temporary & Disability Assistance	356	100	118	100	100	118	100	100	118	100	30	144	1,484
Transportation	0	24	0	0	24	0	0	24	15	0	10	1	98
Unrestricted Aid	2	14	299	2	2	97	11	2	207	2	2	137	777
All Other	35	38	170	49	37	86	(30)	44	41	172	167	192	1,001
Total Local Assistance Grants	1,525	4,283	4,428	1,739	2,785	3,005	2,603	2,683	3,513	1,975	2,301	8,805	39,645
Personal Service	603	622	569	453	573	442	403	452	415	518	422	420	5,892
Non-Personal Service	169	168	144	159	131	138	134	131	146	134	177	213	1,844
Total State Operations	772	790	713	612	704	580	537	583	561	652	599	633	7,736
General State Charges	324	360	181	193	415	286	304	353	207	302	230	1,248	4,403
Debt Service	507	0	(17)	445	(4)	(110)	547	0	(2)	379	(18)	(147)	1,580
Capital Projects	(22)	19	87	39	86	(65)	64	84	172	98	38	455	1,055
State Share Medicaid	174	269	247	234	252	281	191	283	246	164	379	258	2,978
SUNY Operations	0	0	0	180	0	0	0	160	0	0	0	0	340
Other Purposes	160	36	119	38	77	57	175	126	34	29	39	241	1,131
Total Transfers to Other Funds	819	324	436	936	411	163	977	653	450	670	438	807	7,084
TOTAL DISBURSEMENTS	3,440	5,757	5,758	3,480	4,315	4,034	4,421	4,272	4,731	3,599	3,568	11,493	58,868
Excess/(Deficiency) of Receipts over Disbursements	2,545	(3,039)	828	85	(964)	3,029	(831)	(885)	(504)	3,910	147	(4,289)	32
CLOSING BALANCE	4,332	1,293	2,121	2,206	1,242	4,271	3,440	2,555	2,051	5,961	6,108	1,819	1,819

Source: NYS DOB

PRIOR FISCAL YEARS

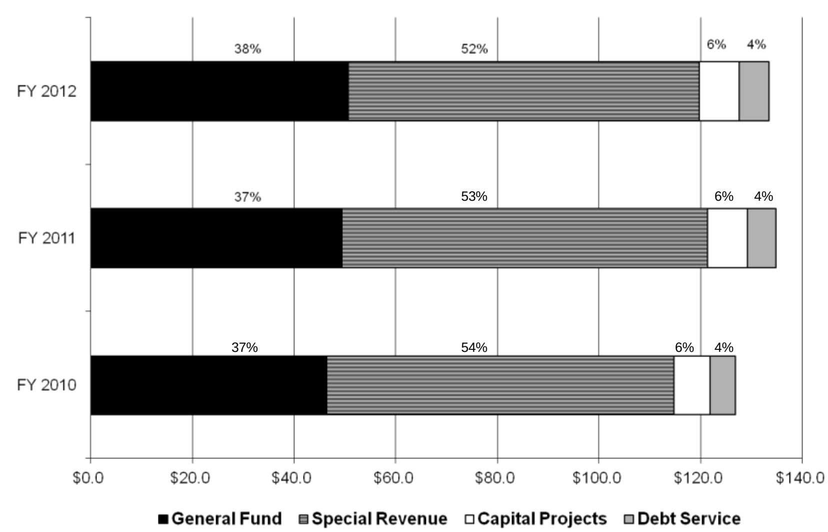
The following six tables show the composition of the State's governmental funds, State Operating Funds and the General Fund as of March 31, 2012. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years.

Governmental Funds Receipts
State Fiscal Years 2010, 2011 and 2012
(billions of dollars)



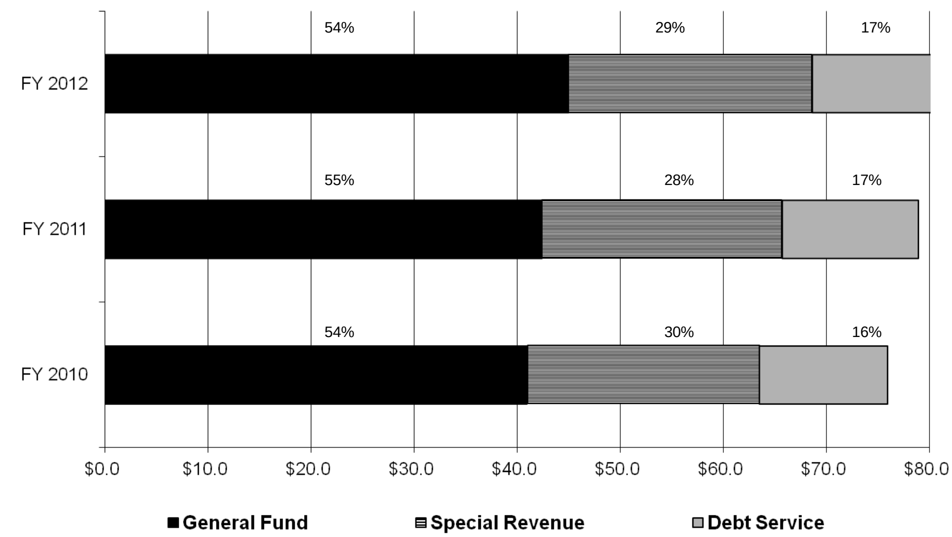
Note: Percentage total may not add due to rounding.

Governmental Funds Disbursements
State Fiscal Years 2010, 2011 and 2012
(billions of dollars)



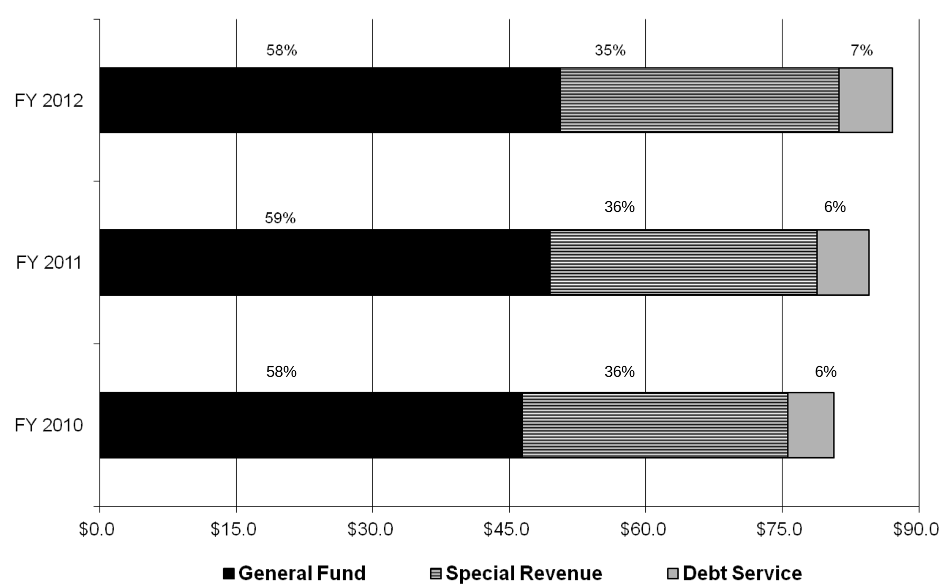
Note: Percentage total may not add due to rounding.

State Operating Funds Receipts
State Fiscal Years 2010, 2011 and 2012
(billions of dollars)

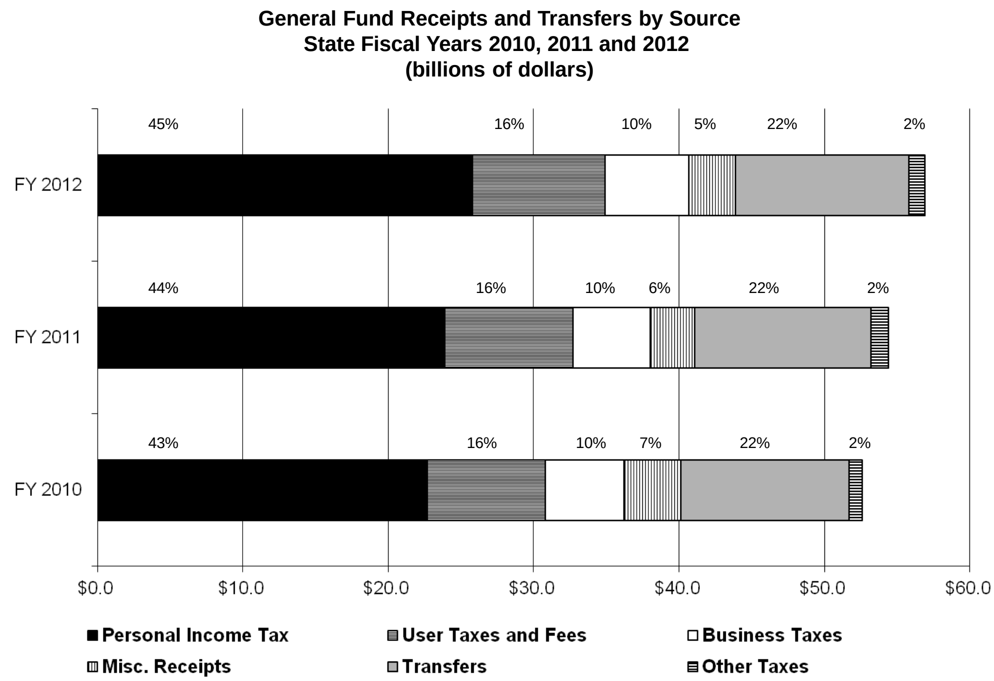


Note: Percentage total may not add due to rounding.

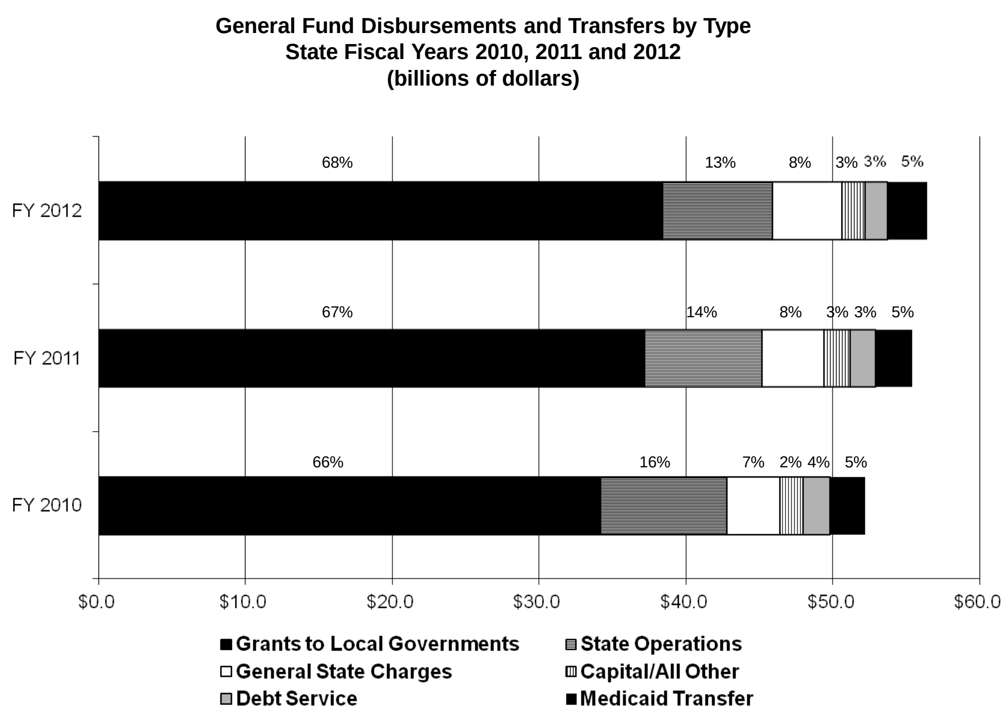
State Operating Funds Disbursements
State Fiscal Years 2010, 2011 and 2012
(billions of dollars)



Note: Percentage total may not add due to rounding.



Note: Percentage total may not add due to rounding.



Note: Percentage total may not add due to rounding.

The State reports its financial results on two bases of accounting: the cash basis, showing receipts and disbursements; and the modified accrual basis, prescribed by GAAP, showing revenues and expenditures. With the exception of FY 2012 financial results, the State's GAAP-basis financial results set forth in this section have been audited. Note that the FY 2012 financial results included in this AIS are preliminary and unaudited.

CASH-BASIS RESULTS FOR PRIOR FISCAL YEARS

GENERAL FUND FY 2010 THROUGH FY 2012

The General Fund is the principal operating fund of the State and is used to account for all financial transactions, except those required by law to be accounted for in another fund. It is the State's largest single fund and receives most State taxes and other resources not dedicated to particular purposes. General Fund monies are also transferred to other funds, primarily to support certain State share Medicaid payments, capital projects and debt service payments in other fund types. In some cases, the fiscal year results provided below may exclude certain timing-related transactions which have no net impact on operations.

In the cash basis of accounting, the State defines a balanced budget in the General Fund as (a) the ability to make all planned payments anticipated in the Financial Plan, including tax refunds, without the issuance of deficit bonds or notes or extraordinary cash management actions, (b) the restoration of the balances in the Tax Stabilization Reserve and Rainy Day Reserve (together, the "rainy day reserves") to a level equal to or greater than the level at the start of the fiscal year, and (c) maintenance of other designated balances, as required by law.

RECENT TRENDS

The economic downturn that began in 2008 had a severe impact on State finances. Actual receipts have been slow to recover, while fixed costs for debt service and fringe benefits have risen steadily, and demand for State services has grown. In FY 2010, the State was required to take extraordinary actions to maintain balanced operations and sufficient liquidity, including enacting mid-year reductions to programs, instituting several rounds of agency spending reductions and deferring payments to local aid recipients and taxpayers. To avoid using its rainy day reserves, which are relied on during the fiscal year to provide liquidity, the State managed the timing of payments across fiscal years, including deferring payments not yet legally due from one fiscal year to the next fiscal year.

The level of General Fund spending in recent years has been affected by the receipt of Federal ARRA funding, which has substantially reduced the costs of Medicaid and School Aid in the General Fund. The following table summarizes General Fund results for the prior three fiscal years.

COMPARISON OF ACTUAL GENERAL FUND RECEIPTS AND DISBURSEMENTS
FY 2010 THROUGH FY 2012
(millions of dollars)

	FY 2010	FY 2011	FY 2012
OPENING FUND BALANCE (1)	1,949	2,302	1,376
Personal Income Tax (1) (2)	22,655	23,894	25,843
User Taxes and Fees: (3)			
Sales and Use Tax (4)	7,405	8,085	8,346
Cigarette and Tobacco Tax	456	480	471
Alcoholic Beverage Taxes (3)	225	230	238
Subtotal	8,086	8,795	9,055
Business Taxes:			
Corporation Franchise Tax	2,145	2,472	2,724
Corporation and Utilities Taxes	722	616	618
Insurance Taxes	1,331	1,217	1,257
Bank Tax	1,173	974	1,161
Subtotal	5,371	5,279	5,760
Other Taxes:			
Estate and Gift Taxes	866	1,219	1,078
Real Property Gains Tax	0	0	0
Pari-mutuel Tax	19	17	17
Other Taxes	1	1	1
Subtotal	886	1,237	1,096
Miscellaneous Receipts & Federal Grants (3)	3,958	3,149	3,222
Transfers from Other Funds:			
PIT in excess of Revenue Bond debt service	7,641	7,625	8,097
Sales Tax in Excess of LGAC Debt Service	2,123	2,351	2,396
All Other Transfers	1,836	2,117	1,431
Subtotal	11,600	12,093	11,924
TOTAL RECEIPTS	52,556	54,447	56,900
Grants to Local Governments	34,234	37,206	38,419
State Operations:			
Personal Service	6,611	6,151	5,781
Non-Personal Service	1,977	1,822	1,713
General State Charges	3,594	4,187	4,720
Transfers to Other Funds:			
In Support of Debt Service	1,844	1,737	1,516
In Support of Capital Projects	565	932	798
State Share Medicaid	2,400	2,497	2,722
All Other Transfers	978	841	820
Subtotal	5,787	6,007	5,856
TOTAL DISBURSEMENTS	52,203	55,373	56,489
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	353	(926)	411
CLOSING FUND BALANCE	2,302	1,376	1,787

Source: NYS Office of State Comptroller.

(1) The opening balances and personal income tax receipts have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund.

(2) Excludes personal income tax receipts that flow into the Revenue Bond Tax Fund in the first instance and are then transferred to the General Fund after debt service obligation is satisfied.

(3) Motor vehicle fees and alcoholic beverage control licenses fees were reclassified from "user taxes and fees" to "miscellaneous receipts" beginning in fiscal year 2009-10.

(4) Excludes sales tax in excess of LGAC Debt Service.

FISCAL YEAR 2012

The State ended FY 2012 in balance on a cash basis in the General Fund, and maintained a closing balance of $1.79 billion, consisting of $1.1 billion in the Tax Stabilization Reserve, $175 million in the Rainy Day Reserve, $102 million in the Community Projects Fund, $21 million in the Contingency Reserve, $283 million reserved for potential retroactive labor settlements, and $75 million in an undesignated fund balance. The FY 2012 closing balance was $411 million greater than the FY 2011 closing balance, which largely reflects actions to establish designated resources that can be used to address costs associated with potential retroactive labor agreements, and to build the State's general emergency reserve fund balances. The State made a $100 million deposit to the Tax Stabilization Reserve at the close of the FY 2012 fiscal year, the first deposit to the State's "rainy day" reserves (including the Tax Stabilization Reserve fund and the Rainy Day Reserve fund) since FY 2008.

General Fund receipts, including transfers from other funds, totaled $56.9 billion in FY 2012. Total receipts during FY 2012 were $2.5 billion (4.5 percent) higher than in the prior fiscal year. Total tax receipts were $3.1 billion higher than the previous fiscal year, mainly due to growth in PIT collections ($2.4 billion) and business tax collections ($481 million). A decrease in the level of excess balances transferred from other funds partly offset the annual increase in tax receipts.

General Fund disbursements, including transfers to other funds, totaled $56.5 billion in FY 2012, $1.1 billion (2.0 percent) higher than in the prior fiscal year. Excluding the impact of a $2.1 billion school aid deferral from March 2010 to the statutory deadline of June 2010, annual spending grew by $3.2 billion. Spending growth is largely due to the phase-out of extraordinary Federal aid (including the enhanced Federal share of Medicaid, Federal ARRA Stabilization funding, and the TANF Emergency Contingency Fund) that temporarily reduced State-share spending in FY 2011. Annual General Fund spending for agency operations in FY 2012 was lower than in FY 2011, consistent with management expectations and continued efforts in managing the workforce and controlling costs. Annual growth in GSCs was mainly due to employee fringe benefit costs and workers' compensation payments; the pre-payment of pension costs during the final quarter of FY 2012; and lower reimbursement from non-General Funds.

FISCAL YEAR 2011

The State ended FY 2011 in balance on a cash basis in the General Fund. The General Fund ended FY 2011 with a closing balance of $1.38 billion, consisting of $1.0 billion in the Tax Stabilization Reserve, $175 million in the Rainy Day Reserve, $136 million in the Community Projects Fund, $21 million in the Contingency Reserve, and $13 million in an undesignated fund balance. The closing balance was $928 million lower than FY 2010. This reflected the planned use of a fund balance to pay for expenses deferred from FY 2010 into FY 2011.

General Fund receipts, including transfers from other funds, totaled $54.4 billion in FY 2011. Total receipts during FY 2011 were $1.9 billion (3.6 percent) higher than in the prior fiscal year. Total tax receipts were $2.5 billion higher, mainly due to the growth in PIT collections, sales tax, estate taxes, and the real estate transfer tax, resulting from changes to the law as well as the economic recovery. Non-tax revenue was $631 million below the prior year. This was primarily due to the following FY 2010 collections that were not received, or received in lower amounts, in FY 2011: temporary utility surcharge (18-A assessment) ($429 million); the Power Authority resources ($158 million); Energy Research and Development Authority (ERDA) resources ($90 million); and fine collections ($101 million). An increase in the level of excess balances transferred from other funds partly offset the annual decline in miscellaneous receipts.

General Fund disbursements, including transfers to other funds, totaled $55.4 billion in FY 2011. Disbursements in FY 2011 were $3.2 billion (6.1 percent) higher than in the prior fiscal year. Spending growth was affected by the deferral of a $2.06 billion payment to schools from March 2010 to the statutory deadline of June 2010. Adjusting for this anomaly (that is, reducing FY 2011 results by $2.06 billion and increasing FY 2010 results by an equal amount), spending would have been approximately $950 million below FY 2010 levels.

Local assistance spending, adjusted for the School Aid deferral, declined by approximately $1.1 billion compared to FY 2010. This reflected lower levels of general School Aid spending enacted in the FY 2011 Budget; the delay of a $300 million CUNY Senior College payment from FY 2009 to June of FY 2010, which increased FY 2010 spending relative to FY 2011; the elimination, as part of the FY 2011 gap-closing plan, of approximately $300 million in annual AIM funding for New York City that would have been paid by December 2010; and additional Federal funding for public assistance benefit costs and State and local child welfare shares in FY 2011, which reduced General Fund spending. These declines were partly offset by higher Medicaid spending due to rising costs of providing Medicaid services and reductions in the amount of available offsets from HCRA related to Indigent Care.

The annual change in personal service spending is mainly due to the payment of $270 million in retroactive salary settlements for employees represented by NYSCOPBA, the Police Benevolent Association (PBA) and the New York State Police Investigators Association (BCI) in FY 2010 and reductions across nearly all agencies. Non-personal service spending was lower by $155 million (7.8 percent) compared to the prior year, mainly reflecting the impact of spending controls.

Growth in GSCs spending was attributable to the increase in State contributions to the pension system and increased health insurance costs. Pension costs increased by $315 million in FY 2011, after the amortization of $249 million in costs. Health insurance costs increased by $374 million. Transfers increased mainly for capital projects and the State share of Medicaid costs related to mental hygiene programs.

Fiscal Year 2010

Receipts during the fiscal year fell substantially below projections. General Fund receipts, including transfers from other funds, totaled $52.6 billion, or $1.78 billion lower than the State's initial projections for FY 2010. General Fund disbursements, including transfers to other funds, totaled $52.2 billion, a decrease of $2.71 billion from initial projections. However, actual disbursements were affected by $2.1 billion in payment deferrals (described below) taken by the State to end the fiscal year without the use of its rainy day reserves and other designated balances. Without the deferrals, disbursements for the fiscal year would have been approximately $665 million below initial projections.

In the final quarter of the fiscal year, in order to avoid depleting its reserves, the State deferred a planned payment to school districts ($2.1 billion), which reduced spending from planned levels, and certain tax refunds, which increased available receipts from planned levels ($500 million). Both the school aid payment and the tax refunds were scheduled to be paid in FY 2010 but, by statute, were not due until June 1, 2010. The combined value of the deferrals had the effect of increasing the closing balance in the General Fund for FY 2010 to $2.3 billion, or approximately $900 million above the level required to restore the rainy day reserves and other balances to their anticipated levels. The higher closing balance was due exclusively to the cash management actions described above and did 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 FY 2010 to FY 2011. On June 1, 2010, the State paid the $2.1 billion in school aid deferred from FY 2010.

General Fund receipts, including transfers from other funds, were $1.2 billion below FY 2009 results. Tax receipts decreased by $1.2 billion and transfers decreased by $750 million, partly offset by increased miscellaneous receipts of $744 million. The $1.2 billion annual decline in tax receipts included a $541 million decline in personal income taxes and a $302 million decline in sales and use tax receipts.

General Fund disbursements, including transfers to other funds, were $2.4 billion below FY 2009 results. The annual decline reflects the deferral of $2.1 billion in school aid, the impact of mid-year spending reductions, and the use of ARRA funds in place of General Fund spending.

The General Fund closing balance consisted of $1.2 billion in the State's rainy day reserves, $21 million in the State's general contingency reserve fund (to guard against litigation risks), $96 million in the Community Projects Fund, and $978 million in the Refund Reserve Account, of which approximately $900 million was attributable to the deferrals described above.

STATE OPERATING FUNDS FY 2010 THROUGH FY 2012

State Operating Funds is composed of the General Fund, State special revenue funds and debt service funds. The State Operating Funds perspective is primarily intended as a measure of State-financed spending.

Recent Trends

Similar to the General Fund, spending levels in State Operating Funds recent years have also been substantially affected by the State's receipt of Federal ARRA funds. ARRA funding has temporarily reduced the State's share of expenses for Medicaid, education, and other governmental services. This has temporarily lowered State Operating Funds spending in recent fiscal years, and resulted in a corresponding increase in spending from Federal funds (see the discussion of All Funds below).

FISCAL YEAR 2012

State Operating Funds receipts totaled $82.6 billion in FY 2012, an increase of $3.8 billion over the FY 2011 results. Disbursements totaled $87.2 billion in FY 2012, an increase of 2.8 billion from the FY 2011 results. The State ended FY 2012 with a State Operating Funds cash balance of $3.8 billion. In addition to the $1.8 billion General Fund balance described above, the State's special revenue funds had a closing balance of $1.6 billion and the debt service funds had a closing balance of $428 million. The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of monies needed for debt service payments to bond holders.

FISCAL YEAR 2011

State Operating Funds receipts totaled $78.8 billion in FY 2011, an increase of $2.9 billion over the FY 2010 results. Disbursements totaled $84.4 billion in FY 2011, an increase of $3.8 billion from the FY 2010 results. The State ended FY 2011 with a State Operating Funds cash balance of $4.0 billion. In addition to the $1.4 billion General Fund balance described above, the State's special revenue funds had a closing balance of $2.1 billion and the debt service funds had a closing balance of $453 million. The fund balance in the special revenue funds largely reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). A large fund balance is dedicated to finance the operations and activities of SUNY campuses and hospitals ($651 million). The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of monies needed for debt service payments to bond holders.

Fiscal Year 2010

State Operating Funds receipts totaled $75.8 billion in FY 2010, an increase of $611 million over the FY 2009 results. Disbursements totaled $80.7 billion in FY 2010, a decrease of $966 million from the FY 2009 results. The State ended FY 2010 with a State Operating Funds cash balance of $4.8 billion. In addition to the $2.3 billion General Fund balance described above, the State's special revenue funds had a closing balance of $2.1 billion and the debt service funds had a closing balance of $411 million. The fund balance in the special revenue funds largely reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). A large fund balance is dedicated to finance the operations and activities of SUNY campuses and hospitals ($774 million). The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of monies needed for debt service payments to bond holders.

All Funds FY 2010 through FY 2012

The All Funds Financial Plan records the operations of the four governmental fund types: the General Fund, special revenue funds, capital projects funds, and debt service funds. It is the broadest measure of State governmental activity, and includes spending from Federal funds and capital projects funds.

Recent Trends

The All Funds Financial Plan has grown faster than State Operating Funds in recent years. The growth includes nearly $2.9 billion in ARRA "pass-through" spending, which is Federal stimulus money that is accounted for in the State's fund structure but does not provide a direct fiscal benefit to the State (i.e., resources to help balance the General Fund budget).

Fiscal Year 2012

All Funds receipts for FY 2012 totaled $132.7 billion, a decrease of $577 million over FY 2011 results. Annual growth in tax receipts and miscellaneous receipts was more than offset by a decline in Federal grants. All Funds disbursements for FY 2012 totaled $133.5 billion, a decrease of $1.3 billion over FY 2011 results. The annual changes largely reflect the impact of Federal ARRA aid.

The State ended FY 2012 with an All Funds cash balance of $3.4 billion. The $3.8 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly $449 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

FISCAL YEAR 2011

All Funds receipts for FY 2011 totaled $133.3 billion, an increase of $6.7 billion over FY 2010 results. Annual growth in Federal grants and tax receipts was partially offset by a decline in miscellaneous receipts. All Funds disbursements for FY 2011 totaled $134.8 billion, an increase of $7.9 billion over FY 2010 results. The annual change reflects growth due to ARRA "pass-through" and growth in capital spending and debt service, as well as the $2.1 billion school aid deferral from FY 2010.

The State ended the FY 2011 fiscal year with an All Funds cash balance of $3.8 billion. The $4.0 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly $168 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

FISCAL YEAR 2010

All Funds receipts for FY 2010 totaled $126.7 billion, an increase of $7.5 billion over FY 2009 results. Annual growth in Federal grants and miscellaneous receipts was partially offset by a decline in tax receipts. All Funds disbursements for FY 2010 totaled $126.9 billion, an increase of $5.3 billion over FY 2009 results. The annual change reflects growth due to ARRA "pass-through" and growth in School Aid, Medicaid, transportation aid, economic development aid and other State programs.

The State ended the FY 2010 fiscal year with an All Funds cash balance of $4.9 billion. Along with the $4.8 billion State Operating Funds balance described above, Federal operating funds had a closing balance of $456 million, partly offset by a negative capital project funds closing balance of roughly $254 million. The fund balance in the Federal operating funds partly reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

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

	General Fund	Special Revenue Funds	Debt Service Funds	Total
Opening fund balance	1,949	2,630	298	4,877
Receipts:				
Taxes	36,997	7,802	11,448	56,247
Miscellaneous receipts	3,888	14,654	974	19,516
Federal grants	71	0	13	84
Total receipts	40,956	22,456	12,435	75,847
Disbursements:				
Grants to local governments	34,234	18,089	0	52,323
State operations:				
Personal Service	6,611	6,138	0	12,749
Non-Personal Service	1,977	3,087	51	5,115
General State charges	3,594	1,907	0	5,501
Debt service	0	0	4,961	4,961
Capital projects	0	11	0	11
Total disbursements	46,416	29,232	5,012	80,660
Other financing sources (uses):				
Transfers from other funds	11,600	7,935	6,646	26,181
Transfers to other funds	(5,787)	(1,691)	(13,956)	(21,434)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,813	6,244	(7,310)	4,747
Change in fund balance	353	(532)	113	(66)
Closing fund balance	2,302	2,098	411	4,811

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

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

	General Fund	Special Revenue Funds	Debt Service Funds	Total
Opening fund balance	2,302	2,098	411	4,811
Receipts:				
Taxes	39,205	8,117	12,210	59,532
Miscellaneous receipts	3,095	15,154	900	19,149
Federal grants	54	0	57	111
Total receipts	42,354	23,271	13,167	78,792
Disbursements:				
Grants to local governments	37,206	18,089	0	55,295
State operations:				
Personal Service	6,151	6,271	0	12,422
Non-Personal Service	1,822	3,081	63	4,966
General State charges	4,187	1,915	0	6,102
Debt service	0	0	5,615	5,615
Capital projects	0	18	0	18
Total disbursements	49,366	29,374	5,678	84,418
Other financing sources (uses):				
Transfers from other funds	12,093	8,077	7,048	27,218
Transfers to other funds	(6,007)	(1,933)	(14,494)	(22,434)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,086	6,144	(7,446)	4,784
Change in fund balance	(926)	41	43	(842)
Closing fund balance	1,376	2,139	454	3,969

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

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

	General Fund	Special Revenue Funds	Debt Service Funds	Total
Opening fund balance	1,376	2,139	454	3,969
Receipts:				
Taxes	41,754	8,244	12,962	62,960
Miscellaneous receipts	3,162	15,399	955	19,516
Federal grants	60	0	80	140
Total receipts	44,976	23,643	13,997	82,616
Disbursements:				
Grants to local governments	38,419	18,848	0	57,267
State operations:				
Personal Service	5,781	6,266	0	12,047
Non-Personal Service	1,713	3,646	45	5,404
General State charges	4,720	1,873	0	6,593
Debt service	0	0	5,864	5,864
Capital projects	0	6	0	6
Total disbursements	50,633	30,639	5,909	87,181
Other financing sources (uses):				
Transfers from other funds	11,924	7,096	6,490	25,510
Transfers to other funds	(5,856)	(607)	(14,604)	(21,067)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,068	6,489	(8,114)	4,443
Change in fund balance	411	(507)	(26)	(122)
Closing fund balance	1,787	1,632	428	3,847

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Opening fund balance	1,949	2,846	(507)	298	4,586
Receipts:					
Taxes	36,997	7,801	1,422	11,448	57,668
Miscellaneous receipts	3,888	14,812	3,882	974	23,556
Federal grants	71	43,379	2,061	13	45,524
Total receipts	40,956	65,992	7,365	12,435	126,748
Disbursements:					
Grants to local governments	34,234	55,395	1,910	0	91,539
State operations:					
Personal Service	6,611	6,794	0	0	13,405
Non-Personal Service	1,977	3,998	0	51	6,026
General State charges	3,594	2,140	0	0	5,734
Debt service	0	0	0	4,961	4,961
Capital projects	0	11	5,202	0	5,213
Total disbursements	46,416	68,338	7,112	5,012	126,878
Other financing sources (uses):					
Transfers from other funds	11,600	7,218	737	6,646	26,201
Transfers to other funds	(5,787)	(5,317)	(1,185)	(13,956)	(26,245)
Bond and note proceeds	0	0	448	0	448
Net other financing sources (uses)	5,813	1,901	0	(7,310)	404
Change in fund balance	353	(445)	253	113	274
Closing fund balance	2,302	2,401	(254)	411	4,860

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Opening fund balance	2,302	2,401	(254)	411	4,860
Receipts:					
Taxes	39,205	8,117	1,339	12,210	60,871
Miscellaneous receipts	3,095	15,306	3,848	900	23,149
Federal grants	54	46,692	2,499	57	49,302
Total receipts	42,354	70,115	7,686	13,167	133,322
Disbursements:					
Grants to local governments	37,206	58,696	2,731	0	98,633
State operations:					
Personal Service	6,151	6,954	0	0	13,105
Non-Personal Service	1,822	4,094	0	63	5,979
General State charges	4,187	2,174	0	0	6,361
Debt service	0	0	0	5,615	5,615
Capital projects	0	19	5,113	0	5,132
Total disbursements	49,366	71,937	7,844	5,678	134,825
Other financing sources (uses):					
Transfers from other funds	12,093	7,334	1,130	7,048	27,605
Transfers to other funds	(6,007)	(5,764)	(1,410)	(14,494)	(27,675)
Bond and note proceeds	0	0	525	0	525
Net other financing sources (uses)	6,086	1,570	245	(7,446)	455
Change in fund balance	(926)	(252)	87	43	(1,048)
Closing fund balance	1,376	2,149	(167)	454	3,812

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Opening fund balance	1,376	2,149	(167)	454	3,812
Receipts:					
Taxes	41,754	8,244	1,337	12,962	64,297
Miscellaneous receipts	3,162	15,565	4,155	955	23,837
Federal grants	60	42,356	2,115	80	44,611
Total receipts	44,976	66,165	7,607	13,997	132,745
Disbursements:					
Grants to local governments	38,419	55,496	2,566	0	96,481
State operations:					
Personal Service	5,781	6,899	0	0	12,680
Non-Personal Service	1,713	4,590	0	45	6,348
General State charges	4,720	2,135	0	0	6,855
Debt service	0	0	0	5,864	5,864
Capital projects	0	6	5,270	0	5,276
Total disbursements	50,633	69,126	7,836	5,909	133,504
Other financing sources (uses):					
Transfers from other funds	11,924	7,096	1,031	6,490	26,541
Transfers to other funds	(5,856)	(4,690)	(1,436)	(14,604)	(26,586)
Bond and note proceeds	0	0	352	0	352
Net other financing sources (uses)	6,068	2,406	(53)	(8,114)	307
Change in fund balance	411	(555)	(282)	(26)	(452)
Closing fund balance	1,787	1,594	(449)	428	3,360

Source: NYS OSC (reflecting amounts published in the Cash Basis Report as restated).

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

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

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

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

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

Summary of Net Assets
(millions of dollars)

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

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

ECONOMICS AND DEMOGRAPHICS

The demographic and statistical data in this section, which have been obtained from the sources indicated, do not represent all of the factors which may have a bearing on the State's fiscal and economic affairs. Further, such information requires economic and demographic analysis in order to assess its significance, and may be interpreted differently by individual experts. Note that DOB has chosen to provide economic and demographic analysis updated through the date of this AIS, although continuing disclosure requirements for this AIS require analysis only through March 31, 2012.

THE U.S. ECONOMY

The most recent data indicate that extreme winter weather may once again be having a significant impact on national economic activity, though this time in a more benevolent direction. First quarter construction, job growth, and car sales were all stronger than expected, with light vehicle sales reaching their highest levels since early 2008. However, even as auto spending rises to levels unseen since the start of the recession, other areas of household spending continue to show weakness. Unusually warm weather has had a depressing effect on the demand for heating, and the rising cost of oil and gasoline may be lowering demand for other energy-related goods. Moreover, income growth remains sluggish, despite an improving job market. Growth of 2.0 percent in real U.S. GDP is now projected for the first quarter of 2012, with the economy projected to grow 2.3 percent for all of 2012. These projections are well below long-term trend values.

An improved labor market is expected to help offset some of the pressure on household spending from higher energy prices. Monthly private sector job gains have averaged 200,000 for the seven months starting in September 2011. Moreover, the drag from public sector losses is diminishing as well, with the unemployment rate falling to 8.2 percent in March, the lowest since January 2009. On an annual average basis, DOB projects employment growth of 1.7 percent for 2012. Personal income is projected to rise 3.8 percent in 2012, with its largest component, wages, expected to rise 4.6 percent.

Energy price volatility continues to rage unabated, as markets react to supply risks stemming from Middle East tensions and the anticipation of significantly increased demand from emerging markets. The two benchmark prices that have the greatest impact on the prices of domestic petroleum products – West Texas Intermediate Crude (WTI) and London Brent – have been on the rise, with WTI flirting with its previous April 2011 peak and Brent surpassing it. Although both prices have since come down modestly, gasoline prices have also returned to their 2011 peaks, adding to both general inflationary pressures and the strain on household budgets. In large part, as a result of this, DOB projects inflation of 2.3 percent for 2012.

Although a definitive solution to the European sovereign debt crisis remains elusive, progress has been made. The European Central Bank's assumption of a more active role in protecting the banking system with the establishment of the long-term refinancing operation (LTRO) appears to be having a stabilizing influence on financial markets. The S&P 500 rose about 10 percent during the first quarter of this year over the prior quarter, while the 10-year Treasury approached 2.4 percent during the middle of March for the first time since October 2011 before backing off. Although financial markets can be expected to remain volatile, a more favorable outlook for economic growth and employment reaffirm DOB's outlook for monetary tightening to begin in the middle of 2013.

DOB's economic outlook continues to call for tepid but improving growth over the course of 2012. However, there are significant risks to this forecast. The euro-debt crisis continues; any unexpected development could yet result in widening risk spreads and a decline in equity markets. A longer and deeper European recession or significantly slower growth in emerging markets could have a negative impact on the demand for U.S. exports. If gasoline prices remain elevated for a sustained period, household spending growth could be lower than anticipated, since energy price growth acts as a virtual tax on household spending. A surge in foreclosures could impede the recovery in home prices, which could in turn delay the recovery in household net worth and also result in lower rates of household spending than projected. Alternatively, a stronger than expected recovery in the labor market could result in greater household spending than projected, while a milder recession in Europe and stronger global growth more generally could result in a faster pickup in the demand for U.S. exports.

Economic Indicators for the United States

	2008	2009	2010	2011	2012 [1]
Gross Domestic Product					
Nominal ($ billions)	14,291.6	13,938.9	14,526.5	15,094.0	15,704.8
Percent Change	1.9	(2.5)	4.2	3.9	4.0
Real ($ billions)	13,161.9	12,703.1	13,088.0	13,315.1	13,618.3
Percent Change	(0.3)	(3.5)	3.0	1.7	2.3
Personal Income					
($ billions)	12,460.2	11,930.2	12,373.6	13,005.3	13,495.8
Percent Change	4.6	(4.3)	3.7	5.1	3.8
Nonagricultural Employment					
(millions)	136.8	130.8	129.9	131.4	133.6
Percent Change	(0.6)	(4.4)	(0.7)	1.2	1.7
Unemployment Rate (%)	5.8	9.3	9.6	9.0	8.1
Consumer Price Index					
(1982-84=100)	215.3	214.6	218.1	224.9	230.2
Percent Change	3.8	(0.3)	1.6	3.1	2.3

Sources: US Department of Commerce, Bureau of Economic Analysis; US Department of Labor, Bureau of Labor Statistics. Table reflects revisions by source agencies to figures for prior years.

[1]As projected by the NYS DOB, based on National Income and Product Account data through March 2012.

THE NEW YORK ECONOMY

The most recent data indicate that the pace of New York employment growth remains healthy. Private sector employment growth of 1.5 percent is now projected for 2012, following growth of 2.0 percent for 2011. Total employment growth of 1.1 percent is projected for this year, following growth of 1.2 percent for 2011. Consistent with a strong job market, State wage growth of 3.1 percent is expected for 2012, with growth in total personal income projected at 3.4 percent. Although these growth rates represent an improving outlook, they remain substantially below historical averages.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, the volume of financial market activity and equity market volatility pose a particularly large degree of uncertainty for New York. In addition, with Wall Street firms still adjusting their compensation practices in the wake of the passage of financial reform, both the bonus and non-bonus components of employee pay are becoming increasingly difficult to estimate. A weaker labor market than projected could also result in lower wages, which in turn could result in weaker household consumption. Similarly, should financial and real estate markets be weaker than anticipated, taxable capital gains realizations could be negatively affected. These effects could ripple through the State economy, depressing 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 bonus growth than projected.

Economic Indicators for New York State

	2008	2009	2010	2011	2012 [1]
Personal Income ($ billions)	949.3	904.0	942.5	983.9	1,017.1
Percent Change	3.7	(4.8)	4.3	4.4	3.4
Nonagricultural Employment (thousands)	8,573.7	8,312.0	8,318.7	8,417.3	8,512.2
Percent Change	0.5	(3.1)	0.1	1.2	1.1
Unemployment Rate (%)	5.4	8.3	8.6	8.2	8.0

Sources: US Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor. Table reflects revisions by source agencies to data for prior years.

[1] As projected by Division of the Budget, based on National Income and Product Account data and employment data available through March 2012.

New York is the third most populous state in the nation and has a relatively high level of personal wealth. The State's economy is diverse, with a comparatively large share of the nation's financial activities, information, education, and health services employment, and a very small share of the nation's farming and mining activity. The State's location and its air transport facilities and natural harbors have made it an important link in international commerce. Travel and tourism constitute an important part of the economy. Like the rest of the nation, New York has a declining proportion of its workforce engaged in manufacturing, and an increasing proportion engaged in service industries. In 2003, Federal and state governments began reporting employment and wage statistics in accordance with the North American Industry Classification System (NAICS).

Manufacturing: Manufacturing employment continues to decline as a share of total State employment, as in most other states, and as a result New York's economy is less reliant on this sector than in the past. However, it remains an important sector of the State economy, particularly for the upstate region, which hosts high concentrations of manufacturers of transportation and other types of equipment.

Trade, Transportation, and Utilities: As defined under NAICS, the trade, transportation, and utilities supersector accounts for the third largest component of State nonagricultural employment, but only the fifth largest when measured by wage share. This sector accounts for less employment and wages for the State than for the nation as a whole.

Financial Activities: New York City is the nation's leading center of banking and finance and, as a result, this is a far more important sector in the State than in the nation as a whole. Although this sector accounts for under one-tenth of all nonagricultural jobs in the State, it contributes more than one-fifth of total wages.

Other Service Sectors: The remaining service-producing sectors include information, professional and business services, private education and healthcare, leisure and hospitality services, and other services. These industries combined account for almost half of all nonagricultural jobs in New York. Information, education and health, and other services account for a higher proportion of total State employment than for the nation as a whole.

Agriculture: Farming is an important part of the economy in rural areas, although it constitutes only about 0.2 percent of total State output. Principal agricultural products of the State include milk and dairy products, greenhouse and nursery products, fruits, and vegetables. New York ranks among the nation's leaders in the production of these commodities.

The 2011 Composition of Nonagricultural Employment and Wages
(Percent)

	Employment		Wages	
	State	United States	State	United States
Natural Resources and Mining	0.1	0.6	0.1	1.3
Construction	3.5	4.2	3.7	4.4
Manufacturing	5.3	8.9	5.1	10.6
Trade, Transportation, and Utilities	17.1	19.0	12.4	15.9
Information	2.9	2.0	4.5	3.2
Financial Activities	7.9	5.8	20.8	9.1
Professional and Business Services	13.1	13.2	17.2	16.7
Educational and Health Services	19.9	15.1	14.1	13.3
Leisure and Hospitality	8.8	10.1	4.4	4.6
Other Services	4.3	4.1	2.8	3.2
Government	17.1	16.8	15.0	17.6

Source: NYS Department of Labor; US Department of Labor, Bureau of Labor Statistics; US Department of Commerce, Bureau of Economic Analysis.

Government: Federal, State, and local governments together comprise the second largest sector in terms of nonagricultural jobs, with the bulk of the employment accounted for by local governments. Public education is the source of about one-half of total State and local government employment.

The importance of the different sectors of the State's economy relative to the national economy is shown in the above table, which compares nonagricultural employment and wages by sector for the State and the nation as a whole. Manufacturing and construction account for smaller shares of employment for the State than for the nation, while the combined service industries account for a larger share. The financial activities sector share of total wages is particularly large for the State relative to the nation. Thus, the State is likely to be less affected than the nation as a whole during an economic recession that is concentrated in manufacturing and construction, but likely to be more affected by any economic downturn that is concentrated in the services sector.

ECONOMIC AND DEMOGRAPHIC TRENDS

In calendar years 1990 through 1998, the State's rate of economic growth was somewhat slower than that of the nation. In particular, during the 1990-91 recession and post-recession period, the economies of the State and much of the rest of the Northeast were more heavily damaged than the nation as a whole and were slower to recover. However, the situation subsequently improved. In 1999, for the first time in 13 years, State employment growth surpassed that of the nation, and in 2000 the rates were essentially the same. In 2001, the September 11th attack resulted in a downturn in New York that was more severe than for the nation as a whole. In contrast, the State labor market fared better than that of the nation as a whole during the most recent downturn that began in 2008, though New York experienced a historically large wage decline in 2009. The State unemployment rate was higher than the national rate from 1991 to 2000, but the gap between them has since closed, with the State rate below that of the nation from the start of the national recession through the end of 2012.

The following table compares population change in the State and in the United States since 1960.

Comparative Population Figures

	State			US	
	Total Population (000s)	% Change from Preceding Period	Percentage of U.S. Population	Total Population (000s)	% Change from Preceding Period
1960	16,782	13.2	9.4	179,323	18.5
1970	18,241	8.7	9.0	203,302	13.4
1980	17,558	(3.7)	7.8	226,546	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2
2010	19,378	2.1	6.3	308,746	9.7
2011	19,465	0.4	6.2	311,592	0.9

Source: US Department of Commerce, Census Bureau.

Total State nonagricultural employment has declined as a share of national nonagricultural employment. The following historical table compares these levels and the rate of unemployment for the State and the nation.

Nonagricultural Employment and Unemployment Rate for New York and the United States

	Employment (000s)		State as Percent of US	Unemployment Rate (%)	
	State	US	Employment	State	US
1960	6,182	54,296	11.4	N/A	5.5
1970	7,156	71,006	10.1	N/A	4.9
1980	7,207	90,528	8.0	7.5	7.1
1990	8,214	109,487	7.5	5.3	5.6
2000	8,638	131,785	6.6	4.5	4.0
2010	8,567	129,874	6.6	8.6	9.6
2011	8,683	131,359	6.6	8.2	9.0

Source: US Department of Labor and NYS Department of Labor.

Note: Nonagricultural employment and unemployment rates are generated from separate surveys.

State per capita personal income has historically been significantly higher than the national average, although the ratio has varied substantially. Because New York City is an employment center for a multi-state region, State personal income measured on a residence basis understates the relative importance of the State to the national economy and the size of the base to which State taxation applies. The following table compares per capita personal incomes for the State and the nation.

Per Capita Personal Income
(Income in Dollars)

	State	US	State/US
1960	2,822	2,268	1.24
1970	4,868	4,084	1.19
1980	10,985	10,091	1.09
1990	23,710	19,354	1.23
2000	34,623	30,319	1.14
2010	48,596	39,937	1.22
2011	50,545	41,663	1.21

Source: US Department of Commerce, Bureau of Economic Analysis.

DEBT AND OTHER FINANCING ACTIVITIES

The DOB prepares a Five-Year Capital Program and Financing Plan with the Executive Budget and updates it following enactment of the budget (the "Enacted Capital Plan"). The Capital Program and Financing Plan outlines the anticipated capital spending over the five-year period, the means by which it will be financed, the impact on debt measures, and the anticipated debt issuances required to support the planned capital spending. The Enacted Budget Capital Program and Financing Plan can be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 474-8282, or at www.budget.ny.gov.

STATE DEBT AND OTHER FINANCINGS

New York State is one of the largest issuers of municipal debt, ranking second among the states, behind California, in the amount of debt outstanding. The State ranks fifth in the U.S. in debt per capita, behind Connecticut, Massachusetts, Hawaii, and New Jersey. As of March 31, 2012, total State-related debt outstanding remained stable at $56.8 billion and 5.7 percent of personal income. The State's debt levels are typically measured using two categories: *State-supported debt* and *State-related debt*.

State-supported debt represents obligations of the State that are paid from traditional State resources (i.e., tax revenue) and have a budgetary impact. It includes general obligation debt, to which the full faith and credit of the State has been pledged, and lease purchase and contractual obligations of public authorities and municipalities, where the State's legal obligation to make payments to those public authorities and municipalities is subject to and paid from annual appropriations made by the Legislature. These include the State PIT Revenue Bond program and the New York Local Government Assistance Corporation (LGAC) bonds. Since 2002, the State has financed most of its capital program with PIT Revenue Bonds, a revenue bond program that has reduced its cost of borrowing and created efficiencies by permitting the consolidation of bond sales. Prior to 2002, the State had financed its capital spending with lower-rated lease purchase and contractual service obligations of public authorities.

State-related debt is a broader measure of State debt which includes all debt that is reported in the State's GAAP-basis financial statements, except for unamortized premiums and accumulated accretion on capital appreciation bonds. These financial statements are audited by external independent auditors and published by OSC on an annual basis. The debt reported in the GAAP-basis financial statements includes general obligation voter approved debt, other State-supported debt as defined in the State Finance Law, debt issued by the Tobacco Securitization Finance Corporation, certain debt of the Municipal Bond Bank Agency (MBBA) issued to finance prior year school aid claims and capital leases and mortgage loan commitments. In addition, State-related debt reported by DOB includes State-guaranteed debt, moral obligation financings and certain contingent-contractual obligation financings, where debt service is paid from non-State sources in the first instance, but State appropriations are available to make payments if necessary. These numbers are not included in the State's GAAP-basis financial statements.

The State's debt does not encompass, and does not include, debt that is issued by, or on behalf of, local governments and secured (in whole or in part) by State local assistance aid payments. For example, certain State aid to public schools paid to school districts or New York City has been pledged by those local entities to help finance debt service for locally-sponsored and locally-determined financings. This debt, however, is not treated by DOB as either State-supported debt or State-related debt because it (i) is not issued by the State (nor on behalf of the State), and (ii) does not result in a State obligation to pay debt service. Instead, this debt is accounted for in the respective financial statements of the local governments or other entity responsible for the issuance of such debt and is similarly treated.

The issuance of general obligation debt and debt of LGAC is undertaken by OSC. All other State-supported and State-related debt is issued by the State's financing authorities (known as "Authorized Issuers" in connection with the issuance of PIT Bonds) acting under the direction of DOB. The Authorized Issuers include NYSTA, DASNY, ESD, the Environmental Facilities Corporation (EFC), and the Housing Finance Agency (HFA). Prior to any issuance of State-supported debt and State-related debt, approval is required by the State Legislature, DOB, the issuer's board, and in certain instances, the Public Authorities Control Board (PACB), and the State Comptroller.

The State has never defaulted on any of its general obligation indebtedness or its obligations under lease purchase or contractual obligation financing arrangements and has never been called upon to make any direct payments pursuant to its guarantees. The following table summarizes the State's debt obligation for the past three fiscal years.

OUTSTANDING STATE-SUPPORTED AND STATE-RELATED DEBT [1]
(millions of dollars)

	FY 2010	FY 2011	FY 2012
State-Supported Debt	**50,323**	**51,618**	**52,773**
General Obligation	3,400	3,525	3,494
Local Government Assistance Corporation	3,639	3,330	3,119
Personal Income Tax Revenue Bonds	18,189	20,986	23,074
Other Service Contract & Lease Purchase [2]	13,271	12,316	11,312
Other Revenue Bonds	11,824	11,461	11,774
Contingent-Contractual Obligation Financings	**3,894**	**3,597**	**3,193**
DASNY/MCCFA - Secured Hospital Program	637	585	503
Tobacco Settlement Financing Corporation	3,257	3,012	2,690
Moral Obligation Financings	**31**	**25**	**20**
Housing Finance Agency	28	23	18
MCCFA - Hospitals and Nursing Homes	3	2	2
Other State Financings	**840**	**781**	**749**
MBBA Prior Year School Aid Claims	419	396	368
Capital Leases [2]	266	237	237
Mortgage Loan Commitments	155	148	144
State Guaranteed Debt			
Job Development Authority	28	23	19
TOTAL STATE-RELATED DEBT	55,116	56,044	56,754

Source: NYS DOB. Except Mortgage Loan Commitments which are taken from the CAFR for FY 2010 and FY 2011 Mortgage Loan Commitments and Capital Leases are estimated by DOB for FY 2012.

[1] Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received.

[2] Capital leases by OGS are included in State-Supported Debt.

STATE-SUPPORTED DEBT OUTSTANDING

State-supported debt represents obligations of the State that are paid from traditional State resources and have a budgetary impact. It includes general obligation debt, State PIT Revenue Bonds, LGAC bonds and lease purchase and service contract obligations of public authorities and municipalities.

Payment of all obligations, except for general obligation debt, is subject to annual appropriations by the State Legislature, but the State's credits have different security features, as described in this section.

General Obligation Financings

With limited exceptions for emergencies, the State Constitution prohibits the State from undertaking a long-term general obligation borrowing (i.e., borrowing for more than one year) unless it is authorized in a specific amount for a single work or purpose by the Legislature and approved by the voters. There is no constitutional limitation on the amount of long-term general obligation debt that may be so authorized and subsequently incurred by the State. However, the Debt Reform Act of 2000 ("Debt Reform Act") imposed statutory limitations on new State-supported debt issued on and after April 1, 2000. The State Constitution provides that general obligation bonds, which can be paid without an appropriation, must be paid in equal annual principal installments or installments that result in substantially level or declining debt service payments, mature within 40 years after issuance, and begin to amortize not more than one year after the issuance of such bonds. However, general obligation housing bonds must be paid within 50 years after issuance, with principal commencing no more than three years after issuance. The Debt Reform Act limits the maximum term of State-supported bonds, including general obligation bonds, to 30 years, and the State currently has no bonds outstanding with a remaining final maturity that is more than 30 years.

General obligation debt is currently authorized for transportation, environment and housing purposes. Transportation-related bonds are issued for State and local highway and bridge improvements, mass transportation, rail, aviation, canal, port and waterway programs and projects. Environmental bonds are issued to fund environmentally sensitive land acquisitions, air and water quality improvements, municipal non-hazardous waste landfill closures and hazardous waste site cleanup projects.

Most general obligation debt-financed spending in the Enacted Capital Plan is authorized under nine previously approved bond acts (five for transportation and four for environmental and recreational programs). The majority of projected general obligation bond-financed spending supports authorizations for the 2005 Rebuild and Renew New York Bond Act. DOB projects that spending authorizations from the remaining bond acts will be virtually depleted by FY 2013.

The State Constitution permits the State to undertake short-term general obligation borrowings without voter approval in anticipation of the receipt of (i) taxes and revenues, by issuing general obligation tax and revenue anticipation notes (TRANs), and (ii) proceeds from the sale of duly authorized but unissued general obligation bonds, by issuing bond anticipation notes (BANs). General obligation TRANs must mature within one year from their date of issuance and cannot be refunded or refinanced beyond such period. However, since 1990, the State's ability to issue general obligation TRANs that mature in the same State fiscal year in which they were issued has been limited due to the enactment of the fiscal reform program which created LGAC. BANs may only be issued for the purposes and within the amounts for which bonds may be issued pursuant to voter authorizations, and must be paid from the proceeds of the sale of bonds in anticipation of which they were issued or from other sources within two years of the date of issuance or, in the case of BANs for housing purposes, within five years of the date of issuance. In order to provide flexibility within these maximum term limits, the State had previously used the BANs authorization to conduct a commercial paper program to fund disbursements eligible for general obligation bond financing.

The following table sets forth information regarding the levels of authorized, unissued and outstanding State general obligation debt by purpose as of March 31, 2012. This table reflects Bond Acts where there are remaining amounts authorized but unissued or where there is debt outstanding.

STATE GENERAL OBLIGATION DEBT
March 31, 2012
(In Millions)

Purpose/Year Authorized	Total Authorized	Authorized but Unissued	Total Debt Outstanding
Transportation Bonds:			
Rebuild and Renew New York Transportation Bonds (2005)			
Highway Facilities/Other Transportation (Excluding MTA)			
Highway Facilities	Note 1	Note 1	$ 764
Mass Transit - DOT	Note 1	Note 1	13
Rail & Port	Note 1	Note 1	76
Canals & Waterways	Note 1	Note 1	15
Aviation	Note 1	Note 1	43
Subtotal Highway Facilities/Other Transportation (Excluding MTA)	$ 1,450	$ 396	911
Mass Transit - Metropolitan Transportation Authority	1,450	569	806
Accelerated Capacity and Transportation			
Improvements of the Nineties (1988)	3,000	20	371
Rebuild New York Through Transportation			
Infrastructure Renewal (1983)			
Highway Related Projects	1,064	22	3
Ports, Canals, and Waterways	49	-	- (2)
Rapid Transit, Rail and Aviation Projects	137	-	16
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100	-	-
Rapid Transit and Rail Freight	400	-	12
Rail Preservation (1974)	250	-	5
Transportation Capital Facilities (1967)			
Highways	1,250	-	-
Mass Transportation	1,000	-	4
Aviation	250	-	16
Total Transportation Bonds	**10,400**	**1,007**	**2,144**
Environmental Bonds:			
Clean Water/Clean Air (1996)			
Air Quality	230	30	45
Safe Drinking Water	355	-	13
Clean Water	790	130	466
Solid Waste	175	3	70
Environmental Restoration	200	50	101
Environmental Quality (1986)			
Land and Forests	250	3	33
Solid Waste Management	1,200	61	369
Environmental Quality (1972)			
Air	150	12	11
Land and Wetlands	350	10	25
Water	650	4	84
Pure Waters (1965)	1,000	21	67
Park and Recreation Land Acquisition (1960)	100	1	- (3)
Total Environmental Bonds	**5,450**	**325**	**1,284**
Housing Bonds:			
Low-Income Housing (through 1958)	960	8	35
Middle-Income Housing (through 1958)	150	1	31
Urban Renewal (1958)	25	1	-
Total Housing Bonds	**1,135**	**10**	**66**
TOTAL GENERAL OBLIGATION DEBT	**$ 16,985**	**$ 1,342**	**$ 3,494**

Source: Office of the State Comptroller

(1) The Legislature did not provide any limitation on bonds to be issued for specific project categories or programs authorized within the Highway Facilities/Other Transportation (excluding MTA) Purpose.

(2) This amount rounds to zero, but there was an outstanding balance of $38,396.10 at March 31, 2012.

(3) This amount rounds to zero, but there was an outstanding balance of $17,462.59 at March 31, 2012.

STATE PIT REVENUE BOND PROGRAM

Since 2002, the PIT Revenue Bond Program has been the primary financing vehicle used to fund the State's capital program, replacing lower rated service contract bonds. Legislation enacted in 2001 provided for the issuance of State PIT Revenue Bonds by the State's Authorized Issuers. The legislation requires 25 percent of State PIT receipts (excluding refunds owed to taxpayers) to be deposited into the Revenue Bond Tax Fund (RBTF) for purposes of making debt service payments on these bonds, with the excess amounts returned to the General Fund. The first State PIT Revenue Bonds were issued on May 9, 2002, and since that time, all of the Authorized Issuers have issued State PIT Revenue Bonds.

Legislation enacted in 2007 increased the amount of PIT receipts to be deposited into the RBTF by removing an exclusion for PIT amounts deposited to the STAR Fund. In the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the State PIT Revenue Bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of (i) 25 percent of annual PIT receipts or (ii) $6 billion. Debt service on State PIT Revenue Bonds is subject to legislative appropriation, as part of the annual debt service bill.

As of March 31, 2012, approximately $23 billion of State PIT Revenue Bonds were outstanding. State PIT Revenue Bonds have been issued to support programs related to six general purposes: Education, Economic Development and Housing, Environment, State Facilities and Equipment, Transportation and Healthcare. Legislation enacted in FY 2010 and extended through FY 2013 permits DASNY and ESDC to issue State PIT Revenue Bonds for any authorized purpose. Prior to this time, State law required that State PIT Revenue Bonds sold for capital purposes had to be sold through specific issuers, creating coordination difficulties in scheduling sales and reimbursing capital disbursements on a timely basis. Pursuant to this State law, State PIT Revenue Bonds began to be issued by DASNY and ESDC under new General Purpose resolutions that permitted the issuance of bonds on a consolidated basis for all purposes. The State expects to continue to use the General Purpose resolutions for future issuances of State PIT Revenue Bonds for all purposes, except for Transportation.

In addition, legislation that temporarily authorizes the use of State PIT Revenue Bonds to finance the State's Mental Health Facilities Improvement Revenue Bond Program has been extended through FY 2013. This has enabled the State to take advantage of the lower interest rates typically paid on State PIT Revenue Bonds as compared to the State's Mental Health Facilities Improvement Revenue Bonds.

Based on current information and assumptions, DOB anticipates the amount of State PIT Revenue Bonds to be outstanding through FY 2016 will be as follows:

OUTSTANDING STATE PERSONAL INCOME TAX REVENUE BONDS (millions of dollars)					
	FY 2012 Results	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
State PIT Revenue Bonds [1]	**23,074**	**25,490**	**27,340**	**28,778**	**30,078**
Economic Development & Housing	4,556	4,653	4,680	4,573	4,219
Education	9,391	10,638	11,971	13,253	14,349
Environment	1,067	1,437	1,586	1,674	1,713
Healthcare	1,804	1,988	2,000	1,871	1,760
State Facilities & Equipment	3,527	3,681	3,804	3,926	4,096
Transportation	2,729	3,093	3,299	3,481	3,941

Source: NYS DOB

[1] Includes amounts issued under the General Purpose resolutions.

FY 2013 PIT Revenue Bond Borrowing Plan

State PIT Revenue Bonds that are expected to be issued in FY 2013 to support multiple capital program areas include:

- **Education ($1.5 billion):** supports SUNY and CUNY, EXCEL, NYSTAR, and the Higher Education Capital Matching Grant Program.

- **Economic Development and Housing ($508 million):** supports housing, SIP, economic development projects for the Buffalo area, CEFAP, the Regional Economic Growth Program, the New York State Economic Development Program, high technology and other business investment programs, and recent economic development initiatives.

- **State Facilities and Equipment ($332 million):** supports correctional facilities, youth facilities, State office buildings, a new State Police Troop G headquarters, and capital projects for DMNA.

- **Transportation ($549 million):** supports local transportation projects under the CHIPs program, projects at the Peace Bridge, as well as MTA transportation facilities.

- **Healthcare ($273 million):** supports the program for capital and equipment grants to healthcare providers.

- **Environment ($440 million):** supports the State Revolving Fund, the State Superfund Program, EPF, State Parks and other environmental projects.

The PIT Revenue Bond coverage ratios for upcoming years are based on assumptions of future capital spending contained in the Enacted Capital Plan. Traditionally, these estimates change substantially as new multi-year capital plans are authorized. The projected PIT Revenue Bond coverage ratios, noted below, are based upon estimates of PIT receipts deposited into the RBTF and include projected PIT debt issuances.

PROJECTED PIT REVENUE BOND COVERAGE RATIOS FY 2012 THROUGH 2016 (millions of dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Projected RBTF Receipts	9,692	10,064	10,793	11,085	11,453
PIT Bonds Outstanding (as of 3/31/12)	23,074	21,937	20,835	19,743	18,672
Projected New PIT Bonds Outstanding	0	3,553	6,505	9,035	11,406
Projected Total PIT Bonds Outstanding	23,074	25,490	27,340	28,778	30,078
Projected Maximum Annual Debt Service	2,253	2,563	2,745	2,921	3,055
Projected PIT Coverage Ratio	4.3	3.9	3.9	3.8	3.7

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

In 1990, as part of a State fiscal reform program, legislation was enacted creating LGAC, a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments that had been traditionally funded through the State's annual seasonal borrowing. The legislation also dedicated revenues equal to one cent of the State's four cent sales and use tax to pay debt service on these bonds. As of June 1995, LGAC had issued State-supported bonds and notes to provide net proceeds of $4.7 billion, completing the program. The issuance of these long-term obligations will be amortized over a period of no more than 30 years from the dates of their original issuance.

The legislation eliminated the annual issuance of general obligation TRANs that mature in the same State fiscal year that they are issued ("seasonal borrowing") except in cases where the Governor and the legislative leaders have certified the need for additional seasonal borrowing, based on emergency or extraordinary factors, or factors unanticipated at the time of adoption of the budget, and provide a schedule for eliminating it over time. Any seasonal borrowing is required by law to be eliminated by the fourth fiscal year after the limit was first exceeded (i.e., no general obligation seasonal borrowing in the fifth year). The 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. No restrictions were placed upon the State's ability to issue deficit TRANs (issued in one year and maturing in the following year).

The LGAC changes, as well as other changes in revenue and spending patterns, have allowed the State to meet its cash flow needs throughout the fiscal year without relying on seasonal borrowings. However, the State has taken extraordinary measures in recent years to manage its cash flow, including payment deferrals and permitting the State to borrow from other funds of the State (i.e., non-General Fund) for a limited period.

Legislation enacted in 2003 requires LGAC to certify, in addition to its own cash needs, $170 million annually to provide an incentive for the State to seek an annual appropriation to provide local assistance payments to New York City or its assignee. In May 2004, LGAC amended its General Bond Resolution and General Subordinate Lien Bond Resolution to make clear that any failure to certify or make payments to the City or its assignee has no impact on LGAC's own bondholders; and that if any such act or omission were to occur with respect to any bonds issued by The City of New York or its assignee, that act or omission would not constitute an event of default with respect to LGAC bonds. The

FY 2013 Enacted Budget includes a local assistance appropriation of $170 million from the Local Government Assistance Tax Fund to the City.

State-Supported Lease-Purchase and Other Contractual-Obligation Financings

Prior to the 2002 commencement of the State PIT Revenue Bond program, public authorities or municipalities issued other lease-purchase and contractual-obligation debt. This type of debt, where debt service is payable from monies received from the State and is subject to annual State appropriation, are not general obligations of the State.

Under this financing structure bonds were issued to finance various capital programs, including those which finance certain of the State's highway and bridge projects, SUNY and CUNY educational facilities, health and mental hygiene facilities, prison construction and rehabilitation, economic development projects, State buildings and housing programs, and equipment acquisitions.

Debt service payable to certain public authorities from State appropriations for such lease-purchase and contractual obligation financings may be paid from general resources of the State or from dedicated tax and other sources (i.e., personal income taxes, motor vehicle and motor fuel related-taxes, dormitory facility rentals, and patient income). Although these financing arrangements involve a contractual agreement by the State to make payments to a public authority, municipality or other entity, the State's obligation to make such payments is expressly made subject to appropriation by the Legislature and the actual availability of money to the State for making the payments.

Legislation first enacted in FY 2011, and extended through FY 2014, authorizes the State to set aside monies in reserve for debt service on general obligation, lease-purchase, and service contract bonds. Pursuant to a certificate filed by the Director of the Budget with the State Comptroller, the Comptroller is required to transfer from the General Fund such reserved amounts on a quarterly basis in advance of required debt service payment dates.

Other New York State Revenue Bond Programs

Dedicated Highway and Bridge Trust Fund Bonds

DHBTF bonds are issued by NYSTA for State transportation purposes and are backed by dedicated motor fuel, gas and other transportation related taxes and fees. DHBTF Bond issuances are expected to total approximately $633 million in FY 2013.

SUNY Dormitory Facilities Bonds

SUNY Dormitory Facilities Bonds, which are issued by DASNY, are supported by dormitory fees and rents charged to students residing in housing facilities on campus. The bond issuances of $260 million in FY 2013 will support the expansion and renovation of SUNY dormitory facilities.

Mental Health Facilities Improvement Bonds

Mental Health Facilities Improvement bonds are issued by DASNY and supported by patient revenues. The issuances of $397 million in FY 2013 will support capital projects to preserve and maintain both State and community-based facilities operated and/or licensed by OMH, OPWDD, and

OASAS. Under legislation authorized with the Enacted Budget, these programs' needs may and are expected to be financed with PIT bonds in FY 2013.

A major source of patient revenues for these bonds are Federal Medicaid payments for services delivered by OPWDD. These payments are projected to account for roughly 39 percent of revenues dedicated to pay debt service on these bonds. Debt service coverage ratios for future years are currently projected at approximately 10 times for existing Mental Health Facilities Improvements Revenue Bonds. As noted previously, the Federal Centers for Medicare and Medicaid Services (CMS) have engaged the State regarding claims for services provided to individuals in developmental centers operated by OPWDD. Although no official audit has commenced and the rates paid for these services are established in full accordance with the methodology set forth in the approved State Plan, an adverse action by CMS could jeopardize a significant amount of Federal financial participation in the State Medicaid program. The State has begun the process of seeking CMS approval to proceed with the development of a sustainable system of service funding and delivery for individuals with developmental disabilities.

STATE-RELATED DEBT OUTSTANDING

State-related debt is a broader measure of debt that includes State-supported debt, as discussed above, and contingent-contractual obligations, moral obligations, State-guaranteed debt and other debt. As of March 31, 2012, the State has never been required to make an unanticipated debt service payment on contingent contractual, moral obligation, or State-guaranteed obligations.

CONTINGENT-CONTRACTUAL OBLIGATION FINANCING

Contingent-contractual debt, included in State-related debt, is debt where the State enters into a statutorily authorized contingent-contractual obligation via a service contract to pay debt service in the event there are shortfalls in revenues from other non-State resources pledged or otherwise available to pay the debt service. As with State-supported debt, except for general obligation, all payments are subject to annual appropriation. The State has never been required to make any payments under this financing arrangement, but the bankruptcy of certain hospitals in the secured hospitals program (described below) may require the State to make payments in the future.

SECURED HOSPITAL PROGRAM

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

The financial condition of most hospitals in the State's Secured Hospital Program continues to deteriorate. Assuming recent trends continue, State resources will be needed to meet debt service obligations on outstanding bonds. As of March 31, 2012, there were approximately $503 million of outstanding bonds in the program. Of the eight hospitals in the program, several are experiencing significant operating losses that are likely to impair their ability to remain current on their loan agreements with DASNY. As of March 31, 2012, four were delinquent on their payment obligations. Of those, one hospital (North General Hospital) filed for bankruptcy in July 2010 (and closed later that month) and the hospital will not be making any further payments on the $105 million of currently outstanding bonds

In relation to the Secured Hospital Program, the Enacted Budget Financial Plan projections reflect the assumption of additional costs of $3 million in FY 2013, $32 million in FY 2014, and $39 million annually thereafter. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for four hospitals that currently are not meeting the terms of their agreement with DASNY. The State has additional exposure of up to a maximum of $39 million annually, if all additional hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

TOBACCO SETTLEMENT FINANCING CORPORATION (TSFC)

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments through the TSFC, a corporation created under the legislation that is a subsidiary of the MBBA, through an asset-backed securitization transaction. To lower costs, the legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. To reduce the chance that the State's contractual payments will be required in the event that tobacco receipts and bond reserves are not sufficient to pay debt service, the TSFC bonds were structured to meet or exceed all rating agency tobacco bond stress tests. The $4.2 billion of upfront payments received by the State from the securitization were used to help restore State budget balance in FY 2004 ($3.8 billion) and FY 2005 ($400 million). As of March 31, 2012, approximately $2.7 billion of TSFC bonds were outstanding. DOB does not anticipate that the State will be called upon to make any payment, pursuant to the contingency contract, in FY 2013.

The bonds carry a final nominal maturity of 19 years and have an expected final maturity of 13 years, based on optional redemptions (i.e., an expected final maturity in calendar year 2018). The expected final maturity may deviate due to the optional nature of the redemptions and adjustments to tobacco settlement payments due from participating manufacturers. Various manufacturers, including the original participating manufacturers, have made, or indicate that they plan to make, reduced payments to states and territories, or deposit payments into a special disputed payments account awaiting determination of entitlement to adjustments.

MORAL OBLIGATION FINANCINGS

Moral obligation financing generally involves the issuance of debt by a public authority to finance a revenue producing project or other activity. The debt is secured, in the first instance, by project revenues, but includes statutory provisions requiring the State, subject to appropriation by the Legislature, to make up any deficiencies which may occur in the issuer's debt service reserve fund. There has never been a payment default on any moral obligation debt of any public authority. DOB does not expect the State to increase statutory authorizations for moral obligation bond programs. From 1976 through 1987, the State was called upon to appropriate and make payments totaling $162.8 million to make up deficiencies in the debt service reserve funds of HFA pursuant to moral obligation provisions. In the same period, the State also expended additional funds to assist the Project Finance Agency, Urban Development Corporation (UDC) and other public authorities which had moral obligation debt outstanding. The State has not been called upon to make any payments pursuant to any moral obligations since FY 1987 and no such requirements are anticipated during FY 2013.

STATE-GUARANTEED FINANCINGS

Pursuant to specific constitutional authorization, the State may also directly guarantee certain public authority obligations. Payments of debt service on State-guaranteed bonds and notes are legally enforceable obligations of the State. The only current authorization provides for the State guarantee of the repayment of certain borrowings for designated projects of the New York State Job Development Authority (JDA). The State has never been called upon to make any direct payments pursuant to any such guarantees.

Due to concerns regarding the economic viability of its programs, JDA's loan and loan guarantee activities were suspended in 1995. JDA resumed its lending activities in 1997 under a revised set of lending programs and underwriting guidelines. In April 2004, JDA issued approximately $42 million of State-guaranteed bonds to refinance certain of its outstanding bonds and notes in order to restructure and improve JDA's capital finances. As of March 31, 2012, JDA had approximately $19 million of bonds outstanding. DOB does not anticipate that the State will be called upon to make any payments pursuant to the State guarantee in FY 2013.

OTHER STATE FINANCINGS

Other State financings relate to the issuance of debt by a public authority on behalf of a municipality which receives proceeds of the sale. These include Capital Leases, Mortgage Loan Commitments and MBBA prior year school aid claims. To ensure that debt service payments are made, the municipality assigns specified State and local assistance payments it receives to the issuer or the bond trustee. The State has no legal obligation to make any debt service payments or to continue to appropriate local assistance payments that are subject to the assignment.

BORROWING PLAN

STATE DEBT ISSUANCES BY FINANCING PROGRAM
(millions of dollars)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Personal Income Tax Revenue Bonds	3,190	3,629	3,136	2,812	2,712	2,263
General Obligation Bonds	330	436	379	299	111	66
Dedicated Highway & Bridge Trust Fund Bonds	879	633	709	703	621	560
Mental Health Facilties Improvement Revenue Bonds [1]	0	397	454	560	587	587
SUNY Dormitory Facilities Bonds	260	260	51	0	102	102
Total Issuances	4,659	5,355	4,729	4,374	4,133	3,578

Source: NYS DOB

[1] May also be issued under the State PIT Revenue Bond financing program.

Debt issuances of $5.4 billion are planned to finance new capital project spending in FY 2013, an increase of $696 million (14.9 percent) from FY 2012. The bond issuances will finance capital commitments for education ($1.8 billion), transportation ($1.6 billion), health and mental hygiene ($670 million), economic development ($508 million), the environment ($498 million), and State facilities and equipment ($332 million).

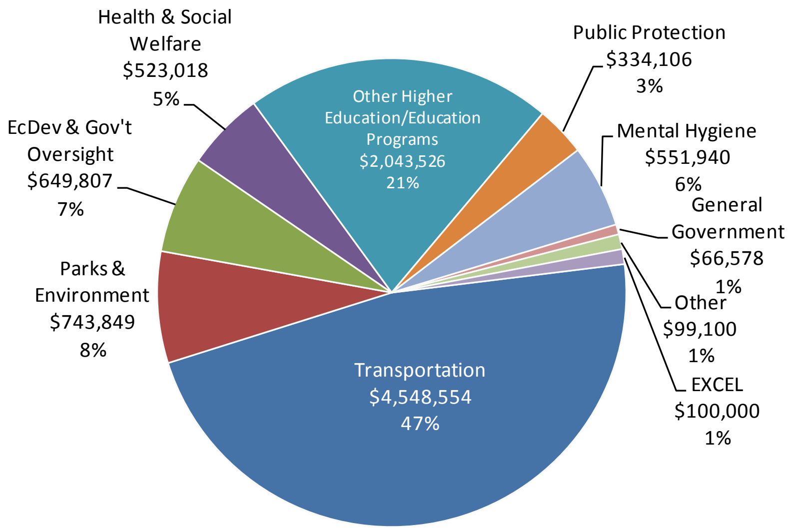
Over the next five years, new debt issuances are projected to total $22.2 billion. New issuances are primarily for education facilities ($8.0 billion), transportation infrastructure ($7.1 billion), mental hygiene and health care facilities ($3.0 billion), State facilities and equipment ($1.4 billion), and the environment ($1.3 billion).

The PIT credit has replaced all of the State's new money service contract bonding, and is projected to comprise nearly two-thirds of all new State bond issuances. The remaining balance is divided between bonds which are the general obligation of the State and bonds which are supported by other revenue credits (e.g., the Dedicated Highway and Bridge Trust Fund bonds).

FY 2013 Capital Projects Spending

Spending on capital projects is projected to total $9.7 billion in FY 2013, which includes $1.7 billion in "off-budget spending" directly from bond proceeds held by public authorities. Overall, capital spending in FY 2013 is projected to increase by $349 million (4 percent) from FY 2012.

FY 2013 Capital Spending by Function
(thousands of dollars)



In FY 2013, transportation spending is projected to total $4.5 billion, which represents 47 percent of total capital spending, with education comprising the next largest share at 21 percent. Economic development and environmental spending represent 7 percent and 8 percent, respectively. The remaining 17 percent is comprised of spending for mental hygiene, health and social welfare, public protection and all other capital programs.

Spending for transportation is projected to increase by $186 million (4 percent) in FY 2013, reflecting the New York Works initiative that will create jobs by accelerating road and bridge projects and other transportation infrastructure projects throughout the State.

Parks and environment spending will increase by $59 million (9 percent) in FY 2013 primarily as a result of the New York Works program that will accelerate the rebuilding of the State's aging infrastructure, including the State park system. Spending will include projects for the rehabilitation, preservation and maintenance of state park lands, facilities and other structures. Other efforts include projects to protect the State's water and air quality, Brownfield projects, hazardous waste site cleanups, and landfill closures.

Economic development and government oversight spending is projected to decline by $476 million (-42 percent). This is primarily attributable to the completion of significant projects, including the GlobalFoundries facility. Ongoing projects include continued support of various economic development and regional initiatives including Regional Councils.

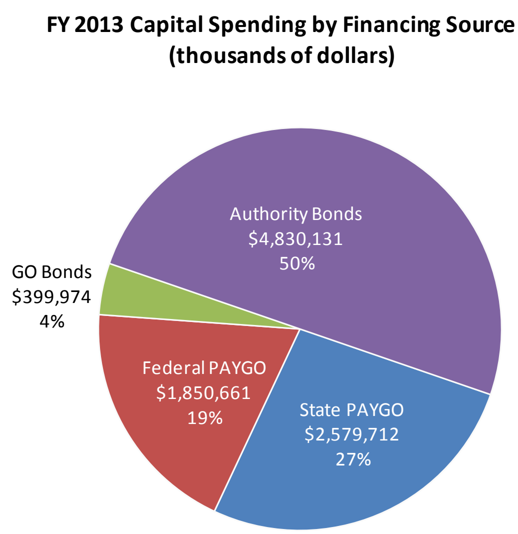
Spending for health and social welfare is projected to increase by $127 million (32 percent). It reflects ongoing commitment levels for the $1.6 billion HEAL NY program enacted in FY 2007.

Education spending overall is projected to increase by $289 million (16 percent) in FY 2013. This is primarily due to continued capital investments in the State's public universities as a result of the SUNY and CUNY capital plans enacted in FY 2009. This includes a modest decline in spending for the EXCEL program of $10 million.

Spending increases of $25 million (8 percent) for public protection primarily reflect continued investments in the Division of Homeland Security and Emergency Services State Preparedness Training Center, and the Division of State Police Troop G Headquarters, as well as preservation and improvement projects at correctional facilities.

Mental hygiene capital spending will increase by $189 million (52 percent) for continued rehabilitation projects at State and not-for-profit facilities and ongoing development of community residences.

FINANCING FY 2013 CAPITAL PROJECTS SPENDING



In FY 2013, the State plans to finance 54 percent of capital projects spending with long-term debt. Federal aid is expected to fund 19 percent of the State's FY 2013 capital spending, primarily for transportation. State cash resources will finance the remaining 27 percent of capital spending. Year-to-year, total PAYGO support is projected to increase by $455 million, with State PAYGO increasing by

$428 million and Federal PAYGO support increasing by $27 million. Bond-financed spending is projected to decline by $106 million.

STATE-RELATED DEBT SERVICE REQUIREMENTS

The following table presents the current and future debt service (principal and interest) requirements on State-related debt outstanding as of March 31, 2012. The requirements of LGAC and other financing obligations of public authorities are based on the gross amounts due from the authorities to bondholders within the fiscal year when such authorities make the payments. The amounts shown do not reflect other associated costs or revenues anticipated to be available, such as interest earnings, capitalized interest or debt service reserve fund releases. Thus, the requirements shown are generally in excess of the amounts expected to be actually paid by the State during its fiscal year.

ESTIMATED DEBT SERVICE REQUIREMENTS ON EXISTING STATE-RELATED DEBT BY CREDIT STRUCTURE [1]
(millions of dollars)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Total
General Obligation	491	448	411	377	343	2,070
Local Government Assistance Corporation	378	389	379	386	386	1,918
State Personal Income Tax Financing Obligations	2,253	2,173	2,117	2,047	2,028	10,618
Other State-Supported Financing Obligations	2,829	2,815	2,681	2,508	2,314	13,147
Tobacco [2]	438	450	444	443	443	2,218
All Other State-Related Financing Obligations	132	133	127	125	100	617
Total Debt Service	6,521	6,408	6,159	5,886	5,614	30,588

Source: NYS DOB

[1] Reflects debt issued as of March 31, 2012. Estimated debt service requirements are calculated based on swap rates in effect for all bonds that were synthetically fixed under an interest rate exchange agreement. Debt service requirements for variable rate bonds for which there are no related interest rate exchange agreements were calculated at rates of 3.50 percent.

[2] Estimated debt service numbers are based on available information as of March 31, 2012. Since 2006 certain monies expected to flow to the State under the Master Settlement Agreement have been withheld and placed in an escrow account. Pending the outcome of a resolution between participating manufacturers and the states, the debt service numbers will be adjusted accordingly.

LIMITATIONS ON STATE-SUPPORTED DEBT

DEBT REFORM ACT OF 2000

Chapter 59 of the Laws of 2000 enacted the Debt Reform Act, which is intended to improve the State's borrowing practices and applies to all new State-supported debt issued on and after April 1, 2000. The Debt Reform Act imposes phased-in caps on new debt outstanding and new debt service costs, limits the use of debt to capital works and purposes only, and establishes a maximum term of 30 years on such debt.

The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001 and was fully phased-in at 4 percent of personal income in FY 2011. The cap on new

State-supported debt service costs began at 0.75 percent of total governmental funds receipts in FY 2001 and will increase until it is fully phased in at 5 percent in FY 2014.

The Debt Reform Act requires that the limitations on the issuance of State-supported debt and debt service costs be calculated on or about October 31 of each year and reported in the quarterly Financial Plan Update most proximate to such date. If the calculations for new State-supported debt outstanding and debt service costs are less than the State-supported debt outstanding and debt service costs permitted under the Debt Reform Act, new State-supported debt may continue to be issued. However, if either cap is met or exceeded, the State, absent a change in law, would be precluded from contracting new State-supported debt until the next annual cap calculation is made and State-supported debt is found to be within the appropriate limits. DOB intends to manage subsequent capital plans and issuance schedules consistent with the limits.

In the most recent annual certification dated November 14, 2011, the State reported that it was in compliance with both debt caps, with debt issued after March 31, 2000 and outstanding at March 31, 2011 at 3.49 percent of personal income and debt service on such debt at 2.34 percent of total governmental receipts, compared to the caps of 4.00 and 4.32 percent, respectively.

Current projections estimate that debt outstanding and debt service will continue to remain below the limits imposed by the Act. However, the State is continuing through a period of relatively limited debt capacity. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $3.6 billion in FY 2012 to $602 million in FY 2014. This latter amount is $288 million higher than the Executive Budget forecast, an increase attributable to modest changes in both the personal income and debt issuance forecasts. The State is instituting measures to address capital spending priorities and debt financing practices.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2012	983,868	4.00%	39,355	35,803	3,552	3.64%	0.36%	16,969	52,773
FY 2013	1,017,103	4.00%	40,684	39,192	1,492	3.85%	0.15%	15,348	54,540
FY 2014	1,061,148	4.00%	42,446	41,843	602	3.94%	0.06%	13,718	55,562
FY 2015	1,122,828	4.00%	44,913	44,047	866	3.92%	0.08%	12,126	56,172
FY 2016	1,183,444	4.00%	47,338	45,930	1,408	3.88%	0.12%	10,593	56,523
FY 2017	1,243,645	4.00%	49,746	47,161	2,585	3.79%	0.21%	9,132	56,293

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Receipts	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2012	132,745	4.65%	6,173	3,521	2,652	2.65%	2.00%	2,343	5,864
FY 2013	133,270	4.98%	6,641	3,797	2,845	2.85%	2.13%	2,264	6,061
FY 2014	138,792	5.00%	6,940	4,091	2,848	2.95%	2.05%	2,278	6,369
FY 2015	143,060	5.00%	7,153	4,340	2,813	3.03%	1.97%	2,143	6,483
FY 2016	147,856	5.00%	7,393	4,600	2,793	3.11%	1.89%	2,016	6,616
FY 2017	154,109	5.00%	7,705	4,861	2,844	3.15%	1.85%	1,865	6,726

INTEREST RATE EXCHANGE AGREEMENTS AND NET VARIABLE RATE OBLIGATIONS

Chapter 81 of the Laws of 2002 authorized issuers of State-supported debt to issue a limited amount of variable rate debt instruments and to enter into a limited amount of interest rate exchange agreements. The current limit on debt instruments which result in a net variable rate exposure (i.e., both variable rate debt and interest rate exchange agreements) is no more than 15 percent of total outstanding State-supported debt. Interest rate exchange agreements are also limited to a total notional amount of no more than 15 percent of total outstanding State-supported debt. The outstanding State-supported debt of $52.8 billion as of March 31, 2012 results in a cap on variable rate exposure and a cap on interest rate exchange agreements of about $8 billion each (15 percent of total outstanding State-supported debt). As discussed below, as of March 31, 2012, both the amount of outstanding variable rate debt instruments and interest rate exchange agreements were less than the authorized totals of 15 percent of total outstanding State-supported debt.

Interest Rate Exchange Agreements

As of March 31, 2012, the State's Authorized issuers have a notional amount of $2.1 billion in interest rate exchange agreements or 3.9 percent of total debt outstanding.

The State has significantly reduced its swap exposure from $6.0 billion as of March 31, 2008 to $2.1 billion as of March 31, 2012, a 65 percent reduction. Over the last four years, the State has terminated $3.8 billion of swaps, including $565 million that was terminated automatically due to the bankruptcy of Lehman Brothers Holdings, Inc. In conjunction with the termination of swaps, the State reduced a similar amount of variable rate bonds through fixed rate refundings. The State currently has no plans to increase its swap exposure, and may take further actions to reduce swap exposures commensurate with variable rate restructuring efforts.

The following table shows the amount of outstanding interest rate exchange agreements which are subject to the statutory cap over the next four years.

Interest Rate Exchange Caps
(millions of dollars)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Interest Rate Exchange Cap	7,916	8,181	8,334	8,426	8,478
Notional Amounts of Interest Rate Exchange Agreements	2,060	2,045	2,014	1,927	1,820
Percent of Interest Rate Exchange Agreements to Debt Outstanding	3.9%	3.7%	3.6%	3.4%	3.2%

Net Variable Rate Obligations

As of March 31, 2012, the State had $2.4 billion of variable rate obligations, of which approximately $2.1 billion is hedged to fixed rate using interest rate exchange agreements. The net variable rate exposure subject to the cap is $356 million, or 0.7 percent of total debt outstanding.

The State has made significant adjustments to its variable rate bond portfolio to mitigate risks and reduce costs. Since March 31, 2008, the State has reduced its unhedged variable rate bond exposure by $1.3 billion.

In addition to the variable rate obligations described above, the State has $259 million convertible rate bonds currently outstanding. These bonds bear a fixed rate until future mandatory tender dates in 2013, at which times the State can convert them to either a fixed rate or continue them in a variable rate mode. Legislation was enacted in 2005 to clarify that convertible bonds, synthetic variable obligations and similar obligations that were issued on or before July 1, 2005 and which result in the State paying a fixed rate in a fiscal year do not count under the variable rate cap until the fiscal year in which the State may pay a variable rate.

STATE BOND CAPS AND DEBT OUTSTANDING

Bond caps are legal authorizations to issue bonds to finance the State's capital projects. The caps can authorize bond financing of capital appropriations. As the bond cap for a particular programmatic purpose is reached, subsequent legislative changes are required to raise the statutory cap to the level necessary to meet the bondable capital needs, as permitted by a single or multi-year appropriation. The aggregate bond caps have increased by $2.7 billion in FY 2013.

Debt authorizations for capital programs are either approved or enacted at one time, expected to be fully issued over time, or enacted annually by the Legislature and are usually consistent with bondable capital projects appropriations. Authorization does not, however, indicate intent to sell bonds for the entire amount of those authorizations, because capital appropriations often include projects that do not materialize or are financed from other sources. The amount of bonds authorized may be increased or decreased from time to time by the Legislature. In the case of general obligation debt, increases in the authorization must be approved by the voters. See Exhibit B for additional information.

FOR MORE INFORMATION

Additional information on the State's debt portfolio is available on DOB's public website (www.budget.ny.gov). The Investor's Guide section of the site contains information on New York State bonds including: the State's bond issuance schedule which is updated periodically; swap and variable rate capacity reports; variable rate trading activity; State PIT Revenue Bond debt service and debt outstanding; and swap performance reports.

STATE GOVERNMENT EMPLOYMENT

As of March 31, 2012, the State had approximately 184,141 full-time equivalent annual salaried employees funded from all funds including some part-time and temporary employees, off-budget agencies and university systems, but excluding seasonal, legislative and judicial employees. The workforce is now 20 percent smaller than it was in 1990, when it peaked at 230,600 positions. The State workforce is projected to total 185,919 positions at the end of FY 2013. The State workforce subject to direct Executive control is expected to total 121,841 full time equivalent positions at the end of FY 2013, a reduction of 9,900 from FY 2010 levels.

The State Public Employment Relations Board defines negotiating units for State employees. GOER conducts collective bargaining negotiations with the State's unions, with the exception of employees of the Judiciary, public authorities and the Legislature. Such negotiations include terms and conditions of employment, except pension benefits. The State has a five-year labor contract with the State's largest State employee union, CSEA, and a four-year labor contract with the State's second largest State employee union, PEF. Additionally, the State reached agreements with NYSPBA (representing the APSU bargaining unit, formerly ALES) for FY 2006 through FY 2015; the law enforcement unit of NYSCOPBA (non-arbitration eligible members) for FY 2010 through FY 2016; and Council 82 security supervisors for FY 2010 through FY 2016. The State is currently engaged in negotiations with other unions, which represent approximately 35 percent of the State workforce.

While approximately 94 percent of the State workforce is unionized, the remainder of the workforce is designated as "managerial" or "confidential" (M/C) and is excluded from collective bargaining. The results of collective bargaining negotiations have historically been applied to all State employees within the Executive Branch. However, general salary increases were withheld from M/C employees in FY 2010 and FY 2011. Under the State's Taylor Law, the general statute governing public employee-employer relations in the State, employees are prohibited from striking. A strike against the State last occurred in 1979 by employees of the Department of Corrections and Community Supervision.

HISTORICAL SUMMARY OF EXECUTIVE BRANCH ANNUAL SALARIED FTEs ALL FUNDS

Date	Subject to Direct Executive Control	Grand Total
3/31/2008	137,680	199,754
3/31/2009	136,490	199,916
3/31/2010	131,741	195,792
3/31/2011	125,787	188,511
3/31/2012	119,579	184,141

Workforce Impact Summary

All Funds
2010-11 Through 2012-13

	2010-11 Actuals (03/31/11)	2011-12 Actuals (02/29/12)	2012-13 Estimate (03/31/13)
Major Agencies			
Children and Family Services, Office of	3,352	3,093	3,334
Corrections and Community Supervision, Department of	29,530	29,387	29,773
Education Department, State	2,735	2,590	2,765
Environmental Conservation, Department of	3,003	2,981	2,983
Financial Services, Department of	0	1,337	1,531
General Services, Office of	1,345	1,298	1,329
Health, Department of	4,995	4,761	5,120
Labor, Department of	3,953	3,717	3,526
Mental Health, Office of	15,727	14,822	15,362
Motor Vehicles, Department of	2,447	2,378	2,414
Parks, Recreation and Historic Preservation, Office of	1,800	1,735	1,736
Parole, Division of	1,863	0	0
People with Developmental Disabilities, Office for	21,221	20,299	20,604
State Police, Division of	5,435	5,187	5,236
Taxation and Finance, Department of	5,125	4,910	4,800
Temporary and Disability Assistance, Office of	2,159	2,039	2,266
Transportation, Department of	9,130	8,974	8,492
Workers' Compensation Board	1,364	1,306	1,371
Subtotal - Major Agencies	**115,184**	**110,814**	**112,642**
Minor Agencies	**10,603**	**8,765**	**9,199**
Subtotal - Subject to Direct Executive Control	**125,787**	**119,579**	**121,841**
University Systems			
City University of New York	12,844	12,961	12,747
State University Construction Fund	140	151	152
State University of New York	41,053	42,800	42,206
Subtotal - University Systems	**54,037**	**55,912**	**55,105**
Off-Budget Agencies			
Roswell Park Cancer Institute	2,025	2,025	2,025
Science, Technology and Innovation, NYS Foundation for	20	0	0
State Insurance Fund	2,545	2,518	2,536
Subtotal - Off-Budget Agencies	**4,590**	**4,543**	**4,561**
Independently Elected Agencies			
Audit and Control, Department of	2,444	2,410	2,614
Law, Department of	1,653	1,697	1,798
Subtotal - Independently Elected Agencies	**4,097**	**4,107**	**4,412**
Grand Total	**188,511**	**184,141**	**185,919**

Source - NYS DOB

STATE RETIREMENT SYSTEMS

GENERAL

This section summarizes key information regarding the New York State and Local Retirement System ("NYSLRS" or the "Systems") and the Common Retirement Fund ("CRF"), a pooled investment vehicle in which the assets of the Systems are held and invested. Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2011, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2011. The Systems Actuary's Annual Report to the Comptroller on Actuarial Assumptions - the contents of which explain the methodology used to determine employer contribution rates to the Systems - issued from 2007 through 2011, as well as NYSLRS' CAFR and Asset Listing, the NYSLRS' CAFR for each of the seven prior fiscal years, and benefit plan booklets describing how each of the Systems' tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications. The NYSLRS' CAFR for the fiscal year ending March 31, 2012 will be available on the OSC website by September 30, 2012.

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

THE SYSTEMS

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 34 percent of the membership during FY 2012. There were 3,332 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2012, approximately 656,000 persons were members of the Systems and approximately 402,000 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be "a contractual relationship, the benefits of which shall not be diminished or impaired."

COMPARISON OF BENEFITS BY TIER

The Systems' members are categorized into six tiers depending on date of membership. As of March 31, 2011, approximately 91 percent (579,104) of ERS members were in Tiers 3 and 4 and approximately 95 percent (33,091) of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and made significant changes to the benefit structure for ERS members joining on or after January 1, 2010 and PFRS members joining on or after January 9, 2010. Tier 6 was enacted in 2012 and made further changes to the benefit structure for ERS and PFRS members joining on or after April 1, 2012.

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

2010 RETIREMENT INCENTIVE PROGRAM

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

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

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

Participating members whose employer offered both parts of the program, and who met the eligibility requirements of both parts, had to choose between the two. The cost of the incentive is borne by the State and each employer electing the incentive over a five-year period commencing with a payment in FY 2012. A total of 6,422 members retired under the Retirement Incentive Program with 399 participating employers electing to participate in Part A and 211 participating employers electing to participate in Part B. In addition, 5,453 members from participating employers retired under the Retirement Incentive Program.

CONTRIBUTIONS AND FUNDING

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 are required to contribute 3 percent of their salaries for the first ten years of membership. All ERS members joining after 2009, and most PFRS members joining after January 9, 2010, are members of Tier 5 and are required to contribute 3 percent of their salaries for their career. However, if a participating employer had a collective bargaining agreement in effect when Tier 5 became effective (January 9, 2010) that provided for PFRS members to be non-contributory, individuals who first become Tier 5 members prior to the expiration of the agreement are non-contributory in their plan for their career. Individuals who first became Tier 5 members after the expiration of the current collective bargaining agreement are subject to the 3 percent contribution. Members in Tier 6 are required to pay contributions on a stepped basis relative to each respective member's wages for their careers. Members of both ERS and PFRS earning $45,000 or less must contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 will contribute 3.5 percent; members earning between $55,001 and $75,000 will contribute 4.5 percent; members earning between $75,001 and 100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 will contribute 6 percent of their gross annual salary.

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 percent. The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period. Thus, because of the significant investment loss in FY 2009, employer contribution rates increased for FY 2011, FY 2012 and FY 2013 and further increases are expected for FY 2014 and FY 2015. The amount of such future increases will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the Systems as of each April 1. Final contribution rates for FY 2013 were released in early September 2011. The average ERS rate increased from 16.3 percent of salary in FY 2012 to 18.9 percent of salary in FY 2013, while the average PFRS rate increased from 21.6 percent of salary in FY 2012 to 25.8 percent of salary in FY 2013. Information regarding average rates for FY 2013 may be found in the 2011 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at www.osc.state.ny.us/retire/publications.

Legislation enacted in May 2003 realigned the Systems' billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. The employer contribution for a given fiscal year is based in part on the value of the CRF's assets and its liabilities on the preceding April 1. In 2004 the State and local employers were authorized to amortize over ten years, at five percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2011, the amortized amount receivable for FY 2005 from the State is $229.4 million and from participating employers is $48.5 million; the amortized amount receivable for FY 2006 from the State is $87.7 million and from participating employers is $17.2 million; and the amortized amount receivable for FY 2007 from participating employers is $15.8 million. The State did not amortize any portion of its 2007 contributions. The State paid $1,511.1 million in contributions (including Judiciary) for FY 2012 including amortization payments of approximately $87.0 million for 2005 and 2006 bills.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. Amortized amounts must be paid by State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in fiscal year 2011, the Comptroller set an interest rate of 5 percent. For amounts amortized in fiscal year 2012, the interest rate is 3.75 percent. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions. In FY 2011, the State elected to amortize $249.6 million, and 51 participating employers amortized a total of $43.6 million. In FY 2012, the State elected to amortize $562.9 million and 133 participating employers amortized a total of $215.9 million. (see the section on "Other Matters Affecting the Financial Plan - Pension Amortization" in this AIS for DOB projections of amounts expected to be amortized in FY 2013 through FY 2021.)

The estimated State payment (including Judiciary) due March 1, 2013 is $2,189.4 million. The State (including Judiciary) has the option to amortize up to $781.9 million which would reduce the required payment to $1,407.5 million. The State payment for FY 2013 is an estimate. If this amount changes, then the amount that can be amortized would also change. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF.

PENSION ASSETS AND LIABILITIES

Assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the CRF. The Systems report that the net assets available for benefits as of March 31, 2011 were $149.5 billion (including $3.4 billion in receivables, which consist of employer contributions, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of $15.3 billion or 11.4 percent from the FY 2010 level of $134.2 billion. The increase in net assets available for benefits from FY 2010 to FY 2011 reflects, in large part, equity market performance. The valuation used by the Systems Actuary will be based on audited net assets available for benefits as of March 31, 2012 and will be included in the NYSLRS' CAFR for that fiscal year. Based on unaudited data for invested assets, the Systems estimate an approximate gain of 5.9 percent for FY 2012.

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

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $186.8 billion on April 1, 2010 to $194.3 billion (including $80.8 billion for current retirees and beneficiaries) on April 1, 2011. 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

[6] More detail on the CRF's asset allocation as of March 31, 2011, long-term policy allocation and transition target allocation can be found on page 73 of the NYSLRS CAFR for the fiscal year ending March 31, 2011.

are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2011 in that amortized cost was used instead of market value for bonds and mortgages, and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for FY 2011, 40 percent of the unexpected gain for the FY 2010, 60 percent of the unexpected loss for FY 2009 and 80 percent of the unexpected gain for FY 2008. Actuarial assets increased from $147.7 billion on April 1, 2010 to $148.6 billion on April 1, 2011. The funded ratio, as of April 1, 2011, calculated by the System Actuary in August 2011 using the entry age normal funding method and actuarial assets, was 90 percent[7].

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[7] Detail on the funded ratios of ERS and PFRS as of April 1 for each of the 5 years previous to the fiscal year ended March 31, 2011 can be found on page 54 of the NYSLRS' CAFR for the fiscal year ending March 31, 2011. Detail regarding employers Annual Required Contributions for FY 2011 and each of the 5 previous fiscal years can be found on page 55 of the NYSLRS' CAFR for the fiscal year ending March 31, 2011.

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

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

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

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

(2) The annual required contributions (ARC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts. Additional information on the ARC can be accessed on page 55 of the NYSLRS CAFR for fiscal year ending March 31, 2011.

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

(4) Amounts reflected for FY 2012 are estimates provided by the Division of the Budget.

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

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

Sources: State and Local Retirement Systems.

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

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

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

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

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

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As of December 31, 2011, each of the 17 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $163 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities.

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

Authority	State-Related Conduit (4)	Authority and Conduit Bonding	Total
Dormitory Authority (5)	22,409	22,790	**45,199**
Metropolitan Transportation Authority	2,034	21,601	**23,635**
Port Authority of NY & NJ	0	19,515	**19,515**
Thruway Authority	11,071	3,085	**14,156**
Housing Finance Agency	1,058	9,547	**10,605**
UDC/ESDC (6)	9,426	1,004	**10,430**
Triborough Bridge and Tunnel Authority	9	8,544	**8,553**
Environmental Facilities Corporation	896	7,258	**8,154**
Long Island Power Authority (7)	0	6,631	**6,631**
Energy Research and Development Authority (7)	0	3,836	**3,836**
State of New York Mortgage Agency	0	3,217	**3,217**
Local Government Assistance Corporation	3,119	0	**3,119**
Tobacco Settlement Financing Corporation	2,690	0	**2,690**
Power Authority	0	1,784	**1,784**
Battery Park City Authority	0	1,053	**1,053**
Municipal Bond Bank Agency	368	353	**721**
Niagara Frontier Transportation Authority	0	170	**170**
TOTAL OUTSTANDING	53,080	110,388	**163,468**

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

(1) Includes only authorities with $100 million or more in outstanding debt which are reported as component units or joint ventures of the State in the Comprehensive Annual Financial Report (CAFR).

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

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

(4) 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. The debt also includes $220 million in bonds outstanding issued by the Dormitory Authority for Roswell Park Cancer Institute.

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

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

THE CITY OF NEW YORK

The fiscal demands on the State may be affected by the fiscal condition of the City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of the City, and certain entities issuing debt for the benefit of the City, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and the financing entities issuing debt on its behalf is available by contacting Raymond J. Orlando, City Director of Investor Relations, (212) 788-5875, or contacting the City Office of Management and Budget, 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 Municipal Assistance Corporation	Obligations of STAR Corp. (2)	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other(3) Obligations	Treasury Obligations	Total
1980	6,179	0		6,116	0	0	0	995	(295)	12,995
1990	13,499	0		7,122	0	0	0	1,077	(1,671)	20,027
2000	27,245	6,438	(4)	3,532	0	709	0	2,065	(230)	39,759
2001	27,147	7,386		3,217	0	704	0	2,019	(168)	40,305
2002	28,465	10,489	(5)	2,880	0	740	0	2,463	(116)	44,921
2003	29,679	13,134	(6)	2,151	0	1,258	0	2,328	(64)	48,486
2004	31,378	13,364		1,758	0	1,256	0	2,561	(52)	50,265
2005	33,903	12,977		0	2,551	1,283	0	3,746	(39)	54,421
2006	35,844	12,233		0	2,470	1,334	0	3,500	0	55,381
2007	34,506	14,607		0	2,368	1,317	2,100	3,394	0	58,292
2008	36,100	14,828		0	2,339	1,297	2,067	2,556	0	59,187
2009	39,991	16,913		0	2,253	1,274	2,033	2,442	0	64,906
2010	41,555	20,094		0	2,178	1,265	2,000	2,402	0	69,494
2011	41,785	23,820		0	2,117	1,260	2,000	2,556	0	73,538

Source: Office of the State Comptroller.

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

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

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

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

(5) 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.

(6) 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 January 2012, the State Legislature passed 21 special acts authorizing, or amending authorizations for, bond issuances to finance local government operating deficits, including four passed during the 2009 and 2010 legislative sessions. Furthermore, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality.

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

Nassau County challenged NIFA's determination and authority to impose a Control Period in State Supreme Court and did not prevail. NIFA is now exercising Control Period powers over Nassau County.

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

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

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

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

Locality Fiscal Year Ending	Combined New York City Debt (2) Bonds	Combined New York City Debt (2) Notes	Other Localities Debt(3) Bonds(4)	Other Localities Debt(3) Notes(4)	Total Locality Debt(3) Bonds(3)(4)	Total Locality Debt(3) Notes(4)
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,082	4,005	58,326	4,520
2001	40,305	0	20,303	4,745	60,608	4,745
2002	42,721	2,200	21,721	5,184	64,442	7,384
2003	47,376	1,110	23,951	6,429	71,327	7,539
2004	50,265	0	26,684	4,979	76,949	4,979
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,752	4,755	86,133	4,755
2007	58,192	100	32,269	4,562	90,461	4,662
2008	59,120	67	33,565	5,470	92,685	5,537
2009	64,873	33	34,479	6,901	99,352	6,934
2010	69,494	0	35,955	7,302	105,449	7,302

Source: Office of the State Comptroller.

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

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

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

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

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

LITIGATION AND ARBITRATION

GENERAL

The legal proceedings listed below involve State finances and programs and miscellaneous civil rights, real property, contract and other tort claims in which the State is a defendant and the potential monetary claims against the State are deemed to be material, generally in excess of $100 million or involving significant challenges to or impacts on the State's financial policies or practices. As explained below, these proceedings could adversely affect the State's finances in FY 2013 or thereafter. The State intends to describe newly initiated proceedings which the State deems to be material and existing proceedings which the State subsequently deems to be material, as well as any material and adverse developments in the listed proceedings, in quarterly updates and/or supplements to this AIS.

For the purpose of this Litigation and Arbitration section of the AIS, the State defines "material and adverse developments" as rulings or decisions on or directly affecting the merits of a proceeding that have a significant adverse impact upon the State's ultimate legal position, and reversals of rulings or decisions on or directly affecting the merits of a proceeding in a significant manner, whether in favor of or adverse to the State's ultimate legal position. The State intends to discontinue disclosure with respect to any individual case after a final determination on the merits or upon a determination by the State that the case does not meet the materiality threshold described above.

The State is party to other claims and litigation, with respect to which its legal counsel has advised that it is not probable that the State will suffer adverse court decisions, or which the State has determined do not, considered on a case by case basis, meet the materiality threshold described in the first paragraph of this section. Although the amounts of potential losses, if any, resulting from these litigation matters are not presently determinable, it is the State's position that any potential liability in these litigation matters is not expected to have a material and adverse effect on the State's financial position in FY 2013 or thereafter. The Basic Financial Statements for FY 2012, which OSC is expected to issue in July 2012, will report possible and probable awarded and anticipated unfavorable judgments against the State.

Adverse developments in the proceedings described below, other proceedings for which there are unanticipated, unfavorable and material judgments, or the initiation of new proceedings could affect the ability of the State to maintain a balanced FY 2013 Financial Plan. The State believes that the FY 2013 Enacted Budget Financial Plan includes sufficient reserves to offset the costs associated with the payment of judgments that may be required during FY 2013. These reserves include (but are not limited to) amounts appropriated for Court of Claims payments and projected fund balances in the General Fund. In addition, any amounts ultimately required to be paid by the State may be subject to settlement or may be paid over a multi-year period. There can be no assurance, however, that adverse decisions in legal proceedings against the State would not exceed the amount of all potential FY 2013 Enacted Budget Financial Plan resources available for the payment of judgments, and could therefore adversely affect the ability of the State to maintain a balanced FY 2013 Enacted Budget Financial Plan.

REAL PROPERTY CLAIMS

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

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

During the pendency of this case, significant decisions were rendered by the United States Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York*, 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki*, 413 F.3d 266 (2d Cir. 2005), *cert. denied*, 126 S.Ct. 2021, 2022 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims.

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

In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al.* (NDNY), plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants' motion for judgment on the pleadings, relying on the decisions in *Sherrill, Cayuga,* and *Oneida,* is pending in District Court.

In *The Onondaga Nation v. The State of New York, et al.* (NDNY), plaintiff seeks a judgment declaring that certain lands allegedly constituting the aboriginal territory of the Onondaga Nation within the State are the property of the Onondaga Nation and the Haudenosaunee, or "Six Nations Iroquois Confederacy", and that conveyances of portions of that land during the period 1788 to 1822 are null and void. The "aboriginal territory" described in the complaint consists of an area or strip of land running generally north and south from the St. Lawrence River in the north, along the east side of Lake Ontario, and south as far as the Pennsylvania border, varying in width from about 10 miles to more than 40 miles, including the area constituting the City of Syracuse. On September 22, 2010, the District Court granted defendants' motion to dismiss the action for laches, based on the *Oneida, Sherrill* and *Cayuga* decisions. Plaintiff's appeal of that decision is pending before the Second Circuit Court of Appeals.

In *Shinnecock Indian Nation v. State of New York, et al*. (EDNY), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants' motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second Circuit Court of Appeals. The motions for reconsideration and appeal have both been stayed pending resolution of the Second Circuit's dismissal of the Oneida land claim.

WEST VALLEY LITIGATION

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

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

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

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

The Consent Decree also does not resolve two claims raised in the State's lawsuit - the State's natural resource damages claim and its Nuclear Waste Policy Act claim. The first claim, which the Federal government has agreed to toll, will be pursued by the New York State Department of Environmental Conservation (DEC) (as trustee of the State's natural resources) and the Attorney General's office. Regarding the latter claim, the State asserts that the Federal government bears sole responsibility for the cost of disposing of the 275 canisters of vitrified HLRW waste remaining at the Site at a Federal repository once one becomes available. This claim was neither settled nor dismissed and remains in litigation. The District Court will advise the parties as to the date of a conference for the purpose of preparing a scheduling order for adjudicating this claim. In the meantime, the parties are discussing potential ways to resolve the Nuclear Waste Policy Act claim without litigation.

METROPOLITAN TRANSPORTATION AUTHORITY

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

The defendants sought to change the venue of all of these cases to Albany County or New York County and venue has been changed in most of the cases. In *Mangano*, the Supreme Court, Nassau County denied defendants' motion for change of venue. An appeal of that order is proceeding and issue has not yet been joined in Supreme Court. In *Vanderhoef, Huntington, Floyd, Brookhaven, Southampton/Southold* and *Hampton*, the defendants moved for judgment in their favor. The plaintiffs in *Hampton* then voluntarily stipulated to discontinue their case, as did the plaintiff in *Floyd* after legislative amendment of the applicable statute that exempted school districts from the "mobility tax" imposed by this statute on employers in the Metropolitan Commuter Transportation District. The Supreme Court, Albany County issued decisions granting summary judgment to defendants in *Brookhaven, Huntington* and *Southampton/Southold*. The plaintiffs in *Brookhaven* and *Huntington* have appealed from those decisions.

SCHOOL AID

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

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

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

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

On August 18, 2011, Supreme Court, Albany County granted the State's motion to stay all proceedings in the case until further order of the court or a decision from the Court of Appeals. The plaintiffs have filed a motion to have the stay vacated or modified to permit the continuation of depositions and the filing of a motion for partial summary judgment. In a Decision/Order dated December 6, 2011, Supreme Court, Albany County, granted plaintiffs' motion for renewal and modified the stay to the extent of permitting discovery to continue, but refused to allow plaintiffs to file a motion for partial summary judgment or any other dispositive motion. Depositions are being scheduled.

REPRESENTATIVE PAYEES

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

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

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. By decision and order dated September 27, 2010, the Court of Claims (Ruderman, J.), granted the State's motion for summary judgment and dismissed the individual claims. The Court held that the State statutes relied on by claimants do not apply to Social Security benefits and that executive directors of OMH facilities are acting properly in accordance with the Social Security Act and applicable Federal regulations. Claimants served a notice of appeal on November 23, 2010. By decision and order dated January 17, 2012, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. On March 2, 2012, claimants moved for leave to appeal to the Court of Appeals. On March 16, 2012, the State filed its papers opposing that motion.

SALES TAX

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

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

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

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

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

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

August 18, 2011, also denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. Defendants' motion for summary judgment in Supreme Court, Erie County, is pending.

CIVIL SERVICE LITIGATION

In *Simpson v. New York State Department of Civil Service et ano.,* plaintiffs have brought a class action under 42 U.S.C 2000d et seq., claiming that a civil service test administered between 1996 and 2006 resulted in a disparate impact upon the class. This case was settled on December 29, 2010, for $45 million in damages and fees, payable in four equal annual installments, starting on or about April 1, 2011 or upon passage of the State budget. The settlement was approved following an April 15, 2011 fairness hearing. Payment of the second annual installment of the settlement proceeds is scheduled to begin in May 2012.

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 appealed from the dismissal of their complaint. On June 24, 2010, the Appellate Division reversed the order of Supreme Court to the extent it dismissed the plaintiffs' cause of action under Article VII, § 8 and affirmed the order to the extent it dismissed the plaintiffs' cause of action under Article VII, § 7, and remitted the case to Supreme Court for further proceedings. The defendants moved for reargument or, in the alternative, leave to appeal to the Court of Appeals from the portion of the Appellate Division's order that reversed Supreme Court's dismissal of the cause of action under Article VII, § 8. The Appellate Division denied reargument but granted leave to appeal to the Court of Appeals on the question of whether the Appellate Division erred by reversing the dismissal of the plaintiffs' cause of action under Article VII, § 8.

By opinion dated November 21, 2011, the Court of Appeals reversed the Appellate Division and dismissed the cause of action under Article VII, § 8. Plaintiffs' motion for reargument was denied and this case is now concluded.

EMINENT DOMAIN

In *Gyrodyne Company of America, Inc. v. State of New York* (Court of Claims), claimant seeks compensation under the Eminent Domain Procedures Law in connection with the appropriation by the State of 245 acres of land in connection with the expansion of SUNY Stony Brook. By decision dated June 21, 2010, the Court of Claims awarded claimant $125 million as compensation for the appropriation. On September 13, 2010, the State appealed from the decision. In a decision dated November 22, 2011, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. The State's motion for reargument or, in the alternative, leave to appeal to the Court of Appeals, was denied by the Second Department on February 17, 2012. On March 23, 2012, the State moved in the Court of Appeals for leave to appeal. That motion is pending.

INSURANCE DEPARTMENT ASSESSMENTS

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

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

In 1998, the attorneys general of 46 states, including New York, and several territories (collectively the "Settling States") and the then four largest United States tobacco manufacturers (the "Original Participating Manufacturers" or "OPMs"), entered into a Master Settlement Agreement (the "MSA") to resolve cigarette smoking-related litigation between the Settling States and the OPMs. Approximately 30 additional tobacco companies have entered into the settlement (the "Subsequent Participating Manufacturers" or "SPMs"; together they are the "Participating Manufacturers" or "PMs"). The MSA released the PMs from past and present smoking-related claims by the Settling States, and provided for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the Settling States, and the imposition of certain tobacco advertising and marketing restrictions among other things.

LITIGATION

Two actions have been filed in New York by parties challenging the MSA and portions of laws enacted by the State under the MSA. In *Freedom Holdings Inc. et al. v. Spitzer et ano.* (SDNY), two cigarette importers alleged (1) violation of the Commerce Clause of the United States Constitution, (2) the establishment of an "output cartel" in conflict with the Sherman Act, (3) selective nonenforcement of the laws on Native American reservations in violation of the Equal Protection Clause of the United States Constitution, and (4) federal preemption. The Second Circuit affirmed the dismissal of this action and the United States Supreme Court denied certiorari to review that decision. Accordingly, this action is concluded.

In *Grand River Ent. v. King* (SDNY), another cigarette importer raised the same claims as those brought in *Freedom Holdings*, as well as additional claims, in an action against the attorneys general of thirty states, including New York. On March 22, 2011, the District Court denied plaintiff's motion for summary judgment and granted defendants' motions for summary judgment dismissing the complaint. Plaintiff has moved before the District Court to amend the Findings and Judgment pursuant to FRCP59(e) and has also appealed from the District Court's decision to the Second Circuit Court of Appeals. On January 30, 2012, the District Court denied Plaintiff's motion to amend the Court's findings. Both the District Court's March 22, 2011 decision and the subsequent January 30, 2012 decision are on appeal.

ARBITRATION

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

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

The arbitration panel has thus far ruled, among other things, that the Settling States involved have the burden of proof in establishing diligent enforcement of the escrow statutes and that the 2003 settlement of prior NPM Adjustment claims does not preclude the PMs from basing their claim for a 2003 NPM Adjustment on 2002 NPM sales. A hearing on issues common to all states took place in Chicago April 16-24, 2012. State-specific hearings will commence in May, with the hearings involving Missouri and Illinois. New York's diligent enforcement hearing will take place June 25-29, 2012. State-specific hearings are scheduled for two weeks each month until June 2013.

EXHIBIT A TO AIS

SELECTED STATE GOVERNMENT SUMMARY

STATE GOVERNMENT ORGANIZATION

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, 2014.

Name	Office	Party Affiliation	First Elected
Andrew M. Cuomo	Governor	Democrat	2010
Robert J. Duffy	Lieutenant Governor	Democrat	2010
Thomas P. DiNapoli*	Comptroller	Democrat	2007
Eric T. Schneiderman	Attorney General	Democrat	2010

**Elected by the State Legislature on February 7, 2007 following the December 2006 resignation of Comptroller Hevesi. Comptroller DiNapoli subsequently was elected by the voters during the November 2010 general election.*

The Governor and Lieutenant Governor are elected jointly. 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 (see "Appropriations and Fiscal Controls" and "Investment of State Moneys" below). 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 obligation bonds and notes.

The State Legislature is presently composed of a 62-member Senate[8] and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2012. 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 President Pro Tempore Dean Skelos (Republican) in the Senate and Sheldon Silver (Democrat), Speaker of the Assembly. The minority leaders are John Sampson (Democrat) in the Senate and Brian Kolb (Republican) in the Assembly.

[8] On May 3, 2012, the State's highest court, the Court of Appeals, approved the creation of a 63rd New York State Senate seat as advanced by the Senate majority and based on Census population changes.

APPROPRIATIONS AND FISCAL CONTROLS

The State Constitution requires the Comptroller to audit the accrual and collection of State revenues and receipts and to audit vouchers before payment and all official accounts. Generally, no State payment may be made unless the Comptroller has audited it. Additionally, the State Constitution requires the Comptroller to prescribe such methods of accounting as are necessary for the performance of the foregoing duties.

Disbursements from State funds are limited to the level of authorized appropriations. Disbursements from Federal funds must be appropriated in accordance with appropriate legal authority, are limited to the amounts anticipated from Federal programs and may not be made in the absence of appropriate certifications from the Director of the Budget. Generally, most State contracts for disbursements in excess of $50,000 (or $85,000 in the case of the Office of General Services) require prior approval by the Comptroller. However, certain contracts, primarily of SUNY and CUNY, and those established as a centralized contract through the Office of General Services, are not subject to approval by the Comptroller, and certain other contracts are subject to higher thresholds. In most cases, State agency contracts depend upon the existence of an appropriation and the issuance of a certificate of availability by the Director of the Budget. The Budget Director must review all applications for State participation in continuing grant- or contract-supported programs, with specified exceptions. Certain legislative leaders have the opportunity to make recommendations on the applications. In addition, the Comptroller has the discretion to identify and review certain public authority contracts valued at $1.0 million or greater that are either awarded without competition or which are paid using State-appropriated funds.

Appropriations may be increased or decreased in accordance with statutory authority under certain circumstances by transfer, interchange or otherwise. In addition, appropriations may be increased or decreased by statutory amendment or by supplemental appropriations. Moneys or other financial resources from one fund may also be loaned to another fund, but only if such loan is repaid in full prior to the end of the month in which the loan was made, except as provided by law. Pursuant to authority contained in most State operations appropriations for FY 2013, the Director of the Budget is also allowed to interchange, transfer, or suballocate such appropriation authority to other agencies in order to achieve the consolidation and realignment of State operations.

In addition, the Governor has traditionally exercised substantial authority in administering the State Financial Plan by limiting certain disbursements after the Legislature has enacted appropriation bills and revenue measures. The Governor may, primarily through DOB, limit certain spending by State departments, and delay construction projects to control disbursements using the Director of the Budget's certification process. An important limitation of the Governor's ability to restrict disbursements is that local assistance payments, which typically make up close to 70 percent of General Fund disbursements (including operating transfers to other funds), are generally mandated by statute. The State Court of Appeals has held that, even in an effort to maintain a balanced Financial Plan, neither the Governor nor the Director of the Budget has the authority to refuse to make a local assistance disbursement mandated by law.

INVESTMENT OF STATE MONEYS

The Comptroller is responsible for the investment of substantially all State moneys. By law, such moneys may be invested only in obligations issued or guaranteed by the Federal government or the State, obligations of certain Federal agencies that are not guaranteed by the Federal government, certain general obligations of other states, direct obligations of the State's municipalities and obligations of certain public authorities, certain short-term corporate obligations, certain bankers' acceptances, and certificates of deposit secured by legally qualified governmental securities. All securities in which the State invests moneys held by funds administered within the State Treasury must mature within twelve years of the date they are purchased. Money impounded by the Comptroller for payment of TRANs may only be invested, subject to the provisions of the State Finance Law, in (i) obligations of the Federal government, (ii) certificates of deposit secured by such obligations, or (iii) obligations of or obligations guaranteed by agencies of the Federal government as to which the payment of principal and interest is guaranteed by the Federal government.

The Comptroller invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through 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. The interest earnings accrued are allocated and deposited to the credit of those funds with positive balances that contribute to the overall invested STIP pool.

The Comptroller is authorized to make temporary 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 Executive 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 General Fund is authorized to receive temporary loans from STIP for a period not to exceed four months or the end of the fiscal year, whichever is shorter.

The State Comptroller repays loans from the first cash receipts into the borrowing fund or account. Fund balances outside the General Fund are presented on a net basis, i.e., they are reduced by the amount of outstanding temporary loans from STIP. The primary sources of the State's temporary loans include timing-related delays in the receipt from Federal Funds and the sale of bonds used to finance capital projects, a delinquent SUNY hospital loan, and unreimbursed costs related to the Office for Technology (OFT) Internal Service funds. The total outstanding balance of loans from STIP at March 31, 2012 was $1.765 billion, an increase of $109 million from the outstanding loan balance of $1.656 billion at March 31, 2011.

ACCOUNTING PRACTICES, FINANCIAL REPORTING AND BUDGETING

Historically, the State has accounted for, reported and budgeted its operations on a cash basis. Under this form of accounting, receipts are recorded at the time money or checks are deposited in the State Treasury, and disbursements are recorded at the time a check or electronic payment is released. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore can significantly affect the cash amounts reported in a fiscal year. Under cash-basis accounting, all estimates and projections of State receipts and disbursements relating to a particular fiscal year are of amounts to be deposited in or disbursed from the State Treasury during that fiscal year, regardless of the fiscal period to which particular receipts or disbursements may otherwise be attributable.

The State also has an accounting and financial reporting system based on GAAP and currently formulates a GAAP financial plan. GAAP for governmental entities requires use of the accrual basis of accounting for the government-wide financial statements which includes governmental and business-type activities and component units. Revenues are recorded when they are estimated to have been earned and expenses are recorded when a liability is estimated to have been incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the modified accrual basis of accounting. Under modified accrual procedures, revenues are recorded when they become both measurable and available within 12 months of the end of the current fiscal period to finance expenditures; expenditures are recorded in the accounting period for which the liability is incurred to the extent it is expected to be paid within the next 12 months with the exception of expenditures such as debt service, compensated absences, and claims and judgments. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Non-exchange grants and subsidies such as local assistance grants and public benefit corporation subsidies are recognized as expenditures when all requirements of the grant and or subsidy have been satisfied.

EXHIBIT B TO AIS

STATE-RELATED BOND AUTHORIZATIONS

STATE-RELATED DEBT
FY 2012 BOND CAPS AND DEBT OUTSTANDING
(millions of dollars) (1)

Type of Cap (Gross or Net)*	Program	FY 2013 Bond Caps	Authorized But Unissued (2)	Debt Outstanding (3) As of 3/31/12
Education:				
Gross	SUNY Educational Facilities (4)	10,304	2,832	6,852
Net	SUNY Dormitory Facilities (5)	1,561	327	1,364
Net	SUNY Upstate Community Colleges (5)	623	266	664
Gross	CUNY Educational Facilities (6)	6,843	1,446	4,100
Net	State Ed Department Facilities (7)	0	0	52
Gross	Library for the Blind	16	0	2
Net	SUNY Athletic Facilities	22	0	16
Net	RESCUE	195	0	63
Net	University Facilities (Jobs 2000)	48	1	10
Net	School District Capital Outlay Grants	140	40	0
Net	Judicial Training Institute	16	0	9
Net	Transportation Transition Grants	80	12	0
Net	Public Broadcasting Facilities	15	0	7
Net	Higher Education Capital Matching Grants	150	24	95
Net	EXCEL	2,600	184	2,077
Net	Library Facilities	98	28	56
Net	Cultural Education Storage Facilities	79	69	9
Net	State Longitudinal Data System	20	15	5
Net	SUNY 2020 Challenge Grants	110	110	0
Environment:				
Net	Environmental Infrastructure Projects (8)	1,119	326	633
Net	Hazardous Waste Remediation	1,200	693	456
Net	Riverbank State Park	78	18	41
Net	Water Pollution Control (SRF)	700	167	42
Net	State Park Infrastructure	30	0	1
Net	Pipeline for Jobs (Jobs 2000)	34	2	4
Net	Long Island Pine Barrens	15	0	6
Net	Pilgrim Sewage Plant	11	0	3
State Building/Equipment/Public Protection:				
Net	Empire State Plaza	133	13	0
Net	State Capital Projects (Attica)	200	0	142
Net	Division of State Police Facilities	114	33	76
Net	Division of Military & Naval Affairs	24	6	16
Net	Alfred E. Smith Building	89	0	61
Net	Sheridan Ave. (Elk St.) Parking Garage	25	0	22
Net	State Office Buildings and Other Facilities	206	40	143
Net	Judiciary Improvements	38	1	24
Net	OSC State Buildings	52	0	29
Net	Albany Parking Garage (East)	41	0	29
Net	OGS State Buildings and Other Facilities (9)	140	26	105
Net	Equipment Acquisition (COPs) (10)	784	106	305
Net	Food Laboratory	40	10	29
Net	OFT Facilities	21	18	3
Net	Courthouse Improvements	76	37	34
Gross	Prison Facilities	6,817	615	4,617
Net	Homeland Security	67	30	28
Gross	Youth Facilities	430	64	188
Net	NYRA Land Acquisition/VLT Construction	355	0	261

STATE-RELATED DEBT
FY 2012 BOND CAPS AND DEBT OUTSTANDING
(millions of dollars) (1)

	Type of Cap (Gross or Net)*	Program	FY 2013 Bond Caps	Authorized But Unissued (2)	Debt Outstanding (3) As of 3/31/12
Economic Development:					
	Gross	Housing Capital Programs	2,741	382	1,571
	Net	Community Enhancement Facilities (CEFAP)	424	48	57
	Net	University Technology Centers (incl. HEAT)(11)	248	13	55
	Gross	Onondaga Convention Center	40	0	26
	Net	Sports Facilities	145	0	76
	Net	Child Care Facilities	30	1	14
	Net	Bio-Tech Facilities	10	10	0
	Net	Strategic Investment Program	216	21	28
	Net	Regional Economic Development (Fund 002) (12)	1,190	58	437
	Net	NYS Economic Development (2004) (13)	346	17	245
	Net	Regional Economic Development (2004) (14)	243	221	20
	Net	High Technology and Development	249	70	141
	Net	Regional Economic Development/SPUR	90	27	37
	Net	Buffalo Inner Harbor	50	23	22
	Net	Jobs Now	14	1	0
	Net	Economic Development 2006 (Various) (15)	2,310	518	1,568
	Net	Javits Convention Center (Expansion '06)	350	350	0
	Net	Queens Stadium (Mets)	75	0	58
	Net	Bronx Stadium (Yankees)	75	0	60
	Net	NYS Ec Dev Stadium Parking ('06)	75	71	4
	Net	State Modernization Projects (RIOC Tram, etc.)	50	15	22
	Net	Int. Computer Chip Research and Dev. Center	300	0	224
	Net	2008 and 2009 Economic Development Initiatives	1,269	414	700
	Net	H.H. Richardson Complex/Darwin Martin House	84	57	23
	Net	2011 Economic Development Initiatives	711	711	0
Health/Mental Hygiene:					
	Net	Department of Health Facilities (inc. Axelrod)	495	3	322
	Gross	Mental Health Facilities	7,367	1,045	4,070
	Net	HEAL NY Capital Program	750	385	296
Transportation:					
	Gross	Consolidated Highway Improvement Program (CHIPS)	7,106	906	3,817
	Net	Dedicated Highway & Bridge Trust	16,500	4,882	7,566
	Net	High Speed Rail	22	22	0
	Net	Albany County Airport	40	1	18
	Net	Peace Bridge	15	15	0
	Net	MTA Transportation Facilities	770	770	0
	N/A	MTA Service Contract	2,005	0	2,005
LGAC	Net	Local Government Assistance Corporation	4,700	0	3,119
GO	Gross	General Obligation	16,985	1,342	3,494
Total State-Supported Debt			**103,847**	**19,957**	**52,773**
Other State Financings:					
Tobacco Settlement Financing Corporation Bonds					2,690
MBBA Special Purpose School Aid Bonds					368
Capital Lease and Mortgage Loan Commitments (16)					381
Other (17)					542
Total State-Related Debt					**56,754**

** Gross caps include cost of issuance fees. Net caps do not.*

Source: NYS DOB

(1) Includes only authorized programs that are active at March 31, 2012 or have outstanding program balances or both.

(2) Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (i) net bond proceeds available to fund program, or (ii) par amount of bonds issued.

(3) Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds.

(4) Authorization also includes any amount necessary to refund outstanding Housing Finance Agency State University Construction Bonds, all of which have been refunded.

(5) Authorization applies to bonds issued after March 31, 2002, prior to that date there was no limit.

(6) The amount outstanding includes CUNY Community Colleges bonds for which the State pays debt service. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to $6.843 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.

(7) Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes.

(8) Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, and the Office of Parks and Recreation and Historic Preservation.

(9) Includes debt outstanding for Office of General Services Buildings: 44 Holland Ave., 50 Wolf Rd., 625 Broadway Ave., Hampton Plaza, and DOT Region 1.

(10) Authorized amounts includes Certificates of Participation, which have been issued as bonds after March 31, 2003.

(11) Includes authorizations for Science and Technology Center (Syracuse), Super Computer Center (Cornell), Center for Telecommunications (Columbia), HEAT, Center for Industrial Innovation (City of Troy), Center for Advanced materials (Clarkson), Center for Electro-Optic (Rochester), Center for Neural Sciences (NYU) and Center for Incubator Facilities.

(12) Includes bonds issued for Community Capital Assistance Program (CCAP), Rebuilding the Empire State Through Opportunities in Regional Economies Program (RESTORE), Empire Opportunity Fund (EOF), Generating Employment Through New York Science Program (Gen*NY*sis), Multi-Modal Transportation Program, and Center of Excellence Program (Laws of 2002).

(13) Includes bonds to be issued for economic development projects outside cities of 1 million or more in population.

(14) Includes bonds issued for the EOF, RESTORE and CCAP.

(15) Includes bonds to be issued for economic development and environmental projects.

(16) Estimated.

(17) Includes bonds issued for Secured Hospital Program, HFA and MCFFA Moral Obligation Bonds, and the JDA State-guaranteed bonds.

EXHIBIT C TO AIS

GAAP-BASIS FINANCIAL PLAN

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The GAAP-basis plans follow, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. In practice, this means the GAAP-basis Financial Plans reflect the accrual methodology and fund classification rules used by OSC. A table reflecting GAAP basis General Fund Financial Plan projections is provided at the end of this section.

In FY 2013, the General Fund GAAP Financial Plan shows total projected revenues of $50.5 billion, total projected expenditures of $60.1 billion, and net other financing sources of $9.4 billion, resulting in a projected operating deficit of $117 million. These projections reflect the net impact of the Enacted Budget gap-closing actions.

Please see "GAAP-Basis Results for Prior Fiscal Years" for a summary of recent audited operating results.

GAAP FINANCIAL PLAN
GENERAL FUND
FY 2013 THROUGH FY 2016
(millions of dollars)

	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Revenues:				
Taxes:				
Personal income tax	26,972	28,162	29,504	30,193
User taxes and fees	9,284	9,647	10,067	10,428
Business taxes	6,047	6,213	5,679	6,311
Other taxes	1,139	1,196	1,222	1,222
Miscellaneous revenues	7,017	6,225	5,638	5,786
Federal grants	60	2	0	0
Total revenues	50,519	51,445	52,110	53,940
Expenditures:				
Grants to local governments	42,345	44,561	46,161	47,854
State operations	11,876	11,582	12,008	12,459
General State charges	5,845	6,551	6,968	7,399
Debt service	0	0	0	0
Capital projects	0	0	0	0
Total expenditures	60,066	62,694	65,137	67,712
Other financing sources (uses):				
Transfers from other funds	15,061	15,767	15,639	15,693
Transfers to other funds	(6,034)	(6,228)	(6,352)	(6,281)
Proceeds from financing arrangements/ advance refundings	403	400	400	400
Net other financing sources (uses)	9,430	9,939	9,687	9,812
Operating Surplus/(Deficit)	(117)	(1,310)	(3,340)	(3,960)

Source: NYS DOB

EXHIBIT D TO AIS

PRINCIPAL STATE TAXES AND FEES

Personal income taxes are imposed on the New York source income of individuals, estates and trusts. Personal income taxes are projected to account for roughly 61 percent of All Government Funds tax receipts during FY 2013. The State tax adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal PIT purposes, with certain modifications. Receipts from this tax are sensitive to changes in economic conditions in the State and to taxpayers' responses to Federal and State law changes. New York allows a standard deduction of $15,000 for married couples filing jointly, with lower deductions for the other types of filers. New York also allows a $1,000 exemption for dependents. For tax years 2009 through 2011, the tax rate schedule had seven tax brackets which, for married couples filing jointly, started at 4 percent for taxable income below $16,000 and increased to 8.97 percent on taxable income over $500,000. There were comparable tax rate schedules for heads of households, single individuals, and married couples filing separately. For tax years 2012 to 2014, four new tax brackets and rates replaced the former bracket and rate applicable to taxpayers with taxable income above $40,000 for married filing jointly returns (with lower levels for other filing categories). The tax rate for taxpayers (married filing jointly returns) with taxable income in the $40,000 to $150,000 and $150,000 to $300,000 brackets has been lowered to 6.45 percent and 6.65 percent, respectively, while rates on the $300,000 to $2 million tax bracket remained unchanged from 2008 law at 6.85 percent. The top rate for those earning $2 million and above (married filing jointly returns) has been increased to 8.82 percent. The tax brackets and standard deduction amounts were also indexed to the Consumer Price Index (CPI) starting in tax year 2013. After 2014, the rate is scheduled to revert to the pre-2009 schedule of five tax intervals, ranging from 4 percent to 6.85 percent on taxable income over $40,000 for married couples filing jointly.

Beginning in tax year 2009, taxpayers with incomes above $1 million are limited to deducting 50 percent of their Federal charitable contributions as their only New York itemized deduction. For tax years 2010 through 2012, taxpayers with incomes above $10 million may deduct only 25 percent of their Federal charitable contributions deductions as their only itemized deduction.

New York also allows several credits against the tax. The most significant are the: Empire State Child Credit (generally equal to one-third of the Federal child tax credit), household credit, credit for taxes paid to other states, investment tax credit, various Empire Zone credits, child and dependent care credit, real property tax circuit breaker credit, earned income tax credit, long-term care insurance credit, and college tuition credit. For tax years 2010 through 2012, business taxpayers must defer the usage of certain business-related tax credits if they exceed $2 million in aggregate. Such taxpayers can begin to use the deferred nonrefundable payout credit in tax year 2013. For refundable credits, taxpayers can claim 50 percent of deferred amounts in tax year 2013, 75 percent of the remainder in 2014, and the entire remainder in 2015.

In 2001, legislation was enacted to provide for the issuance of State PIT Revenue Bonds, which has become the primary financing vehicle for a broad range of existing State-supported debt programs previously secured by service contract or lease-purchase payments. The first bonds were issued in May 2002. The legislation provided that 25 percent of PIT receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the RBTF for purposes of making debt service payments on the bonds, with excess amounts transferred to the General Fund. Legislation enacted with the FY 2008 budget provided that the RBTF will be calculated based on 25 percent of PIT receipts (excluding refunds owed to taxpayers, but before deposits to the STAR fund).

In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of 25 percent of annual PIT receipts or $6 billion.

User taxes and fees consist of several taxes on consumption, the largest of which is the State sales and compensating use tax. The following discussion describes these taxes and summarizes significant revenue actions taken since 2006. The *sales and use tax* is imposed, in general, on the receipts from the sale of all tangible personal property unless exempted, and all services are exempt unless specifically enumerated. Certain charges for meals, admissions, hotel and motel occupancy and dues are also subject to the tax. The current State sales tax rate is 4.0 percent, of which 3.0 percent is deposited in the General Fund and 1.0 percent is deposited in the Local Government Assistance Tax Fund to meet debt service obligations. Receipts in excess of debt service requirements are transferred to the General Fund. Although there are numerous exemptions, the most significant are: food; clothing and footwear costing less than $110 (also see discussion below); drugs; medicine and medical supplies; residential energy; capital improvements and installation charges; machinery and equipment used in manufacturing; trade-in allowances; and goods sold to Federal, State or local governments. Legislation enacted in 2006 increased the vendor credit and capped the State sales tax on motor fuel at 8 cents per gallon effective June 1, 2006**.** Legislation enacted in 2008 required non-profit tax-exempt organizations to collect sales tax on additional retail sales and rentals or leases of tangible personal property, included a vendor registration program (vendors must register and pay a $50 fee except for new registrations or small businesses) and created an evidentiary presumption that certain sellers using New York residents to solicit sales in the State are vendors required to collect sales and use tax. Legislation enacted in 2009 expanded the definition of "affiliate nexus", imposed the sales tax on certain transportation services, narrowed the exemption for commercial aircraft, narrowed the use tax exemption for motor vehicles and vessels, increased the tax rate on passenger car rentals, and increased the pre-paid sales tax rate on cigarettes. Legislation enacted in 2010 temporarily eliminated the State sales and use tax exemption on items of clothing and footwear priced under $110 for the period October 1, 2010, through March 31, 2011. From April 1, 2011, through March 31, 2012, the State exemption was $55 and thereafter the $110 exemption is reinstated. Additionally, hotel room remarketers were required to remit the sales and use tax on the price differential between the discounted rate they pay and the rate the final consumer pays, the vendor credit was eliminated for monthly filers, provisions allowing private label credit cards to claim a credit for uncollectible debts were repealed, affiliate nexus provisions affecting vendors were narrowed, and certain New York City livery services were exempted from the tax. Legislation enacted in 2011, and extended in 2012, authorized the Tax Modernization Project.

The State imposes a *tax on cigarettes* at the rate of $4.35 per package of 20 cigarettes and imposes a *tax on other tobacco products* equal to 75 percent of the wholesale price. The tax on cigarettes was raised from $1.50 per pack to $2.75 on June 3, 2008, and to $4.35 per pack on July 1, 2010. The revenue derived from the tax is split, with 24 percent of receipts deposited in the General Fund and the balance deposited in the Tobacco Control and Insurance Initiatives Pool established by the HCRA of 2000. In 2008, certain tobacco products were converted from price-based taxes to weight-based taxes. The tobacco products tax was raised from 37 percent to 46 percent in April 2009, and to 75 percent in August 2010. Legislation enacted in 2011 changed the annual fees imposed on retailers from a graduated structure based on gross sales to a flat $300 per retailer ($100 per vending machine).

Motor fuel and *diesel motor fuel taxes* are levied at 8 cents per gallon upon the sale, generally for highway use, of gasoline and diesel fuel. All motor fuel taxes have been deposited in the dedicated transportation funds since April 1, 2001. Legislation enacted in 2008 allows the Commissioner of Taxation and Finance to work and enter into an agreement with transportation-related agencies to use technology to reduce the bootlegging of fuel. Legislation enacted in 2011 modernized motor fuel, diesel motor fuel and e-85 definitions to reflect changes in the fuels marketplace.

The State imposes *alcoholic beverage excise taxes* at various rates on liquor, beer, wine and specialty beverages. Legislation enacted in 2009 increased the tax rate on beer to 14 cents per gallon and increased the tax rate on wine to 30 cents per gallon.

The *highway use tax* revenue is derived from three sources: the truck mileage tax, related highway use permit fees and the fuel use tax. The truck mileage tax is levied on commercial vehicles, at rates graduated by vehicle weight, based on miles traveled on State highways. Highway use registration certificates (original or renewed) are $15. The fuel use tax is an equitable complement to the State's motor fuel tax and sales tax paid by those who purchase fuel outside but consumed in New York. It is levied on commercial vehicles having three or more axles or a gross vehicle weight of more than 26,000 pounds. Currently, all collections from the highway use tax are deposited in the DHBTF. Legislation enacted in 2007 replaced the current highway use permit system with a registration system. Legislation enacted in 2009 reauthorized the Commissioner of the Tax Department to require highway use tax decals on the exterior of all vehicles, and increased the decal renewal fee from $4 to $15 per vehicle.

The State imposes an *auto rental tax* on charges for any rental of passenger cars rented or used in the State, subject to certain exceptions including leases covering a period of one year or more. Effective April 1, 2002, all auto rental tax receipts are deposited in the dedicated transportation funds. Legislation enacted in 2009 increased the tax rate from 5 percent to 6 percent and imposed a supplemental tax at a rate of 5 percent in the Metropolitan Commuter Transportation District.

Business taxes include a general business corporation franchise tax as well as specialized franchise taxes on banks, insurance companies, certain transportation and transmission companies, and a cents-per-gallon-based levy on businesses engaged in the sale or importation for sale of various petroleum products. The discussion below describes each tax and summarizes significant legislation enacted since 2006.

The *corporation franchise tax* is the largest of the business taxes, and the State's third largest source of revenue. It is imposed on all domestic general business corporations and foreign general business corporations which do business or conduct certain other activities in the State. The tax is imposed, generally, at a rate of 7.1 percent of taxable income allocated to New York. Taxable income is defined as Federal taxable income with certain modifications.

Legislation enacted in 2006 eliminated the S-corporation differential; extended and increased the Empire State Film Production Credit and authorized a new Empire State Commercial Production Credit and a new credit for the production of alternative bio-fuels; accelerated the authorization of six of the remaining nine Empire Zones initially authorized in 2005, and provided zone benefits to enterprises that make substantial investments in regionally significant projects; and increased the low income housing credit from $8 million to $12 million.

Legislation enacted in 2007 provided that taxpayers operating on a unitary basis file a combined report if substantial inter-corporate transactions occur amongst affiliates; lowered the rate on Entire Net Income (ENI) to 7.1 percent for general businesses and to 6.5 percent for manufacturers; lowered the alternative minimum tax rate to 1.5 percent; increased the low income housing credit from $12 million to $16 million; and closed the real estate investment trust loophole.

Legislation enacted in 2008 restructured minimum taxes on corporations and the capital base tax; extended the MTA surcharge for four additional years; decoupled New York State from the Federal Qualified Production Activity Income (QPAI) deduction provided under Internal Revenue Code section 199; changed the first installment of tax from 25 percent to 30 percent; extended and increased the Empire State film production credit; extended the investment tax credit for financial services for three additional years; increased the low-income housing credit allocation by $4 million; extended tax shelter reporting requirements for two years; and established a voluntary disclosure and compliance initiative program to encourage eligible taxpayers to enter into compliance agreements with the Department of Taxation and Finance.

Legislation enacted in 2009 made changes to the tax treatment of captive insurance companies by providing special rules for overcapitalized captive insurance companies. The legislation required that an overcapitalized captive insurance company file a combined report with the corporation that directly owns or controls over 50 percent of the voting stock of the captive if that corporation is either an article 9 or an article 32 taxpayer. Additionally, for-profit HMOs were taxed under the insurance tax. Previously they were taxed under the corporation franchise tax. The mandatory first installment that applies to large taxpayers was increased from 30 percent to 40 percent of the prior year's tax. The Empire Zones Program was reformed requiring a performance review of all companies that had been certified in the program for at least three years. Companies not meeting a 1:1 benefit-cost ratio, or that reincorporated for the purpose of maximizing tax benefits were not allowed to claim further benefits. An additional $350 million was allocated to the Empire State film production credit program for 2009. In addition, for tax years beginning on or after January 1, 2009 all film tax credit claims will be paid across several years based on the amount of the credit claimed. Two seldom used tax credits, the fuel cell generating equipment credit and the transportation improvement contribution credit were repealed effective with tax year 2009. The low income housing credit authorization was increased by an additional $4 million for a total of $24 million.

Legislation enacted in 2010 increased the low income housing credit authorization by an additional $4 million for a total of $28 million; enacted a deferral of business related tax credits (see description under "personal income taxes"); and made technical corrections to the FY 2010 Enacted Budget Empire Zones Program to clarify legislative intent for decertifications retroactive to 2008, clarified reporting changes and allowed certified projects to claim the investment tax credit and the employee incentive tax credit after June 30, 2010. The Film tax credit was extended and expanded. An additional $420 million per year was allocated for tax years 2010 through 2014. A portion of this allocation ($7 million) was dedicated to a new post production credit. The film tax credit legislation also imposed various reforms to enhance the State's return on investment. The Excelsior Jobs Program was established to provide incentives based on job creation, investment and research and development expenditures in New York State.

Legislation enacted in 2011 increased the low income housing credit authorization by an additional $4 million for a total of $32 million; extended tax shelter reporting requirements for an additional four years to July 1, 2015; extended the financial services investment tax credit for an additional four years to October 1, 2015; enhanced the Excelsior Jobs Program; extended the Federal Gramm-Leach-Bliley Act transition provisions for an additional two years; and created the Economic Transformation and Facility Redevelopment Program to provide tax credits to communities impacted by correctional and youth facility closures.

Legislation enacted in 2012 extends and increases the low income housing credit by $8 million annually for tax years 2012 and 2013; extends the television commercial production credit through 2014 and redistributes the annual allocation between the statewide pool and the upstate pool; extends the bio-fuel production credit through tax year 2019; and extends and amends the Gramm-Leach-Bliley provisions for an additional two years, through tax year 2014. The amendment to the Gramm-Leach-Bliley provisions requires that a corporation previously taxed as a bank under Gramm-Leach-Bliley be taxed as a bank only if it meets the current law definition of a bank.

Receipts from the *corporation* and *utilities taxes* are primarily attributable to taxes imposed on transportation and transmission companies, utility services and telecommunication services.

Legislation enacted in 2008 extended the MTA surcharge for four additional years. Legislation enacted in 2009 increased the mandatory first installment payment from 30 percent to 40 percent. Legislation enacted in 2011 extends the Power for Jobs Program for two years, then replaces it with the "Recharge New York" program.

Insurance taxes are imposed on insurance corporations, insurance brokers and certain insured that operate in New York State. Non life-insurers are subject to a premiums tax. Accident and health premiums are taxed at the rate of 1.75 percent and all other premiums are taxed at the rate of 2 percent. The insurance tax on life insurers ranges between 1.5 percent and 2.0 percent of premiums after taking into account the tax on their income allocated to New York State. Other taxes are imposed on certain brokers and independently procured insurance.

Legislation enacted in 2006 amended the method in which life insurance companies calculate their taxes when more than 95 percent of their total premiums consist of annuity premiums. Legislation enacted in 2007 lowered the rate on ENI to 7.1 percent for life insurers. Legislation enacted in 2008 extended the MTA surcharge for four additional years. In 2009, legislation was enacted that increased the mandatory first installment payment from 30 percent to 40 percent, clarified that captive insurance companies receiving 50 percent or less of their gross receipts from insurance premiums must file a combined return with their closest affiliated taxpayer, and imposed a 1.75 percent premiums tax on for-profit health maintenance organizations.

Legislation enacted in 2010 allowed insurance companies to claim the nonresidential historic properties tax credit. Legislation enacted in 2011 conformed the taxes on executive lines and direct writings with requirements enacted in the 2010 Federal Dodd-Frank financial reform legislation.

The State imposes a *franchise tax on banking corporations* at a basic tax rate of 7.1 percent of entire net income with certain exclusions, and subject to special rates for institutions. Legislation enacted in 2007 closed the real estate investment trust loophole for banks with assets of more than $8 billion; required certain grandfathered Article 9-A subsidiaries to be taxed under Article 32; lowered the ENI rate to 7.1 percent; and extended certain 1985 provisions and Gramm-Leach-Bliley Act conforming provisions for two years. Legislation enacted in 2008 provided that certain credit card companies doing business in New York State would be subject to the bank tax; extended the MTA surcharge for four additional years; and established a voluntary disclosure and compliance initiative program to encourage eligible taxpayers to enter into compliance agreements with the Department of Taxation and Finance. In 2009, legislation was enacted that increased the mandatory first installment payment from 30 percent to 40 percent, and reformed the Empire Zones program by decertifying firms that fail a 1:1 benefit-cost ratio or that re-incorporated to maximize tax benefits without making any new investments or creating any new jobs.

Legislation enacted in 2010 allowed banks to claim the nonresidential historic properties tax credit; extended for one year the bank tax reform provisions from 1985 to 1987 and the temporary Gramm-Leach-Bliley Act conforming provisions; conformed the State bank bad debt deduction for bad debts to the calculations provided for in the Internal Revenue Code for Federal tax purposes; and made permanent the provisions that addressed the closely-held Real Estate Investment trusts and Regulated Investment Companies (RIC) loophole, which would have otherwise expired on December 31, 2010.

Legislation enacted in 2011 extended the Federal Gramm-Leach-Bliley Act transition provisions for an additional two years and made the bank tax provisions from 1985 and 1987 permanent. The bank tax provisions were previously extended numerous times on a temporary basis with the Gramm-Leach-Bliley transition provisions.

Legislation enacted in 2012 extends and amends the Gramm-Leach-Bliley provision for an additional two years, through tax year 2014. The amendment to the Gramm-Leach-Bliley provisions requires that a corporation previously taxed as a bank under Gramm-Leach-Bliley be taxed as a bank only if it meets the current law definition of a bank.

The State imposes a *petroleum business tax* on the privilege of operating a petroleum business in the State. This tax is measured by the quantity of various petroleum products imported into the State for sale or use. The tax is imposed at various cents-per-gallon rates depending on the type of petroleum product. The cents-per-gallon tax rates are indexed to reflect petroleum price changes but are limited to changes of no more than 5 percent of the tax rate in any one year. Legislation enacted in 2008 allows the Commissioner of Taxation and Finance to work and enter into an agreement with the DMV, DEC, Thruway Authority, NYS Bridge Authority, and the Port Authority of New York and New Jersey to use technology to reduce the bootlegging of fuel. Legislation enacted in 2011 modernizes fuel definitions to adapt the petroleum business taxes to Federal and State statutory and regulatory changes that address certain environmental concerns.

Other tax revenues include taxes on pari-mutuel wagering, the estate tax, taxes on real estate transfers, certain other minor taxes, and residual receipts following the repeal of the real property gains tax and the gift tax.

The State imposes an *estate tax* on the estates of deceased New York residents, and on that part of a nonresident's net estate made up of real and tangible personal property located within New York State. Estate tax liability is computed on the basis of the Federal definition of "gross estate" and is set equal to the Federal credit for Federal estate tax liability allowable for State estate taxes paid as it existed on July 22, 1998. Reflecting the composition of many decedents' estates in New York, collections of this tax are heavily influenced by fluctuations in the value of common stock. New York has not conformed to the most recent changes in Federal law and thus the base of the tax is, in general, unaffected by such changes.

The *real estate transfer tax* applies to each real property conveyance, subject to certain exceptions, at a rate of $2 for each $500 of consideration or fraction thereof. Pursuant to statute, beginning in State fiscal year 2007-08, $212 million of real estate transfer tax receipts are deposited in the EPF and the remaining receipts are deposited in the CW/CA Debt Service Fund. In 2008-09, $237 million was deposited into the EPF, and $199 million was deposited in 2009-10. Receipts in excess of the debt service requirements are transferred back to the General Fund. The 2010-11 Enacted Budget reduced the statutorily fixed deposit to the EPF from $199.3 million to $119.1 million.

The State levies *pari-mutuel taxes* on wagering activity conducted at horse racetracks, simulcast theaters and off-track betting parlors throughout the State. In previous years the State temporarily reduced its tax rates and expanded simulcast opportunities and increased purses. Legislation enacted in 2006 reduced tax rates on wagers placed on certain thoroughbred races. Legislation enacted in 2008 reinstated the previous pari-mutual tax rates on simulcasting that preceded the 2006 rates, which have recently been extended on an annual basis, including legislation enacted in 2012. In addition to pari-mutuel taxes, a 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters, and a 3 percent tax is levied on gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights.

Miscellaneous receipts and other revenues include various fees, fines, tuition, license revenues, lottery revenues, investment income, assessments on various businesses (including healthcare providers), and abandoned property. Miscellaneous receipts also include minor amounts received from the Federal government and deposited directly in the General Fund. Effective April 1, 2010 OSC classified motor vehicle and alcohol license fees as miscellaneous receipts. Significant miscellaneous receipts legislation enacted since 2006 is discussed below. Legislation enacted in 2006 increased certain banking fines and penalties, reduced the dormancy period on uncashed checks and securities and created the internet point insurance reduction program. Legislation enacted in 2008 revised the distribution of video lottery receipts to provide different commissions to VLG facilities based on factors including: size of the facility; population surrounding the facility; and proximity to Native American and out-of-state casinos. In addition, tracks were provided a capital allowance for capital expenditures to enhance their facilities. Legislation enacted in 2009 increased the real property transfer fee, the 18-A utility assessment, and the notification fee for asbestos projects; expanded the bottle deposit; and authorized the Lottery to enter more than one multi-jurisdictional lottery association. Legislation enacted in 2010 reduced dormancy periods on undelivered goods and money orders and increased various civil court filing fees, made the Lottery's authorization to operate the Quick Draw lottery game permanent, removed the restrictions on the number of hours Quick Draw could be operated, removed the sunset on the VLG Program, increased the hours that VLTs may be operated to 20 hours from 16 hours (but no later than 4 a.m.) and reduced the vendor commission by one percent of net machine income. Legislation enacted in 2011 reduced the dormancy period on 14 items from five or six years to three, authorized VLG facilities to provide free game credits that are excluded from net machine income ("free-play") as a marketing tool capped at 10 percent of the net machine income at that facility, increased the number of instant games with a 75 percent prize pay-out from three to five new games per year, allowed the Lottery to have up to a 55 percent prize-payout on multi-jurisdictional games, and allowed Lottery to offer progressive jackpots (a cash prize that grows larger until won) for certain VLGs. Legislation enacted in 2012 removes the restriction that at least 25 percent of an establishment's revenue be from food sales in order to host the Quick Draw lottery game.

Alcohol license fees are imposed on those who sell alcoholic beverages in New York. The fees vary depending on the type and location of the establishment or premises operated by the licensee, as well as the class of beverage for which the license is issued. Legislation adopted in 2003 allowed for the option to sell liquor or wine on Sundays provided the establishment closed on one other day. In 2004, legislation was enacted to allow seven day liquor sales. This law was made permanent in 2008.

Motor vehicle fees are derived from a variety of sources, including motor vehicle registration fees and driver licensing fees, which together account for most motor vehicle fee revenue. Effective February 1, 1999, 45.5 percent of such fees are dedicated to the DHBTF. Legislation enacted with the 2000-01 Budget directs the remaining 54.5 percent of registration fees to the dedicated transportation funds pool, of which 63 percent goes to the DHBTF. Legislation enacted in 2001 directed the deposit of $169 million in non-registration fees to the Trust Fund in State fiscal year 2001-02. Legislation enacted in 2002 redirected $171.6 million in non-registration fees to the Trust Fund in State fiscal year 2002-03 and $152.7 million in State fiscal year 2003-04. Legislation enacted in 2003 directed $59.9 million in existing non-registration motor vehicle fee revenues to the Trust Fund effective April 1, 2004. Legislation enacted in 2005 directed the first $169.4 million of non-dedicated motor vehicle fees (excluding fines and assessments) to the Dedicated Funds Pool, with the remainder going to the General Fund. Legislation enacted in 2008 implemented the Western Hemisphere Travel Initiative (WHTI) which offered Federally-compliant driver's licenses and non-driver ID cards. Legislation enacted in 2009 included increases of approximately 25 percent for vehicle registrations and licenses. Legislation enacted in 2011 clarified that non-dedicated motor vehicle fees include assessments and fines.

EXHIBIT E TO AIS

GLOSSARY OF FINANCIAL TERMS

The following glossary, which is an integral part of this AIS, includes certain terms that are used herein and are intended for use only in connection with the entire AIS.

Appropriation: An appropriation is a statutory authorization against which liabilities may be incurred during a specific year, and from which disbursements may be made, up to a stated amount, for the purposes designated. Appropriations generally are authorizations, rather than mandates, to spend, and disbursements from an appropriation need not, and generally do not, equal the amount of the appropriation. An appropriation represents maximum spending authority. Appropriations may be adopted at any time during the fiscal year.

Bond Anticipation Note or *BANs*: A bond anticipation note is a short-term obligation, the principal of which is paid from the proceeds of the bonds in anticipation of which such note is issued.

Business-type Activities: "Business-type activities" describe those operations that are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds and include the Lottery, Unemployment Insurance Benefit, SUNY and CUNY senior colleges.

Capital Projects Funds: Capital Projects Funds, one of the four GAAP-defined governmental fund types, account for financial resources of the State to be used for the acquisition or construction of major capital facilities (other than those financed by SRFs, Proprietary Funds and Fiduciary Funds).

Cash Basis Accounting: Accounting, budgeting and reporting of financial activity on a cash basis results in the recording of receipts at the time money or checks are deposited in the State Treasury and the recording of disbursements at the time a check is drawn, regardless of the fiscal period to which the receipts or disbursements relate.

Community Projects Fund: The State created this fund within the General Fund in 1996 to finance certain community projects for the Legislature and the Governor. The State transfers moneys from other General Fund accounts into the Community Projects Fund, as provided by law. Spending out of the Community Projects Fund is governed by specific appropriations for each account in the Fund, but cannot exceed the cash balance for that account.

Contingency Reserve Fund: This fund was established in 1993 to assist the State in financing the costs of any extraordinary known or anticipated litigation. Deposits to this fund are made from the General Fund.

Contractual-Obligation Financing: Contractual-obligation financing is an arrangement pursuant to which the State makes periodic payments to a public benefit corporation under a contract having a term not less than the amortization period of debt obligations issued by the public benefit corporation in connection with such contract. Payments made by the State are used to pay debt service on such obligations and are subject to annual appropriation by the Legislature and the availability of moneys to the State for the purposes of making contractual payments.

Debt Reduction Reserve Fund or *DRRF*: The State created the DRRF in 1998 to accumulate surplus revenues to pay debt service costs on State-supported bonds, retire or defease such bonds, and to finance capital projects. Use of DRRF funds requires an appropriation.

Debt Service: Debt service refers to the payment of principal and interest on bonds, notes, or other evidences of indebtedness, including interest on BANs and TRANs, in accordance with the respective terms thereof.

Debt Service Funds: DSFs, one of the four GAAP-defined governmental fund types, account for the accumulation of resources (including receipts from certain taxes, transfers from other funds and miscellaneous revenues, such as dormitory room rental fees, which are dedicated by statute for payment of lease-purchase rentals) for the payment of general long-term debt service and related costs and payments under lease-purchase and contractual-obligation financing arrangements.

Disbursement: A disbursement is a cash outlay and in the General Fund includes transfers to other funds.

Executive Budget: The Executive Budget is the Governor's constitutionally mandated annual submission to the Legislature which contains his recommended program for the forthcoming fiscal year. The Executive Budget is an overall plan of recommended appropriations. It projects disbursements and expenditures needed to carry out the Governor's recommended program and receipts and revenues expected to be available for such purpose. The recommendations contained in the Executive Budget serve as the basis for the State Financial Plan (defined below) which is adjusted after the Legislature acts on the Governor's submission. Under the State Constitution, the Governor is required each year to propose an Executive Budget that is balanced on a cash basis.

Expenditure: An expenditure, in GAAP terminology, is a decrease in net financial resources as measured under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term expenditure to refer to a cash outlay or disbursement.

Expenses: Expenses, in GAAP terminology, are a decrease in net financial resources as measured in the government-wide financial statements under the accrual basis of accounting.

Fiduciary Funds: Fiduciary Funds refers to a GAAP-defined fund type which accounts for assets held by the State in a trustee capacity or as agent for individuals, private organizations and other governmental units and/or other funds. These funds are custodial in nature and do not involve the measurement of operations. Although the Executive Budget for a fiscal year generally contains operating plans for Fiduciary Funds, and their results are included in the Comptroller's GAAP-based financial statements, they are not included in the State Financial Plan.

Financial Plan: see State Financial Plan.

Fiscal Year: The State's fiscal year commences on April 1 and ends on March 31. The term fiscal year refers to the fiscal year of the State unless the context clearly indicates otherwise.

Fund Accounting: The accounts of the State are presented on the basis of GAAP funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GAAP: GAAP refers to generally accepted accounting principles for state and local governments, which are the uniform minimum standards of and guidelines for financial accounting and reporting prescribed by GASB. GAAP requires that the government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the Enterprise Funds, Component Units and the Fiduciary Funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance expenditures. Expenditures and related liabilities are recognized in the accounting period they are incurred to the extent they are expected to be paid within the next 12 months, under the modified accrual basis of accounting.

General Fund: The General Fund, one of the four GAAP-defined governmental fund types, is the major operating fund of the State and receives all receipts that are not required by law to be deposited in another fund, including most State tax receipts and certain fees, transfers from other funds and miscellaneous receipts from other sources.

General Obligation Bonds: Long-term obligations of the State, used to finance capital projects. These obligations must be authorized by the voters in a general election, are issued by the Comptroller, and are backed by the full faith and credit of the State. Under current provisions of the Constitution, only one bond issue may be put before the voters at each general election, and it must be for a single work or purpose. Debt service must be paid from the first available taxes whether or not the Legislature has enacted the required appropriations for such payments.

General State Charges: Costs mandated by statute or court decree or by agreements negotiated with employee unions for which the State is liable, including: pensions; health, dental and optical benefits; payments on behalf of State employees for Social Security; unemployment insurance benefits; employee benefit programs; court judgments and settlements; assessments for local improvements; and taxes on public lands.

Governmental Activities: Governmental activities describes those operations that are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues and are reported in the governmental funds.

Governmental Funds: Governmental funds refers to a category of GAAP-defined funds which account for most governmental functions and which, for the State, include four GAAP-defined governmental fund types: the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The State's projections of receipts and disbursements in the governmental funds comprise the State Financial Plan.

Interfund Transfers: Under GAAP fund accounting principles, each fund is treated as a separate fiscal and accounting unit with limitations on the kinds of disbursements to be made. To comply with these limitations, moneys are moved from one fund to another to make them available for use in the proper fund, and are accounted for as "interfund transfers".

Lease-Purchase Financing: Lease-purchase financing is an arrangement pursuant to which the State leases facilities from a public benefit corporation or municipality for a term not less than the amortization period of the debt obligations issued by the public benefit corporation or municipality to finance acquisition and construction, and pays rent which is used to pay debt service on the obligations. At the expiration of the lease, title to the facility vests in the State in most cases. Generally, the State's rental payments are expressly subject to annual appropriation by the Legislature and availability of moneys to the State for the purposes thereof.

Local Assistance: Disbursements of State grants to counties, cities, towns, villages, school districts and other local entities, certain contractual payments to localities, and financial assistance to, or on behalf of, individuals and not-for-profit organizations.

Moral obligation debt: Long-term bonds issued by certain State public benefit corporations which are essentially supported by their own revenues. Moral obligation debt is not incurred pursuant to a referendum, is not State-supported debt, and is not backed by the full faith and credit of the State. However, the authorities selling such obligations have been allowed to establish procedures where, under certain conditions, the State may be requested to meet deficiencies in debt service reserve funds supporting such bonds. An appropriation must be enacted by the Legislature to meet any such request.

Official Statement: A disclosure document prepared to accompany an issuance of bonds, notes and certificates of participation offered for sale by the State or its public authorities. Its primary purpose is to provide prospective bond or note purchasers sufficient information to make informed investment decisions. It describes, among other things, the issuer, the project or program being financed and the security behind the bond issue.

PAYGO financing: The use of current State resources (as opposed to bonds) to finance capital projects. Also referred to as “hard dollar” financing.

Rainy Day Reserve Fund: This fund was created in 2007 to enhance the State’s fiscal reserves. The fund, which may have a maximum balance equal to 3 percent of General Fund spending, may be used to respond to an economic downturn or catastrophic event, as defined by the enabling statute.

Receipts: Receipts consist of cash actually received during the fiscal year and in the General Fund include transfers from other funds.

Revenue Accumulation Fund: This fund holds certain tax receipts temporarily before their deposit into other funds.

Revenues: Revenues, in GAAP terminology, are an increase in net financial resources, as measured for the government-wide financial statements under the accrual basis of accounting and for the governmental funds under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term revenues to refer to income or receipts.

Short-Term Investment Pool or *STIP*: The combination of available cash balances in funds within the State Treasury on a daily basis for investment purposes.

Special Revenue Funds: SRFs, one of the four GAAP-defined governmental fund types, account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects), such as Federal grants, that are legally restricted to specified purposes.

State Financial Plan: The State Financial Plan sets forth projections of State receipts and disbursements in the governmental fund types for each fiscal year and is prepared by the Director of the Division of Budget, based initially upon the recommendations contained in the Executive Budget. After the budget is enacted, the State Financial Plan is adjusted to reflect revenue measures, appropriation bills and certain related bills enacted by the Legislature. It serves as the basis for the administration of the

State's finances by the Director of the Budget, and is updated quarterly, or more frequently as necessary, during the fiscal year.

State Funds: "State funds" refer to a category of funds which includes the General Fund and all other State-controlled moneys, excluding Federal grants. This category captures all governmental disbursements except spending financed with Federal grants.

State-guaranteed debt: Debt authorized by the voters to be sold by three public authorities: the Job Development Authority, the New York State Thruway Authority, and the Port Authority of New York and New Jersey. State-guaranteed bonds issued for the Thruway Authority and the Port Authority were fully retired on July 1, 1995 and December 31, 1996, respectively. Such debt is backed by the full faith and credit of the State.

State Operations: Operating costs of State departments and agencies, the Legislature and the Judiciary, including salaries and other compensation for most State employees.

State-related debt: In this broad category, DOB combines all forms of debt for which the State is liable, either directly or on a contingent basis, including all State-supported debt and State-guaranteed and moral obligation debt.

State-supported debt: This category includes all obligations for which the State appropriates money that is used to pay debt service, including general obligation debt, lease-purchase and contractual-obligation debt, including PIT Revenue Bonds, LGAC and certificates of participation. While tax supported debt (obligations supported by State taxes) represents the majority of obligations in this category, obligations supported by other State revenues (such as dormitory fees or patient revenues) are also included.

Tax and Revenue Anticipation Notes or *TRANs*: Notes issued in anticipation of the receipt of taxes and revenues, direct or indirect, for the purposes and within the amounts of appropriations theretofore made.

Tax Refund Reserve Account: The tax refund reserve account is used to hold moneys available to pay tax refunds. During a given fiscal year, the deposit of moneys in the account reduces receipts and the withdrawal of moneys from the account increases receipts. There is no requirement that moneys withdrawn from this account be replaced.

Tax Stabilization Reserve Fund: This fund was created to hold surplus revenue that can be used in the event of any unanticipated General Fund deficit. Amounts within this fund can be borrowed to cover any year-end deficit and must be repaid within six years in no less than three equal annual installments. The fund balance cannot exceed two percent of General Fund disbursements for the fiscal year; contributions are limited to two-tenths of one percent of General Fund disbursements in that year.

EXHIBIT F TO AIS

GLOSSARY OF ACRONYMS

(AIM) ... Aid and Incentive for Municipalities
(ALES) ... Agency Law Enforcement Services
(APSU) ... Agency Police Services Unit
(ARC) ... Annual Required Contribution
(ARRA) ... American Recovery and Reinvestment Act of 2009
(BANs) ... Bond Anticipation Notes
(BCA) ... Budget Control Act
(BCI) ... New York State Police Investigators Association
(BIC) ... Bond Issuance Change
(CAFR) ... Comprehensive Annual Financial Report
(CDA) ... Continuing Disclosure Agreement
(CDT) ... Continuing Day Treatment Clinic
(CEFAP) ... Community Enhancement Facilities Assistance Program
(CERCLA) ... Comprehensive Environmental Response, Compensation and Liability Act
(CHIPs) ... Consolidated Highway Improvement Programs
(CHP) ... Child Health Plus
(CMS) ... Centers for Medicaid and Medicare Services
(COLA) ... Cost-of-Living Adjustment
(CPI) ... Consumer Price Index
(CQCAPD) ... Commission on Quality Care and Advocacy for Persons with Disabilities
(CRF) ... Common Retirement Fund
(CSEA) ... Civil Service Employees Association
(CW/CA) ... Clean Water/Clean Air
(DHBTF) ... Dedicated Highway and Bridge Trust Fund
(DRRF) ... Debt Reduction Reserve Fund
(DSFs) ... Debt Service Funds
(EI) ... Early Intervention
(EIS) ... Environmental Impact Statement
(EMMA) ... Electronic Municipal Market Access
(ENI) ... Entire Net Income
(EPF) ... Environmental Protection Fund
(EPIC) ... Elderly Pharmaceutical Insurance Coverage
(ERI) ... Early Retirement Incentive
(ERS) ... Employees' Retirement System
(EXCEL) ... Expanding our Children's Education and Learning
(FCB) ... Financial Control Board
(FHP) ... Family Health Plus
(FMAP) ... Federal Medical Assistance Percentage
(FMP) ... Fiscal Management Plan
(F-SHRP) ... Federal-State Health Reform Partnership
(FTE) ... Full-Time Equivalent
(GAAP) ... Generally Accepted Accounting Principles
(GASB) ... Governmental Accounting Standards Board
(GASBS 45) ... Governmental Accounting Standards Board Statement 45
(GDP) ... Gross Domestic Product
(GEA) ... Gap Elimination Adjustment
(GOER) ... Governor's Office of Employee Relations
(GPHW) ... General Public Health Work
(GSCs) ... General State Charges
(HCRA) ... Health Care Reform Act
(HEAL NY) ... Health Care Equity and Affordability Law for New Yorkers
(HESC) ... Higher Education Services Corporation

EXHIBIT F - GLOSSARY OF ACRONYMS

(HLRW).. High-Level Radioactive Waste
(HMO)..Health Maintenance Organization
(IBO) .... Independent Budget Office
(LGAC)...Local Government Assistance Corporation
(LIBOR) .... London Inter Bank Offered Rates
(LICH)...Long Island College Hospital
(LTRO)..Long-Term Refinancing Operation
(M/C)..Managerial/Confidential
(MD&A).. Management Discussion & Analysis
(MSA)...Master Settlement Agreement
(NAICS) ....North American Industry Classification System
(NIFA)...Nassau County Interim Finance Authority
(NPM)... Non-Participating Manufacturer
(NYSCOPBA)………… .....……New York State Correctional Officers and Police Benevolent Association
(NYS-CARES)…….. ..... New York State - Creating Alternatives in Residential Environments and Services
(NYSHIP)...New York State Health Insurance Plan
(NYSLRS) ....New York State Local Retirement System
(NYSPBA).. New York State Police Benevolent Association
(OCA)...Office of Court Administration
(OPEB) ....Other Post-Employment Benefits
(OPM).. Original Participating Manufacturer
(OSDC).. Office of the State Deputy Comptroller
(PACB)...Public Authorities Control Board
(PAYGO)... Pay-as-you-go
(PBA)..Police Benevolent Association of New York State Troopers
(PEF) ....Public Employees Federation
(PFRS).. Police and Fire Retirement System
(PILOT)...Payment in Lieu of Taxes
(PIT) ....Personal Income Tax
(PM) .... Participating Manufacturers
(QPAI).. Qualified Production Activity Income
(RIC).. Regulated Investment Company
(RBTF) ....Revenue Bond Tax Fund
(SAGE).. Spending and Government Efficiency Commission
(SBE).. Sound Basic Education
(SIP) .... Strategic Investment Program
(SPM) ....Subsequent Participating Manufacturers
(SRFs).. Special Revenue Funds
(SSI) ....Supplemental Security Income
(STAR) ....School Tax Relief
(STARC).. Sales Tax Asset Receivable Corporation
(STIP) .... Short-Term Investment Pool
(TANF)... Temporary Assistance for Needy Families
(TAP).. Tuition Assistance Program
(TRANs)... Tax and Revenue Anticipation Notes
(TSFC)..Tobacco Settlement Financing Corporation
(UDC)..Urban Development Corporation
(UUP) ....United University Professions
(VLG) .... Video Lottery Gaming
(VLT)..Video Lottery Terminal
(WHTI)... Western Hemisphere Travel Initiative
(WTI)...West Texas Intermediate

EXHIBIT F - GLOSSARY OF ACRONYMS

NEW YORK STATE AGENCIES AND PUBLIC AUTHORITIES

(CUNY)	City University of New York
(DASNY)	Dormitory Authority of the State of New York
(DDPC)	Developmental Disabilities Planning Council
(DEC)	Department of Environmental Conservation
(DMNA)	Department of Military and Naval Affairs
(DMV)	Department of Motor Vehicles
(DOB)	Division of the Budget
(DOCCS)	Department of Corrections and Community Supervision
(DOH)	Department of Health
(DOT)	Department of Transportation
(EFC)	Environmental Facilities Corporation
(ERDA)	Energy Research and Development Authority
(ESDC)	Empire State Development Corporation
(HFA)	Housing Finance Agency
(JDA)	Job Development Authority
(MTA)	Metropolitan Transportation Authority
(MBBA)	Municipal Bond Bank Agency
(MCFFA)	New York State Medical Care Facilities Finance Agency
(NYHELPS)	New York Higher Education Loan Program
(NYSTA)	New York State Thruway Authority
(NYSTAR)	Office of Science, Technology and Academic Research
(OASAS)	Office of Alcoholism and Substance Abuse Services
(OCFS)	Office of Children and Family Services
(OFT)	Office for Technology
(OGS)	Office of General Services
(OMH)	Office of Mental Health
(OPWDD)	Office for People with Developmental Disabilities
(OSC)	Office of the State Comptroller
(OTDA)	Office of Temporary and Disability Assistance
(SED)	State Education Department
(SOFA)	New York State Office for the Aging
(SUNY)	State University of New York

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APPENDIX C

FORM OF OPINION OF CO-BOND COUNSEL

Upon delivery of the Series 2012A Subordinate Bonds in definitive form, Hawkins Delafield & Wood LLP, New York, New York and Gonzalez Saggio & Harlan LLP Co-Bond Counsel to the Corporation, propose to render their final approving opinion in substantially the following form:

[Date of Delivery]

New York Local Government
Assistance Corporation
Albany, New York
Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance of $86,845,000 Series 2012A Refunding Bonds (Subordinate Lien) (the "Series 2012A Subordinate Bonds") of the New York Local Government Assistance Corporation (the "Corporation"), a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation, created and existing under and pursuant to the Constitution and statutes of the State, including the New York State Local Government Assistance Corporation Act, Chapter 220 of the Laws of 1990, as amended (the "Act").

The Series 2012A Subordinate Bonds are authorized and issued under and pursuant to the Act and the General Subordinate Lien Bond Resolution of the Corporation, adopted December 30, 2002, as amended and supplemented (the "General Subordinate Lien Bond Resolution"), and the Series 2012A Resolution Authorizing up to $130,000,000 Subordinate Lien Bonds, adopted March 13, 2012 (the "Series Resolution"). The General Subordinate Lien Bond Resolution, the Supplemental Subordinate Resolution and the Series Resolution, together with the Comptroller's Series Certificate relating to the Series 2012A Subordinate Bonds dated as of the date hereof (the "Comptroller's Series Certificate"), are herein collectively called the "Resolutions".

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2012A Subordinate Bonds in order that interest on the Series 2012A Subordinate Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Corporation, dated the date hereof (the "Arbitrage and Use of Proceeds Certificate"), in which the Corporation has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Series 2012A Subordinate Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2012A Subordinate Bonds and the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates the Corporation to take certain actions necessary to cause interest on the Series 2012A Subordinate Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code could cause interest on the Series 2012A Subordinate Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. The Corporation has covenanted in the Resolutions to maintain the exclusion of the interest on the Series 2012A Subordinate Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 8 hereof, we have relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the exclusion of interest on the Series 2012A Subordinate Bonds from gross income for federal income tax purposes under Section 103 of the Code and compliance by the Corporation with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

The Series 2012A Subordinate Bonds are part of an issue of bonds of the Corporation (the "Bonds") which the Corporation has established and created under the terms of the General Subordinate Lien Bond Resolution. The

Corporation is authorized to issue Bonds from time to time for its corporate purposes authorized by the Act, as of the date of adoption of the General Subordinate Lien Bond Resolution, and limited as to amount as provided in the Resolutions or as may be further limited by law. The Corporation has covenanted with the owners of certain bonds of the Corporation to limit the issuance of additional bonds. The Series 2012A Subordinate Bonds are being issued for the purposes set forth in the Series Resolution.

The Corporation has previously adopted its General Bond Resolution (the "Senior Resolution") on February 19, 1991, as amended and supplemented. The Series 2012A Subordinate Bonds are payable only from funds transferred to the Subordinate Payment Fund established under the Senior Resolution after sufficient amounts are deposited in the funds and accounts securing the bonds issued under the Senior Resolution and from the funds and accounts held under the General Subordinate Lien Resolution.

The Corporation is authorized to issue Bonds, in addition to the Series 2012A Subordinate Bonds, only upon the terms and conditions set forth in the Senior Resolution and the General Subordinate Lien Bond Resolution. Such Bonds issued under the General Subordinate Lien Bond Resolution, when issued, will, with the Series 2012A Subordinate Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Subordinate Lien Bond Resolution.

The Act provides for, among other things, creating the Corporation as aforesaid, adding a new section 92-r to Article 6 of the State Finance Law, and establishes a local government assistance tax fund (the "Tax Fund") in the joint custody of the Comptroller of the State and the Commissioner of Taxation and Finance of the State. Under the Act, the Tax Fund consists of the amount of revenue collected within the State from the imposition of the sales and compensating use taxes (including interest and penalties) pursuant to Sections 1105 and 1110 of the Tax Law of the State (the "Sales Tax") equal to the amount attributable to a one percent rate of taxation, less such amounts as the Commissioner of Taxation and Finance of the State may determine to be necessary for refunds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series 2012A Subordinate Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Corporation. We call attention to the fact that the rights and obligations under the Series 2012A Subordinate Bonds, the Resolutions and the Arbitrage and Use of Proceeds Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, by any valid exercise of the reserved police power of the State and to the limitations on legal remedies against public benefit corporations in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. We undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2012A Subordinate Bonds and express no opinion with respect thereto herein. Except as stated in paragraphs 8 and 9, we express no opinion regarding any other federal, state, local or foreign tax consequences with respect to the Series 2012A Subordinate Bonds. We express no opinion regarding the federal, state, local or foreign tax consequences of any action hereafter taken or not taken in reliance upon an opinion of other counsel with respect to the Series 2012A Subordinate Bonds. Finally, this opinion letter is rendered solely with regard to the matters expressly opined on herein and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on herein. No other opinions are intended nor should they be inferred.

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

1. The Corporation is duly created and validly exists as a corporate governmental agency and instrumentality of the State constituting a public benefit corporation under the laws of the State, including the Constitution of the State and the Act, with the good right and lawful authority and power to adopt the Resolutions, to issue the Bonds including the Series 2012A Subordinate Bonds thereunder and to perform the obligations and covenants contained in the Resolutions and the Series 2012A Subordinate Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Act is valid with respect to all provisions thereof material to the subject matters of this opinion letter.

2. The Series Resolution has been duly and lawfully adopted in accordance with the provisions of the General Subordinate Lien Bond Resolution and is authorized and permitted by the General Subordinate Lien Bond Resolution. The Resolutions have been duly and lawfully adopted by the Corporation and are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms, and no other authorization for the Resolutions is required. Pursuant to the Act, the Resolutions create the valid pledge and lien which they purport to create of the revenues, moneys, securities and funds held or set aside under the Resolutions, subject only to the application thereof to the purposes and on the conditions permitted by the Resolutions and the Senior Resolution. The lien created by the Resolutions on such revenues, moneys, securities and funds in the Debt Service Fund and the Capital Reserve Fund is and will be prior to all other liens thereon other than, with respect to revenues, the lien created by the Senior Resolution. All revenues, moneys and securities, as and when received, in the Debt Service Fund and the Capital Reserve Fund in accordance with the Resolutions, will be validly subject to the pledge and lien created by the Resolutions.

3. The Series 2012A Subordinate Bonds have been duly and validly authorized and issued by the Corporation in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolutions. The Series 2012A Subordinate Bonds are valid and binding general obligations of the Corporation payable as provided in the Resolutions, are enforceable in accordance with their terms, respectively, and the terms of the Resolutions and are entitled, together with additional Bonds issued under the General Subordinate Lien Bond Resolution, to the equal benefit, protection and security of the provisions, covenants and obligations of the General Subordinate Lien Bond Resolution and of the Act.

4. Pursuant to the Act and the General Subordinate Lien Bond Resolution, the Corporation has validly covenanted that it shall cause the Chairperson of the Corporation annually, not less than 120 days before the beginning of each fiscal year of the Corporation (except with respect to the fiscal year ending March 31, 1991), to make and deliver to the Governor and the Comptroller of the State a certificate stating the cash requirements of the Corporation for such fiscal year. Subdivision 3 of Section 3240 of the Act providing for the payment to the Corporation of such amounts as shall be so certified by the Chairperson, does not constitute an enforceable obligation or debt of the State, such amounts being subject to annual appropriation for such purpose by the Legislature of the State, which is empowered, but is not bound or obligated, to appropriate such amount.

5. The Series 2012A Subordinate Bonds do not constitute a debt either of the State or of any unit of local government, and neither the State nor any unit of local government shall be liable thereon, nor shall the Series 2012A Subordinate Bonds be payable out of any funds other than those of the Corporation.

6. The State has the good right and lawful authority:

(a) to provide for the appropriation of, and at least annually to appropriate to, the Corporation, from the Tax Fund or other funds of the State, amounts sufficient to enable the Corporation to fulfill the terms of the Resolutions and to carry out its corporate purposes, but the State is not bound or obligated to make such appropriations;

(b) to impose and to increase or decrease the Sales Tax, and to amend, repeal, modify or otherwise alter statutes imposing or relating to the Sales Tax; the State is not bound or obligated to continue the imposition of the Sales Tax; and

(c) to establish the Tax Fund, but the State is not bound or obligated to maintain the existence of the Tax Fund.

7. The Corporation, the owners of the Bonds, or holders of any evidence of indebtedness of the Corporation do not have nor will they have a pledge of or lien on the Tax Fund or the Sales Tax.

8. Under existing statutes and court decisions (i) interest on the Series 2012A Subordinate Bonds is excluded from gross income for federal income tax purposes under section 103 of the Code, and (ii) interest on the Series 2012A Subordinate Bonds is not treated as a preference item in calculating the federal alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the federal corporate alternative minimum tax imposed on such corporations.

9. Under existing statutes, interest on the Series 2012A Subordinate Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

10. No registration with, consent of, or approval by any governmental agency or commission that has not been obtained is necessary for the execution and delivery and the issuance of the Series 2012A Subordinate Bonds.

11. The adoption and performance by the Corporation of, and compliance with, all of the terms and conditions of the Resolutions and the Series 2012A Subordinate Bonds, and the execution and delivery of the Series 2012A Subordinate Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law applicable to the Corporation.

Very truly yours,

APPENDIX D

BONDS TO BE REDEEMED

Series	Principal Amount	Maturity Date	Redemption Date	Redemption Price
1995 C	$63,000,000	April 1, 2025	June 1, 2012	100%
1995 E	$62,900,000	April 1, 2025	June 1, 2012	100%

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APPENDIX E

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION SERIES 2012A SUBORDINATE LIEN REFUNDING BONDS AGREEMENT TO PROVIDE CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

THIS AGREEMENT, dated June 1, 2012, is made by and among the Corporation, the State, and the Trustee, each as defined below in Section 1.

In order to permit the Underwriters to comply with the provisions of Rule 15c2-12 in connection with the public offering of the Bonds, the parties hereto, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree, for the sole and exclusive benefit of the Holders, as follows:

Section 1. Definitions. Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in the Subordinate Resolutions.

"Annual Information" shall mean the information specified in Section 3 hereof.

"Bonds" shall mean the New York Local Government Assistance Corporation's $86,845,000 aggregate principal amount of Series 2012A Subordinate Lien Refunding Bonds.

"Comptroller" shall mean the Comptroller of the State of New York.

"Corporation" shall mean the New York Local Government Assistance Corporation, a public benefit corporation of the State of New York and the issuer of the Bonds, and any successor thereto.

"Director" shall mean the Director of the Budget of the State of New York.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access System.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"GAAS" shall mean generally accepted auditing standards as in effect from time to time in the United States.

"Holder" shall mean any registered owner of Bonds, and, if registered in the name of Cede & Co. through DTC, any Beneficial Owner of Bonds, unless the Staff of the Securities and Exchange Commission determines that the Rule does not require the Agreement to be for the benefit of such Beneficial Owners.

"Listed Events" shall mean any of the events listed in Section 2(ii) (a) or (b) of this Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Official Statement" shall mean the Official Statement of the Corporation, dated May 24, 2012 relating to the Bonds.

"Rule 15c2-12" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement.

"State" shall mean the State of New York, an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12, acting by and through the Director and the Comptroller, as the case may be.

"Subordinate Resolutions" shall mean the General Subordinate Lien Bond Resolution adopted by the Corporation on December 30, 2002, as amended and supplemented, together with the Series Resolution adopted thereunder authorizing the issuance of the Bonds.

"Trustee" shall mean The Bank of New York Mellon, a banking corporation organized and existing under the laws of New York.

Section 2. Obligations to Provide Continuing Disclosure.

(i) Obligations of the State and the Corporation.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to provide, no later than one hundred twenty (120) days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2012, to the MSRB through its EMMA system the Annual Information relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to provide, no later than one hundred twenty (120) days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2012, audited financial statements of the State for such fiscal year to the MSRB through its EMMA system; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be delivered to the MSRB through its EMMA system if and when they become available.

(c) The Corporation hereby undertakes, for the benefit of the Holders of the Bonds, to provide, no later than one hundred twenty (120) days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2012, audited financial statements of the Corporation for such fiscal year to the MSRB through its EMMA system; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be delivered to the MSRB through its EMMA system if and when they become available.

(d) The Director, the Comptroller and the Trustee shall notify the Corporation and the Trustee (unless such notice is from the Trustee) of the occurrence of any Listed Event, promptly upon becoming aware of the occurrence of any such event, including, without limitation, any change in the State's credit rating by any rating agency.

(ii) Obligations of the Corporation. The Corporation hereby undertakes, for the benefit of Holders of the Bonds, to provide:

(a) notices of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) issuance by the IRS of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material events affecting the tax status of the security; (7) modifications to the rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the obligated person; and of the following events, if material; (13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) to the MSRB through its EMMA system, in a timely manner, notice of a failure by the State or the Corporation to comply with Section 2(i)(a), (b) or (c) hereof.

(c) The Corporation shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the dates specified in Section 2(i).

(d) Whenever the Corporation obtains knowledge of the occurrence of a Listed Event described in Section 2(ii)(b), the Corporation shall determine if such event would be material under applicable federal securities laws.

(e) If the Corporation learns of the occurrence of a Listed Event described in Section 2(ii)(a), or determines that knowledge of a Listed Event described in Section 2(ii)(b) would be material under applicable federal securities laws, the Issuer shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (a)(7) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

(iii) Termination or Modification of Disclosure Obligation. The obligations of the State hereunder may be terminated if the State is no longer an "obligated person" as defined in Rule 15c2-12. Upon any such termination, the Corporation shall provide notice thereof to the MSRB through its EMMA system.

(iv) Other Information. Nothing herein shall be deemed to prevent the Corporation or the State from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Corporation or the State should disseminate any such additional information, the Corporation or the State shall have no obligation hereunder to update such information or include it in any future materials disseminated hereunder.

(v) Disclaimer by the Corporation. The Corporation shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information or the financial statements provided pursuant to Section 2(i)(a) and Section 2(i)(b) hereof, and its obligations hereunder shall be limited solely to the undertakings set forth in Section 2(i)(c) and Section 2(ii) hereof.

Section. 3 Annual Information.

(i) Specified Information. The Annual Information shall consist of the following:

(a) financial information and operating data of the type included in the final Official Statement under the respective heading "The Sales Tax," which shall include information relating to the following:

(1) the rate and base of the sales tax, together with information concerning the imposition and collection of the sales tax;

(2) historical information relating to sales tax receipts for the period of the ten most recent completed fiscal years then available, together with estimated amounts for the current fiscal year if estimates are then available, in substance similar to Table 1 under the heading "The Sales Tax" in the Official Statement;

(3) historical information setting forth monthly sales tax receipts for the period of the five most recent completed fiscal years then available, in substance similar to Table 2 under the heading "The Sales Tax" in the Official Statement; and

(4) estimated debt service coverage for the then current fiscal year, in substance similar to the information set forth under "The Sales Tax-Estimated Debt Service Coverage" in the Official Statement.

unless, with respect to items (1) through (4) just described, the source of revenue for the payment of the Bonds has been materially changed or modified, in which case the Annual Information will include similar information about such new or modified source of revenue, whether on an actual historical basis, a pro forma basis or otherwise; and

(b) *financial information and operating data of the type included in the Annual Information Statement of the State set forth in Appendix B to the Official Statement, under the headings or sub-headings "Prior Fiscal Years," "Debt and Other Financing Activities," "State Government Employment," "State Retirement Systems," and "Authorities and Localities" including, more specifically, information consisting of*

(1) *for prior fiscal years*, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is then-currently available;

(2) *for debt and other financing activities*, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt;

(3) *for authorities and localities*, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and

(4) material information regarding State government employment and retirement systems; together with

(c) such *narrative explanation* as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning the State and the sources of revenue for the Local Government Assistance Tax Fund and in judging the financial condition of the State and the sales tax (or other sources of revenue).

(ii) <u>Cross Reference</u>. All or any portion of the Annual Information may be provided by cross-reference to any other documents which have been filed with the MSRB through its EMMA system; and the audited financial statements of the State and the Corporation may also be so provided.

Section 4. Financial Statements.

The annual financial statements of the State and the Corporation for each fiscal year shall be prepared in accordance with GAAP as in effect from time to time (unless applicable accounting principles are otherwise disclosed) and audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year).

Section 5. Remedies.

If any party hereto should fail to comply with any provision of this Agreement, then each of the other parties and, as a direct or third-party beneficiary, as the case may be, any Holder of Bonds may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Agreement; provided that the sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of such party hereunder, and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided, further, that the rights of any Holder to challenge the adequacy of the information provided in accordance with Section 2 hereunder are conditioned upon the provisions of Article XII of the Subordinate Resolutions with respect to the enforcement of remedies of Holders upon the occurrence of an event of default under Section 1202(9) thereof as though such provisions applied hereunder. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Subordinate Resolutions or any other agreement executed and delivered in connection with the issuance of the Bonds.

Section 6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds. Except as provided in Section 5, no other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments.

(i) Without the consent of any Holders of Bonds, each of the Corporation, the State, and the Trustee at any time and from time to time may enter into amendments or changes to this Agreement for any purpose, if

(a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, or nature, or status of the Corporation or the State or any type of business or affairs conducted by either;

(b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and

(c) the amendment does not adversely affect the interests of the Holders in any material respect, as determined by the Trustee or by nationally recognized bond counsel. (In determining whether or not there is such an adverse effect, the Trustee may rely upon an opinion of nationally recognized bond counsel.)

(ii) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change in the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such discussion shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent to the MSRB through its EMMA system.

Section 8. Termination.

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or legally defeased pursuant to the Subordinate Resolutions; provided, however, that if Rule 15c2-12 (or successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided, further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any legal defeasance, the Corporation shall provide notice of such defeasance to the MSRB through its EMMA system, and such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 9. The Trustee.

(i) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of the Trustee and the Trustee shall not be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) The Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the Subordinate Resolutions for matters arising thereunder.

Section 10. Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

Section 11. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

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IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Agreement as of the date first above written.

THE BANK OF NEW YORK MELLON,
Trustee for the benefit of Bondholders

By: ___________________________________
Name:
Title:

NEW YORK LOCAL GOVERNMENT
ASSISTANCE CORPORATION, Issuer

By: ___________________________________
Name:
Title:

THE STATE OF NEW YORK,
Obligated Person

By: THOMAS P. DINAPOLI
STATE COMPTROLLER

By: ______________________________
Name:
Title:

By: ROBERT L. MEGNA
DIRECTOR OF THE BUDGET

By: ______________________________
Name:
Title:

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