NOT A NEW ISSUE

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2003A-5/6 Bonds and the Series 2008B-C/D Bonds (the "Remarketed Bonds") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Remarketed Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, and interest on the Series 2008B-C/D Bonds is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel observes, however, that interest on the Series 2003A-5/6 Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Remarketed 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). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Remarketed Bonds. See "Part 9—TAX MATTERS" herein."

$284,995,000

New York Local Government Assistance Corporation

(A Public Benefit Corporation of the State of New York)

$102,325,000 Series 2008B-C/D Refunding Bonds (Senior Lien)

$182,670,000 Series 2003A-5/6 Subordinate Lien Refunding Bonds

(Conversion to Fixed Rate)

Initial Issuance Dates: June 26, 2008 and February 20, 2003 **Due: April 1, as shown on inside cover**
Remarketing Date: June 10, 2009

This Remarketing Circular 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 remarketing of its Series 2008B-C/D Refunding Bonds (Senior Lien) (the "Series 2008B-C/D Bonds") and Series 2003A-5/6 Subordinate Lien Refunding Bonds (the "Series 2003A-5/6 Bonds" and, together with the Series 2008B-C/D Bonds, the "Remarketed Bonds"). The Remarketed Bonds are being converted from Variable Interest Rate Bonds in the Weekly Mode to the Fixed Mode, effective as of June 10, 2009 (the "Conversion Date").

The Remarketed Bonds were issued as registered bonds. The Remarketed Bonds are issued under a book-entry-only system and are registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which acts as securities depository for the Remarketed Bonds. Purchasers will not receive certificates representing their ownership interest in the Remarketed Bonds purchased. The Remarketed Bonds will be remarketed in denominations of $5,000 or any whole multiple thereof. Interest on the Remarketed Bonds will be payable on October 1, 2009 and semi-annually thereafter on each April 1 and October 1 until maturity or redemption prior to maturity. The Remarketed Bonds are subject to redemption prior to maturity as more fully described herein.

Since their date of issuance, the payment of principal of and interest on the Series 2003A-5/6 Bonds when due has been insured under a financial guaranty insurance policy (the "Policy") issued by Financial Security Assurance ("FSA"). Effective on the Conversion Date, the Policy as it relates to the Series 2003A-5/6 Bonds will be cancelled and FSA will have no liability for payments of principal of and interest on the Series 2003A-5/6 Bonds to be made after the Conversion Date. The payment of principal of and interest on the Series 2008B-C/D Bonds when due has not been, and from and after the Conversion Date will not be, insured under any financial guaranty insurance policy.

The Remarketed 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 2003A-5/6 Bonds will be paid from the 1% Sales Tax after sufficient amounts are deposited in the funds and accounts securing the 2008B-C/D Bonds and other Senior Bonds (as defined herein). Each series of the Remarketed Bonds will be secured by a Capital Reserve Fund established by the Resolution pursuant to which such Bonds were issued and certain other funds and accounts under such Resolution, all as more fully described herein.

Payments from the Tax Fund to make payments on the Remarketed 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 Remarketed 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 Remarketed Bonds.

The initial issuances of the Series 2003A-5/6 Bonds and Series 2008B-C/D Bonds were subject to approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, 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. Certain legal matters will be passed upon for the Remarketing Agent by its counsel, Harris Beach PLLC, New York, New York. Public Resources Advisory Group is acting as Financial Advisor to the Corporation. The Remarketed Bonds will be available for delivery through the facilities of DTC on or about June 10, 2009.

Morgan Stanley

Dated: June 4, 2009

$284,995,000
New York Local Government Assistance Corporation
(A Public Benefit Corporation of the State of New York)
$102,325,000 Series 2008B-C/D Refunding Bonds (Senior Lien)
$182,670,000 Series 2003A-5/6 Subordinate Lien Refunding Bonds

(Conversion to Fixed Rate)

102,325,000 Series 2008B-C/D Refunding Bonds (Senior Lien)
(Conversion to Fixed Rate)

Due (April 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2015	$ 2,795,000	3.00%	2.66%	649876Q85
2016	$ 3,040,000	4.00%	2.86%	649876Q93
2017	$ 6,080,000	3.00%	3.12%	649876R27
2017	$ 5,835,000	5.00%	3.12%	649876R76
2018	$ 2,710,000	4.00%	3.32%	649876R35
2018	$ 9,640,000	5.00%	3.32%	649876R84
2019	$10,085,000	4.50%	3.52%	649876R43
2019	$15,805,000	5.50%	3.52%	649876R92
2020*	$11,375,000	4.50%	3.69%	649876R50
2020*	$25,195,000	5.00%	3.69%	649876S26
2021*	$ 9,765,000	5.00%	3.82%	649876R68

$182,670,000 Series 2003A-5/6 Subordinate Lien Refunding Bonds
(Conversion to Fixed Rate)

Due (April 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2017	$51,740,000	5.00%	3.17%	649876S34
2018	$79,310,000	5.00%	3.37%	649876S42
2019	$43,000,000	5.50%	3.57%	649876S59
2020*	$ 8,620,000	5.00%	3.69%	649876S67

† Copyright, American Bankers Association. The CUSIP numbers listed above have been assigned by Standard & Poor's, CUSIP Service Bureau and are provided solely for the convenience of bondholders and the Corporation makes no representation with respect to such numbers or undertakes any responsibility for their accuracy. The CUSIP numbers are subject to change after the issuance of the Remarketed Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Remarketed Bonds.
* Priced to the April 1, 2019 par call date.

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 Remarketing Circular, and if given or made, such other information or representations must not be relied upon as having been authorized. This Remarketing Circular does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Remarketed 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 Remarketing Agent. The information herein is subject to change without notice and neither the delivery of this Remarketing Circular 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 Remarketing Circular 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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REMARKETING CIRCULAR
RELATING TO
$284,995,000
New York Local Government Assistance Corporation
(A Public Benefit Corporation of the State of New York)
$102,325,000 Series 2008B-C/D Refunding Bonds (Senior Lien)
$182,670,000 Series 2003A-5/6 Subordinate Lien Refunding Bonds

(Conversion to Fixed Rate)

PART 1—INTRODUCTION

This Remarketing Circular 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 remarketing of $102,325,000 aggregate principal amount Series 2008B-C/D Refunding Bonds (Senior Lien) (the "Series 2008B-C/D Bonds") and $182,670,000 aggregate principal amount Series 2003A-5/6 Subordinate Lien Refunding Bonds (the "Series 2003A-5/6 Bonds" and, together with the Series 2008B-C/D Bonds, the "Remarketed Bonds"). On June 26, 2008, the Corporation issued its $52,730,000 Series 2008B-CV Variable Interest Rate Refunding Bonds (Senior Lien) and $52,755,000 Series 2008B-DV Variable Interest Rate Refunding Bonds (Senior Lien) (the "Original 2008B-C/D Bonds") and on February 20, 2003 the Corporation issued its $91,665,000 Series 2003A-5V Variable Interest Rate Subordinate Lien Refunding Bonds and $100,000,000 Series 2003A-6V Variable Interest Rate Subordinate Lien Refunding Bonds (the "Original 2003A-5/6 Bonds", and collectively with the Original 2008B-C/D Bonds, the "Original Bonds"). The Original Bonds currently bear interest at the Weekly Rate. On June 10, 2009 (the "Conversion Date"), the Original Bonds will be mandatorily tendered by the holders thereof and the Remarketed Bonds will be reoffered bearing interest at the Fixed Rate. The balance of the Original Bonds that are tendered on the Conversion Date but are not reoffered hereby will be retired on June 10, 2009 and will no longer be Outstanding.

Since their date of issuance, the payment of principal of and interest on the Series 2003A-5/6 Bonds when due has been insured under a financial guaranty insurance policy (the "Policy") issued by Financial Security Assurance ("FSA"). Effective on the Conversion Date, the Policy as it relates to the Series 2003A-5/6 Bonds will be cancelled and FSA will have no liability for payments of principal of and interest on the Series 2003A-5/6 Bonds to be made after the Conversion Date. The payment of principal of and interest on the Series 2008B-C/D Bonds when due has not been, and from and after the Conversion Date will not be, insured under any financial guaranty insurance policy.

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. 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 Remarketed Bonds

The Series 2008B-C/D Bonds were issued together with certain other Series 2008B Refunding Bonds (Senior Lien) (collectively, the "Series 2008B Senior Bonds") pursuant to the Act, the General Bond Resolution adopted February 19, 1991, as amended (the "General Senior Bond Resolution"), the Amended and Restated Variable Rate Supplemental Bond Resolution adopted March 17, 1993, as amended March 17, 1994, as amended and restated December 30, 2002 and as supplemented May 20, 2008 (the "Senior Supplemental Resolution") and the Series 2008B Resolution Authorizing Up To $625,000,000 of Bonds adopted May 20, 2008 (the "Series 2008B Senior Resolution") (such resolutions, as amended and supplemented to the date hereof, are collectively referred to herein as the "Senior Resolution"). The Bank of New York Mellon is the Trustee under the General Senior Bond Resolution. The Series 2008B-C/D Bonds are on a parity with $2,500,944,930 aggregate principal amount of other outstanding bonds (excluding the increase in appreciated value of capital appreciation bonds since the date of their initial issuance) heretofore issued by the Corporation under the General Senior Bond Resolution (the "Outstanding Senior Bonds"). As of April 1, 2009, the accreted amount of outstanding capital appreciation senior bonds was $63,713,397.54. A summary of certain provisions of the Senior Resolution, together with certain defined terms used therein and in this Remarketing Circular, 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 and the Series 2008B Senior Bonds, the "Senior Bonds"). Subject to compliance with the Senior Resolution, the Corporation may issue Additional Senior Bonds on a parity with the Outstanding Senior Bonds and the Series 2008B Senior Bonds solely for refunding purposes. See "Additional Bonds" below in Part 4 for a discussion of Additional Senior Bonds.

The Series 2003A-5/6 Bonds were issued together with certain other Series 2003A Subordinate Refunding Bonds (collectively, the "Series 2003A Subordinate Bonds") pursuant to the Act, the General Subordinate Lien Bond Resolution adopted December 30, 2002 (the "General Subordinate Bond Resolution"), the Variable Rate Supplemental Subordinate Lien Bond Resolution, adopted December 30, 2002 (the "Subordinate Supplemental Resolution") and the Series 2003A Resolution Authorizing Up To $2,000,000,000 of Subordinate Bonds adopted December 30, 2002 (the "Series 2003A Subordinate Resolution") (such resolutions, as amended and supplemented to the date hereof, are collectively referred to herein as the "Subordinate Resolution"). The Senior Resolution and the Subordinate Resolution are collectively referred to herein as the "Resolutions." The Bank of New York Mellon is the Trustee under the General Subordinate Bond Resolution. The Series 2003A-5/6 Bonds are secured on a parity with $853,000,000 aggregate principal amount of other outstanding bonds heretofore issued by the Corporation 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 Remarketing Circular, 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 Series 2003A Subordinate Bonds and the Outstanding Subordinate Bonds, the "Subordinate Bonds"). Subject to compliance with the Subordinate Resolution, the Corporation may issue Additional Subordinate Bonds on a parity with the Series 2003A Subordinate Bonds solely for refunding purposes. See "Additional Bonds" below in Part 4 for a discussion of Additional Subordinate Bonds.

Both the Senior Bonds and the Subordinate Bonds are 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 Remarketed 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 Remarketed 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 conversion and remarketing of the Series 2008B-C/D Bonds, the Senior Capital Reserve Fund Requirement will be $356,764,633.97.

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 conversion and remarketing of the Series 2003A-5/6 Bonds, the Subordinate Capital Reserve Fund Requirement will be $51,515,558.25.

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 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 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 2008-09 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 6.43 times, assuming the following: (i) interest on the Corporation's outstanding \$189.2 million Series 1993A Variable Interest Rate Senior Bonds (the "Series 1993A Bonds"), the Corporation's outstanding \$107.0 million Series 1994B Variable Interest Rate Senior Bonds (the "Series 1994B Bonds") and the Corporation's outstanding \$432.3 million Series 1995B-G Variable Interest Rate Senior Bonds (the "Series 1995B-G Bonds"), for which no interest rate exchange agreements were entered, is 6% per annum (including related fees and expenses), (ii) interest on the Corporation's outstanding \$431.735 million Series 2003A Variable Interest Rate Subordinate Lien Refunding Bonds (the "Series 2003A Variable Rate Subordinate Lien Bonds"), \$294.19 million Series 2008B Variable Interest Rate Senior Refunding Bonds (the "Series 2008B Variable Rate Senior Bonds") and \$188.650 million Series 2008B Variable Interest Rate Subordinate Refunding Bonds (the "Series 2008B Variable Rate Subordinate Lien 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 (iii) 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 $913,560,000, in connection with its Series 2003A Variable Rate Subordinate Lien Bonds issued in February 2003 and its Series 2008B Variable Rate Senior Bonds and Series 2008B Variable Rate Subordinate Lien Bonds issued in June 2008 currently outstanding in the principal amount of $914,575,000. 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. In connection with the conversion of the Original Bonds and the reoffering of the Remarketed Bonds, the Corporation has terminated the interest rate exchange agreements associated with the Original Bonds. 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 by reference herein.

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 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 "Local Government Assistance Corporation" in Appendix B of this Remarketing Circular 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 12 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. With the exception of Diana Jones Ritter, each of the appointed directors was appointed by the prior Governor and continues to serve until a successor is chosen and qualified. A unanimous vote of the directors 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. Vacant as of May 1, 2009 upon the resignation of Patrick Bulgaro who served as the Corporation's Chairperson since his appointment on May 9, 2007.

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, 2010. 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.

Laura L. Anglin, *Vice-Chairperson and Director*. Ms. Anglin was appointed Director of the Budget on January 1, 2008 and serves as a Director of the Corporation ex officio. Ms. Anglin was appointed Vice-Chairperson of the Corporation on May 19, 2008. As Director of the Budget, Ms. Anglin heads the New York State Division of the Budget and 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. Ms. Anglin has announced her intention to resign as the Director of the Budget. Ms. Anglin's career in public service spans nearly 20 years. Prior to her appointment as Director of the Budget, Ms. Anglin served as First Deputy Budget Director and before that served as Deputy Comptroller of the Division of Retirement Services in the Office of the State Comptroller where she was responsible for overseeing the administration and managing the operations of the New York State and Local Retirement System. From 1996-2003 she worked in the New York State Assembly. During that time she served as Director of Budget Studies for the Assembly Ways and Means Committee and as First Deputy Fiscal Director for the Committee. Ms. Anglin has also held the position of Econometrician in the Department of Taxation and Finance from 1992-1996 and began her career as an Economist for the Department of Environmental Conservation. Ms. Anglin holds a B.A. and Masters Degree in Economics from the State University of New York at Albany.

Priscilla Almodovar, *Director*. Ms. Almodovar was appointed a Corporation Director on May 21, 2007. She was appointed to serve as President and Chief Executive Officer of the New York State Housing Finance Agency, the State of New York Mortgage Agency, and their affiliated Agencies and subsidiaries, on January 25, 2007. Ms. Almodovar began her career in 1990 at White & Case LLP, a major international law firm based in New York City. She was named partner of the Firm in 1998. Ms. Almodovar's practice focused on matters relating to capital markets and complex financial transactions. She has broad transactional experience, including securities offerings, banking, project finance and securitizations. Her clients included a range of domestic and international issuers, underwriters, commercial banks, as well as insurers and investment funds. Ms. Almodovar also served as the Administrative Partner for the Firm's New York Office's Capital Markets practice. Ms. Almodovar graduated from Hofstra University in 1987, where she was Phi Beta Kappa, and from Columbia Law School in 1990, where she was a Harlan Fiske Stone Scholar.

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 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, he was appointed by Governor Pataki to serve as the Executive Director and Chief Operating Officer for the Metropolitan Transportation Authority, and was responsible for overseeing the daily operations of the MTA, including financial and strategic planning and the capital programming activities for headquarters and the operating agencies. Prior to working at the MTA, Mr. Shaw served as the Budget Director for the New York City (the "City") Office of Management and Budget under Mayor Giuliani, and was responsible for developing the Mayor's executive budget and advising the Mayor on all policy issues affecting the City's fiscal stability and the effectiveness of its services. He was also responsible for the City's four-year financial plans and its capital budget. Mr. Shaw first served in the Giuliani administration as the Commissioner for the New York City Department of Finance, where he was responsible for the administration of all City taxes and fees. He began his career in New York City government in 1988 as Director of Finance for the New York City Council, where he was chief fiscal advisor to the Speaker of the Council and served as the Council's principal negotiator on the City budget. Beginning in 1981, Mr. Shaw worked for the New York State Senate Finance Committee and was responsible for developing solutions for the Senate Majority and State taxation and financing policies. He has also been an adjunct assistant professor of Public Services at the Robert F. Wagner Graduate School of Public Services at New York University, and is currently an adjunct professor at the School of International and Public Affairs at Columbia University. 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.

Diana Jones Ritter, *Director*. Ms. Ritter was appointed a Director of the Corporation by the Governor on April 25, 2008. She currently serves as the Commissioner of the New York State Office of Mental Retardation and Developmental Disabilities (OMRDD), having been confirmed by the New York State Senate on March 14, 2007. As Commissioner, Ms. Ritter has responsibility for overseeing supports and services for approximately 140,000 New Yorkers with mental retardation and developmental disabilities, as well as for research into the prevention and early detection of mental retardation and developmental disabilities. Her vision for the agency centers on quality, access, accountability and choice for people with developmental disabilities in a person-focused community-based system of care. Ms. Ritter's prior positions include: Executive Deputy Comptroller under former New York State Comptroller Alan G. Hevesi; Deputy Comptroller for the Division of Management Audit and Deputy Comptroller for Administration under former State Comptroller H. Carl McCall; Associate Commissioner for Administration and Quality Executive for the New York State OMRDD; Executive Deputy Director for the Office of Public Health at the NYS Department of Health; and Budget Examiner for the New York State Division of the Budget. Ms. Ritter holds a Bachelor of Science degree from Morgan State University. She is an active member of numerous professional and community organizations on both a local and national level. She lives in Niskayuna, NY with her spouse Larry Ritter Sr.; two sons, Larry Jr. and Kameron; and her mother, Marion Jones.

Andrew M. Cuomo, *General Counsel*. Mr. Cuomo 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. Cuomo was elected Attorney General in November 2006. His current term of office expires December 31, 2010.

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.

Margaret N. Becker, *Co-Executive Director*. Ms. Becker was appointed Co-Executive Director of the Corporation on May 20, 2008. Ms. Becker was appointed as the Deputy Comptroller for Budget and Policy Analysis for the New York State Office of the State Comptroller in January 2008. She is responsible for the analysis of a wide array of public policy and State budget issues and oversees the Debt Management Unit. Immediately prior, Ms. Becker served as the Deputy New York State Chief Information Officer with responsibility for the Shared Services Unit of the State's Office of the Chief Information Officer/Office for Technology. From 2001 until 2005, Ms. Becker was Deputy Commissioner at the New York State Department of Agriculture and Markets. Her primary areas of responsibility included food and milk safety and inspection and animal health control. Notably, Ms. Becker provided leadership to establish the State's first Interagency Task Force on Food Safety and Security in response to increased threats of bioterrorism. Prior to this time, Ms. Becker held a variety of additional positions in State government with experience ranging from the analysis and development of State fiscal and program policy and budget issues in the areas of agriculture, economic development, transportation and the environment, to the management of agency financial and information technology resources. Most of her early career was spent in State's Division of the Budget, where Ms. Becker was responsible for development and oversight of agency budgets in meeting the State's Financial Plan. Ms. Becker lives in Delmar, New York with her husband and two daughters. She is a graduate of the State University of New York at Albany.

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.

Joseph Conroy, *Secretary*. Mr. Conroy was appointed Secretary of the Corporation on February 5, 2009. Mr. Conroy has been with the New York State Division of the Budget since 1997. Currently, he serves as Principal Budget Examiner in the Division's Expenditure/Debt Unit and is responsible for overseeing and managing the State's portfolio of outstanding bonds, as well as the annual development of the State's Capital Program and Financing Plan. Prior to this assignment, Mr. Conroy worked for ten years in several capacities with responsibilities for Transportation, Local Government Assistance and Education budgets. Mr. Conroy received a Bachelor of Arts degree in Government from The College of William and Mary 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.

To effectuate appropriately timed and sized refundings, the Corporation regularly monitors current market conditions and portfolio performance and reviews the restrictions of federal tax law and the redemption provisions of Outstanding 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 1996 to 1999 provided for periodic exemptions of certain clothing and footwear, with an exemption for clothing and footwear under $110 made permanent in March 2000. Legislation enacted in 1996 included an exemption of clothing and footwear costing less than $500 during the one-week period of January 18, 1997 through January 24, 1997. Legislation enacted in 1997 included a permanent exemption of clothing and footwear costing less than $110, effective December 1, 1999, as well as one-week exemptions for the weeks of September 1 through September 7 in 1997 and 1998. Legislation enacted in 1998: (1) expanded the September 1 through September 7, 1998 temporary clothing exemption to include both clothing and footwear costing less than $500 from the State's 4 percent sales and use tax; (2) exempted clothing and footwear costing less than $500 from the State's 4 percent sales and use tax for the period of January 17 through January 24, 1999; and (3) expanded the permanent State Sales Tax exemptions beginning December 1, 1999 to include footwear and raised the exemption threshold to $110. Legislation enacted in 1999: (1) changed the effective date of the permanent exemption of clothing and footwear priced under $110 to March 1, 2000 and (2) exempted clothing and footwear priced under $500 from the State's 4 percent sales and use tax for the one-week periods of September 1 through September 7, 1999 and January 15 through January 21, 2000. Also, legislation enacted in 2000 provided a sales and use tax exemption for property and services used or consumed by qualifying businesses located in Empire Zones. Empire Zones are geographic areas created to assist in economic development authorized by the Legislature and designated by the Empire State Development Corporation. Eight new Empire Zones were added effective March 1, 2002 and six new Empire Zones were added effective May 29,

2002. In addition, 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. Legislation enacted in 2003: (1) temporarily raised the State Sales Tax rate to 4.25 percent effective June 1, 2003 through May 31, 2005, (2) effective June 1, 2003 through May 31, 2004 replaced the permanent exemption on items of clothing and footwear priced under $110 with a Sales Tax free week in August 2003 and another in January 2004 for the same items and thresholds and (3) included the New York City cigarette excise tax of $1.50 per pack in the State and local sales tax bases. Legislation enacted in 2004: (1) effective June 1, 2004 through May 31, 2005 replaced the permanent exemption on items of clothing and footwear priced under $110 with a Sales Tax free week in August 2004 and another in January 2005 for the same items and thresholds and (2) 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. Legislation enacted in 2005 postponed the return of the permanent exemption on items of clothing and footwear priced under $110 until April 1, 2007 unless the Governor's 2006-07 Executive Budget proposed more tax reductions, in which case the permanent exemption would go into effect on April 1, 2006. Because the 2006-07 Executive Budget proposed tax reductions, the permanent exemption went into effect on April 1, 2006. Legislation enacted in 2006 increased the vendor credits relating to the collection of Sales Tax, and capped the Sales Tax on motor fuel and diesel motor fuel at eight cents per gallon. Legislation enacted in 2008 required nonprofit organizations to collect sales tax on retail sales of certain property and services. Legislation enacted in 2009 (1) required certain transportation services to collect sales tax, (2) expanded the definition of vendor to preclude certain retailers from avoiding the requirement to collect sales and uses taxes, (3) curtailed certain abusive sales and use tax avoidance schemes, (4) increased the prepaid sales tax on cigarettes, and (5) implemented a tax compliance program.

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. Prior to June 1, 1998, vendors collecting $250 or less in Sales Tax per year could elect to file annually in June. The State has implemented regulations that increase the annual filing threshold from $250 to $3,000 in Sales Tax per year. In addition, such regulations require vendors that elect to file annually to do so on March 20th. The regulations apply to annual returns required to be filed for periods beginning on or after June 1, 1998, and thus did not affect 1997-98 Sales Tax receipts described herein. Since March 1976, vendors with taxable volume of $300,000 or more in any of the preceding quarters for which they remitted the tax have been required to remit tax on a monthly basis. Monthly remittances are due on the 20th day of the month following the month of collection, and, until fiscal year 1989-90, on an estimated basis on March 20th for the month of March (the "March Prepayment"). The March Prepayment was eliminated in February 1991. Since December 1992, 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 reduced from $5 million to $4 million effective December 1994, to $1 million effective December 1995 and to $500,000 effective September 2002. In addition, legislation in 1996 provided exemptions from the EFT program for certain materialmen that can demonstrate hardship, effective April 1, 1997. In addition, legislation enacted in 1997 increased the amount that Sales Tax vendors are allowed to keep for their Sales Tax collection services to 3.5 percent of their Sales Tax liability up to a maximum of $150 per quarter, effective March 1, 1999. Legislation enacted in 2006 increased the amount that Sales Tax vendors are allowed to keep for their Sales Tax collections to 5 percent of their Sales Tax liability. The maximum allowed is $175 in 2006-07 and $200 thereafter. Legislation enacted in 2008 implemented a vendor registration program with a registration fee of $50.

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. Other provisions permit certain taxpayers to pay the Sales Tax directly to the Commissioner of Taxation and Finance.

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 20.2 percent of General Fund tax receipts and approximately 18.2 percent of combined General Fund and Tax Fund tax receipts in the State's 2008-09 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 2000-01 receipts of $8.363 billion reflect an increase of 7.9 percent in the continuing Sales Tax base, the loss of approximately $597 million from legislation enacted to permanently exempt clothing and footwear costing under $110 from the State's sales and use tax, the minor impact of other 2000 legislation and the first full year impact of 1999 legislation.

Actual 2001-02 receipts of $8.175 billion reflect a decline of 2 percent in the continuing Sales Tax base, the loss of $40 million from Empire Zones legislation, and the first full year impact of legislation enacted in 2000. The attacks on the World Trade Center resulted in revenue losses due to destroyed and shuttered businesses, and sharp declines in tourism spending. Business equipment purchases rose after the attack, which partially offset some of the negative impact on receipts.

Actual 2002-03 receipts of $8.434 billion reflect an increase of 2.8 percent in the continuing Sales Tax base, the loss of $6.8 million from Empire Zones legislation, the loss of $10 million from Liberty Zones legislation, the gain of $6 million from pre-paid Sales Tax on cigarettes, and the gain of $32 million from the lower EFT threshold.

Actual 2003-04 receipts of $9.508 billion reflect an increase of 4.5 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. This legislation increased receipts by an estimated $441 million in 2003-04. The 2003-04 Enacted Budget also included a quarter percent Sales Tax surcharge which increased receipts by an estimated $428 million in 2003-04, all of which was directed to the General Fund.

Actual 2004-05 receipts of $10.587 billion reflect an increase of 6.8 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 in 2004-05.

Actual 2005-06 receipts of $10.592 billion reflect an increase of 5.3 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 in 2005-06.

Actual 2006-07 receipts of $10.050 billion reflect an increase of 4.2 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 5.2 percent in the continuing Sales Tax base.

Actual 2008-09 Sales Tax receipts of $10.274 billion, reflect a decrease of 2.9 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.

The 2009-10 Sales Tax receipts are estimated to be $10.389 billion, reflecting a decrease of 2.4 percent in the continuing Sales Tax base offset by tax law changes. These tax law changes include expanding the definition of "vendor" to preclude certain retailers from avoiding the requirement to collect sales and use taxes by segregating their catalog and Internet operations into affiliates that are separate from their brick and mortar stores, a new tax on certain transportation services, narrowing the exemption on commercial aircraft and nonresident use tax, increasing the pre-paid sales tax on cigarettes, and implementing a tax compliance initiative.

(Note: The Sales Tax receipts mentioned above 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 2000-01 through 2008-09, and estimated amounts for the 2009-10 fiscal year. Table 2 sets forth monthly Sales Tax receipts from the State's 2002-03 fiscal year through March 31, 2009.

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

State Fiscal Year	Net Receipts of Sales Tax	Net Receipts of 1% Sales Tax[2]	Annual Rate of Growth/Decline (%) [3]
2000-01	$ 8,363,467	$ 2,090,667	2.15
2001-02	8,174,974	2,043,674	(2.25)
2002-03	8,434,104	2,106,477	3.07
2003-04	9,507,878	2,266,814	7.61[4]
2004-05	10,587,200	2,492,739	9.97[5]
2005-06	10,592,411	2,614,566	4.89[6]
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[7]	10,389,500	2,596,200	1.14

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) Reflects the temporary rate increase of 0.25 percent and the temporary suspension of the permanent clothing exemption, both effective June 1, 2003 and the loss in non-recurring EFT revenue gain of $33 million and the loss of $65 million in amnesty in the State's 2002-03 fiscal year.

(5) Reflects the full-year impact of the temporary rate increase and clothing legislation enacted in 2003-04.

(6) Reflects the postponement of the permanent exemption on clothes and footwear priced under $110.

(7) As estimated in the 2009-10 Enacted Budget Financial Plan.

TABLE 2
Monthly Sales Tax Receipts[1]
April 1, 2002 Through March 31, 2009
(Millions of Dollars)

MONTH	2002-03	%[2]	2003-04	%[2]	2004-05	%[2]	2005-06	%[2]	2006-07	%[2]	2007-08	%[2]	2008-09	%[2]
APRIL	$618	6	$ 599	6	$ 817	8	$ 792	7	$ 719	7	$ 819	8	$ 764	7
MAY	589	6	615	6	753	7	803	8	727	7	759	7	793	8
JUNE	808	10	917	10	1,121	11	1,104	10	1,044	10	1,090	10	1,080	11
JULY	671	7	716	8	814	8	822	8	768	8	811	8	832	8
AUGUST	632	8	729	8	780	7	766	7	737	7	784	7	833	8
SEPTEMBER	945	11	1,063	11	1,081	10	1,113	11	1,063	11	1,086	10	1,082	11
OCTOBER	619	8	732	8	769	7	766	7	750	8	768	7	781	8
NOVEMBER	604	8	713	7	769	7	771	7	737	7	822	8	764	7
DECEMBER	873	11	1,070	11	1,130	11	1,062	10	1,111	11	1,079	10	955	9
JANUARY	679	8	768	8	848	8	892	8	788	8	850	8	830	8
FEBRUARY	542	7	634	7	663	6	695	7	663	7	733	7	661	6
MARCH	854	10	952	10	1,042	10	1,007	10	943	9	987	9	899	9
TOTAL*	$8,434	100%	$9,508	100%	$10,587	100%	$10,592	100%	$10,050	100%	$10,591	100%	10,274	100%

Source: Division of the Budget.

(1) Amounts shown reflect receipts from the State's 4 percent (4.25 percent from June 1, 2003 through May 31, 2005) sales and compensating use taxes and reflect amounts received in both the General Fund and Debt Service Fund. Sales Tax receipts beginning June 2003 include additional tax collections from the quarter percent surcharge effective June 1, 2003 through May 31, 2005 and the temporary suspension of the exemption on items of clothing and shoes under $110 effective June 1, 2003 through March 31, 2006.

(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 2008-09 fiscal year, (2) receipts from the 1% Sales Tax receipts for the State's 2008-09 fiscal year, (3) estimated maximum annual debt service on Outstanding Bonds of the Corporation following the Conversion Date and (4) resulting debt service coverage. There can be no assurance that actual Sales Tax collections will not be less than the amounts estimated for the 2008-09 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)

2008-09 Fiscal Year Sales Tax Receipts	$ 10,274,090
2008-09 Fiscal Year 1% Sales Tax Receipts [1]	$ 2,566,949
Maximum Annual Debt Service [2]	$ 399,166
Debt Service Coverage	6.43

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(1) Net of approximately $14.81 million in estimated collection expenses.

(2) Amounts include actual outstanding debt service for both Senior and Subordinate Bonds as shown in Table 4 under "Part 5—Debt Service Schedule". "Maximum Annual Debt Service" includes interest on such Bonds at an assumed rate of 6% per annum, which includes related fees and expenses, for the Series 1993A Bonds, the Series 1994B Bonds and the Series 1995B-G Bonds (Variable Interest Rate Senior Bonds for which no interest rate exchange agreements were entered) and 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 Lien Bonds, the Series 2008B Variable Rate Senior Bonds and the Series 2008B Variable Rate Subordinate Lien Bonds (for all 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, including the Series 2008B-C/D 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, including the Series 2008B-C/D 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 2003A-5/6 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 2003A-5/6 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.

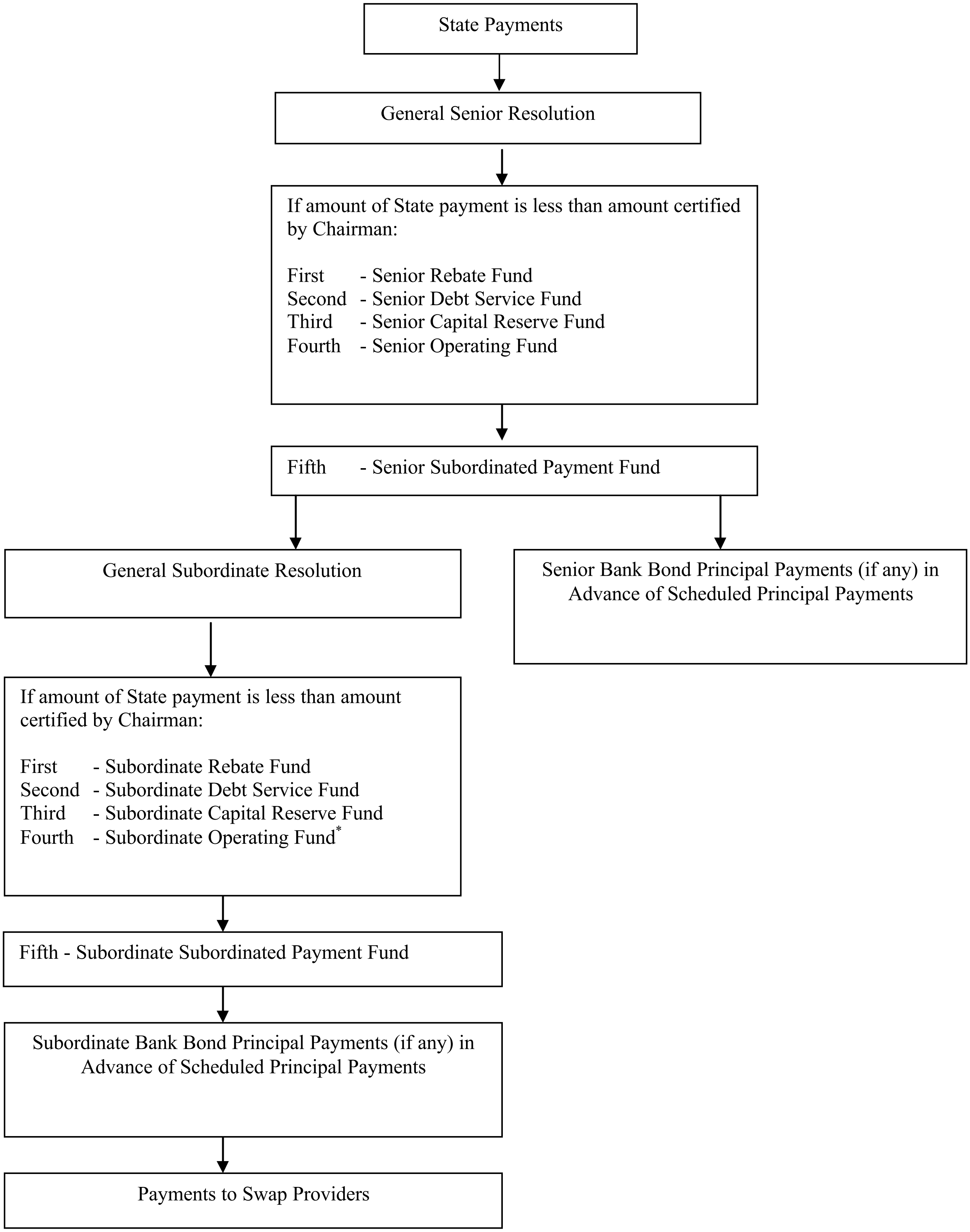
9. If a shortfall exists in the Subordinate Debt Service Fund immediately prior to a payment date on the Subordinate Bonds, moneys on deposit in the Subordinate Capital Reserve Fund sufficient to replenish the shortfall are required to be applied to the Subordinate Debt Service Fund for the payment of 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 Fund

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 conversion and remarketing of the Series 2008B-C/D Senior Bonds, the Senior Capital Reserve Fund Requirement will be $356,764,633.97.

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 conversion and remarketing of the Series 2003A-5/6 Subordinate Bonds, the Subordinate Capital Reserve Fund Requirement will be $51,515,558.25.

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 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 and S&P 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. As of the date hereof, each of S&P and Moody's has withdrawn its rating of FGIC. 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 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 General Senior Bond Resolution $189.2 million of Series 1993A Bonds, $107 million of Series 1994B Bonds and $432.3 million of Series 1995B-G Bonds, all of which are Variable Interest Rate Senior Bonds supported by letters of credit and $399.675 million of Series 2008B Variable Rate Senior Bonds (which amount, following the Conversion Date, will decrease by $105.485 million to $294.19 million), which are Variable Interest Rate Senior Bonds with liquidity supported by standby bond purchase agreements. The Series 1993A Bonds, the Series 1994B Bonds, the Series 1995B-G Bonds and the Series 2008B Variable Rate Senior Bonds remaining in the weekly mode following the Conversion Date 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 General Senior Bond Resolution, the Series Resolution authorizing the issuance of the Series 1993A Bonds, the Series Resolution authorizing the issuance of the Series 1994B Bonds, the Series Resolution authorizing the issuance of the Series 1995B-G Bonds and the Series Resolution 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 1993A Bonds, the Series 1994B Bonds, the Series 1995B-G Bonds and the Series 2008B Variable Rate Senior Bonds remaining in the weekly mode following the Conversion Date 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 not otherwise defined in the 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.

The Corporation has outstanding under the General Subordinate Bond Resolution $253.35 million of Series 2003A Variable Rate Subordinate Lien Bonds, which are insured Variable Interest Rate Subordinate Bonds in an auction rate mode, $370.05 million of Series 2003A Variable Rate Subordinate Lien Bonds (which amount, following the Conversion Date, will decrease by $191.665 million to $178.385 million), which are insured Variable Interest Rate Subordinate Bonds with liquidity supported by standby bond purchase agreements and $188.65 million of Series 2008B Variable Rate Subordinate Lien Bonds, which are Variable Interest Rate Subordinate Bonds with liquidity supported by standby bond purchase agreements. The Series 2003A Variable Rate Subordinate Lien Bonds remaining in the weekly mode following the Conversion Date and the Series 2008B Variable Interest Rate Subordinate Lien 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 Series Resolution authorizing the issuance of the Series 2003A Variable Rate Subordinate Lien Bonds and the Series 2008B Variable Rate Subordinate Lien Bonds meeting the foregoing requirements of the Subordinate Resolution, so that only scheduled debt service on the Series 2003A Variable Rate Subordinate Lien Bonds remaining in the weekly mode following the Conversion Date and the Series 2008B Variable Rate Subordinate Lien 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.

No Bond Insurance

Since their date of issuance, the payment of principal of and interest on the Series 2003A-5/6 Bonds when due has been insured under the Policy issued by FSA. Effective on the Conversion Date, the Policy as it relates to the Series 2003A-5/6 Bonds will be cancelled and FSA will have no liability for payments of principal of and interest on the Series 2003A-5/6 Bonds to be made after the Conversion Date. The payment of principal of and interest on the Series 2008B-C/D Bonds when due has not been, and from and after the Conversion Date will not be, insured under any financial guaranty insurance policy.

PART 5—DEBT SERVICE SCHEDULE

The following schedule sets forth the Debt Service requirements for the Bonds following the Conversion Date.

Table 4
Debt Service Schedule

Year Ending April 1	Outstanding Senior Debt Service (1)	Outstanding Subordinate Debt Service (1)	Total Debt Service (1)
2010	$ 311,142,983.96	$ 85,231,906.67	$396,374,890.63
2011	290,973,675.00	107,862,257.50	398,835,932.50
2012	290,264,500.00	107,864,337.50	398,128,837.50
2013	300,284,762.50	98,880,767.50	399,165,530.00
2014	286,427,612.50	104,598,187.50	391,025,800.00
2015	291,970,062.50	106,744,900.00	398,714,962.50
2016	292,406,312.50	106,173,900.00	398,580,212.50
2017	292,522,575.00	103,069,900.00	395,592,475.00
2018	292,715,075.00	100,752,900.00	393,467,975.00
2019	294,109,525.00	101,362,400.00	395,471,925.00
2020	296,628,475.00	102,057,000.00	398,685,475.00
2021	221,544,500.00	101,767,600.00	323,312,100.00
2022	75,676,000.00	80,945,800.00	156,621,800.00
2023	54,318,000.00	58,269,800.00	112,587,800.00
2024	42,810,000.00	25,381,200.00	68,191,200.00
2025	42,824,000.00	-	42,824,000.00
Total	$3,676,618,058.96	$1,390,962,856.67	$5,067,580,915.63

(1) Assumes interest at 6% per annum, which includes related fees and expenses, on the Series 1993A Bonds, the Series 1994B Bonds and the Series 1995B-G Bonds (Variable Interest Rate Senior Bonds for which no interest rate exchange agreements were entered) and 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 Lien Bonds, the Series 2008B Variable Rate Senior Bonds and the Series 2008B Variable Rate Subordinate Lien Bonds (for all of which interest rate exchange agreements were entered).

PART 6—DESCRIPTION OF THE REMARKETED BONDS

General

The Original Bonds are currently outstanding in an aggregate principal amount of $297,150,000. All of the Original Bonds were issued in book-entry-only form as described below. The Remarketed Bonds were originally issued in the Weekly Mode and are being remarketed as fixed rate bonds in the Fixed Mode. The Remarketed Bonds will be remarketed in denominations of $5,000 or any whole multiple thereof. The Remarketed Bonds will bear interest at the rates and will mature on the dates as set forth on the inside cover page of this Remarketing Circular. The Remarketed Bonds will bear interest calculated on the basis of a 360-day year of twelve 30 day months.

The Remarketed Bonds maturing April 1, 2015 through April 1, 2019, inclusive, are not subject to redemption at the option of the Corporation. The Remarketed Bonds maturing after April 1, 2019 are subject to redemption at the option of the Corporation at any time on or after April 1, 2019, 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 Remarketed Bonds will be available in book-entry-only form, in Authorized Denominations. Purchasers of beneficial ownership interests in the Remarketed Bonds will not receive certificates representing their interests in the Remarketed Bonds purchased.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Remarketed Bonds. The Remarketed 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 each series of the Remarketed Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

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

Purchases of Remarketed Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Remarketed Bonds on DTC's records. The ownership interest of each actual purchaser of each Remarketed 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 Remarketed 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 Remarketed Bonds, except in the event that use of the book-entry system for the Remarketed Bonds is discontinued.

To facilitate subsequent transfers, all Remarketed 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 Remarketed 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 Remarketed Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Remarketed 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 Remarketed Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Remarketed Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Remarketed Bond documents. For example, Beneficial Owners of the Remarketed Bonds may wish to ascertain that the nominee holding the Remarketed 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 Remarketed Bonds within an issue 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 Remarketed Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Remarketed Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Remarketed 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.

A Beneficial Owner shall give notice to elect to have its Remarketed Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Remarketed Bonds by causing the Direct Participant to transfer the Participant's interest in the Remarketed Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Remarketed Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Remarketed Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Remarketed Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Remarketed 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, Remarketed Bond certificates are required, pursuant to the Resolutions, 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, Remarketed 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 and the Remarketing Agent believe to be reliable, but neither the Corporation nor the Remarketing Agent 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 Remarketed Bonds, as nominee for DTC, references herein to Bondholders or registered owners of each sub-series of the Remarketed Bonds (other than under the caption "PART 9 — "TAX MATTERS" and "PART 16 — CONTINUING DISCLOSURE UNDER RULE 15C2-12") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Remarketed 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 REMARKETING AGENT 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 REMARKETED BONDS UNDER THE RESOLUTIONS; (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 REMARKETED 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 REMARKETED BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE REMARKETED 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 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 Remarketed 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 Remarketed 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

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Remarketed Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Remarketed Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, and interest on the Series 2008B-C/D Bonds is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel observes, however, that interest on the Series 2003A-5/6 Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Remarketed 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). Complete copies of the proposed forms of opinions of Bond Counsel are set forth in Appendices C-3 and C-4 hereto.

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

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

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

Although Bond Counsel is of the opinion that interest on the Remarketed Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the

Remarketed Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

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

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

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

PART 10—LITIGATION

There is not now pending any litigation (i) restraining or enjoining the conversion or remarketing of the Remarketed Bonds; (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

As fixed rate bonds, the Remarketed Bonds have been rated "AA-" by Fitch, "Aa3" by Moody's and, upon conversion, are expected to be rated "AAA" by S&P.

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 Remarketed Bonds.

PART 12—REMARKETING

Morgan Stanley & Co. Incorporated has agreed, subject to certain conditions, to purchase the Original Bonds from the tendering holders of such Bonds and to make a bona fide reoffering of the Remarketed Bonds to the public at prices that are not in excess of the initial public offering prices set forth on the inside cover page of this Remarketing Circular and to surrender to the Corporation for retirement the Original Bonds that are tendered on the Conversion Date and are not reoffered pursuant to this Remarketing Circular. In consideration of the purchase of the Original Bonds and the remarketing of the Remarketed Bonds to the public, the Corporation will pay to Morgan Stanley & Co. Incorporated a remarketing fee of $1,538,973.63.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, the Remarketing Agent for the Remarketed Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Remarketed Bonds.

PART 13—APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance and delivery of the Remarketed Bonds were subject to the approval of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Corporation. Copies of the original approving opinions of Bond Counsel are attached to this Remarketing Circular as Appendices C-1 and C-2. Attached as Appendices C-3 and C-4 are the forms of opinions of Bond Counsel proposed to be rendered on the Conversion Date. Certain legal matters have been passed on by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Corporation, by the Attorney General of the State of New York, General Counsel to the Corporation, and by Harris Beach PLLC, New York, New York, counsel to the Remarketing Agent.

PART 14—FINANCIAL ADVISOR

Public Resources Advisory Group, New York, New York, is acting as financial advisor to the Corporation in connection with certain matters relating to the remarketing of the Remarketed Bonds.

PART 15—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. 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 16—CONTINUING DISCLOSURE UNDER RULE 15C2-12

At the time the Remarketed Bonds were issued, the State undertook in a written agreement for the benefit of the holders of the Remarketed Bonds (the "Agreement") to provide to each Nationally Recognized Municipal Securities Information Repository (each, a "Repository"), and if and when one is established, the New York State Information Depository, on an annual basis on or before 120 days after the end of each fiscal year, 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 Remarketing Circular, 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 also undertook to provide to each such Repository and to the State Information Depository, if any, 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 Remarketed Bonds, to provide to each such Repository or to the Municipal Securities Rulemaking Board (the "MSRB"), and to the State Information Depository, if any, (i) no later than 120 days after the end of each of its fiscal years, audited financial statements of the Corporation for such fiscal year and (ii) in a timely manner, 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 provided and such audited financial statements are required to be delivered to each Repository and to the State Information Depository if and when they become available.

The Annual Information shall consist of (a) financial information and operating data of the type included in this Remarketing Circular 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 Remarketing Circular; (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 Remarketing Circular; and (4) estimated debt service coverage in substance similar to the information set forth under "The Sales Tax-Estimated Debt Service Coverage" in this Remarketing Circular 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 Remarketed 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 Remarketed Bonds, if material (each of which is described in more detail in the Agreement): (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Remarketed Bonds; (7) modifications to the rights of holders; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Remarketed Bonds; and (11) rating changes. In addition, the Corporation will undertake, for the benefit of the holders of the Remarketed Bonds, to provide to each Repository or the MSRB, and to the State Information Depository, if any, in a timely manner, notice of any 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 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 Remarketed Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Agreement shall not constitute an Event of Default under the Resolution. In addition, if all or any part of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12") ceases to be in effect for any reason, then the information required to be provided under the 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.

Copies of the Agreement are on file at the office of the Corporation.

The Securities and Exchange Commission recently adopted certain amendments to Rule 15c2-12, which amendments become effective July 1, 2009. Pursuant to such amendments, the MSRB is designated as the sole repository for the filing of the Annual Information and notices of the events listed above and all filings will have to be made in electronic form with the MSRB through its Electronic Municipal Market Access system for municipal securities disclosures instead of with each Repository and the State Information Depository.

PART 17—FINANCIAL STATEMENTS

The financial statements of the Corporation for its fiscal year ending March 31, 2008 and the accompanying report prepared by KPMG LLP, formerly the independent auditor of the Corporation, have been filed with each Repository and are hereby included by reference herein. KPMG LLP has not been engaged to perform and has not performed, since the date of such report, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Remarketing Circular.

Toski, Schaefer & Co., P.C., the independent auditor of the Corporation since April 1, 2009, has not been engaged to perform and has not performed, any procedures on the financial statements of the Corporation for the fiscal year ending March 31, 2008. Toski, Schaefer & Co., P.C. also has not performed any procedures relating to this Remarketing Circular.

PART 18—MISCELLANEOUS

Any statements made in this Remarketing Circular 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 Remarketed Bonds are fully set forth in the Resolutions. Neither any advertisement of the Remarketed Bonds nor this Remarketing Circular is to be construed as a contract with purchasers of the Remarketed Bonds.

The execution and delivery of this Remarketing Circular have been duly authorized by the Corporation.

NEW YORK LOCAL GOVERNMENT
ASSISTANCE CORPORATION

By: /s/ Ronald L. 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 Remarketing Circular. Certain other terms used in this Remarketing Circular 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, NRMSIR, 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 paragraph, in the case of any Series of Bonds issued in one or more subseries, references in this paragraph 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)

APPENDIX A-2

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 Remarketing Circular. Certain other terms used in this Remarketing Circular and not defined shall have the meanings given to such terms in the 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, NRMSIR, 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, and supplemented by the First Supplement to the Amended and Restated Variable Rate Supplemental Bonds Resolution, adopted on May 20, 2008, and (ii) Resolution 2000-4 of the Corporation adopted on February 29, 2000.

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 Remarketed Bonds, the Corporation covenants to comply with the provisions of the Code, and any regulations or rulings issued thereunder, applicable to the Remarketed Bonds. Further, the Corporation covenants that it will not take any action or fail to take any action that would cause the Remarketed 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 2003A 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 Remarketed Bonds regarding all acts necessary to satisfy and fulfill such covenants. Notwithstanding any provision of the Series 2003A Subordinate Resolution to the contrary, so long as necessary in order to maintain the exclusion of interest on the Remarketed 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 Remarketed Bonds, including any payment or defeasance thereof pursuant to the General Bond Resolution.
(Series 2003A 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 paragraph, in the case of any Series of Bonds issued in one or more subseries, references in this paragraph 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

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 15, 2009. It was supplemented on May 29, 2009. The AIS was also filed with each Nationally Recognized Municipal Securities Information Repository (NRMSIR). An official copy of the AIS may be obtained by contacting a NRMSIR, or the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.budget.state.ny.us.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2008 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, 2008 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.

Supplement to the 2009-10
Annual Information Statement (AIS)
State of New York

May 29, 2009

This Supplement to the AIS dated May 15, 2009 provides (1) a preliminary discussion of the State's projected General Fund operating results through the first two months of fiscal year 2009-10 compared to the cash-flow forecast through May 2009 contained in the AIS, (2) an update on the State Retirement Systems, and (3) a summary of certain recent litigation against the State. The AIS and this Supplement should be read in their entirety.

PRELIMINARY OPERATING RESULTS (THROUGH MAY 2009)

The Division of the Budget ("DOB") published a monthly cash-flow forecast for fiscal year 2009-10 in the AIS. Based on information to date, DOB now estimates that the cumulative variance in General Fund receipts (including transfers from other funds) for the two-month period ending May 31, 2009 may be in the range of $400 million to $700 million below the cash-flow forecast contained in the AIS. Lower than expected personal income tax ("PIT") collections are expected to account for most of the projected variance. PIT collections to date reflect lower final payments and higher refunds related to calendar year 2008 as well as the phased-in timing of the implementation of the PIT increase approved in the 2009-10 Enacted Budget. It is possible that the negative variances from the cash-flow forecast experienced through May will continue in subsequent months. DOB expects that June 2009 results will provide more definitive information as to whether the variances observed in the first two months of the fiscal year are substantially timing-related or performance based (indicating the need for potential revisions to the annual receipts forecast). In particular, June 2009 collections will reflect a second full month of withholding on wages and the first estimated payments on 2009 tax liability under the PIT increase (as well as additional information on the performance of other State taxes compared to the current forecast, including the first reconciliation of business tax payments on 2009 tax liability). In addition, litigation concerning the State's Bottle Bill (see below) may adversely affect planned receipts in 2009-10. The Financial Plan for 2009-10 includes $115 million related to amendments to the Bottle Bill approved in the Enacted Budget. General Fund disbursements (including transfers to other funds) are expected to be approximately $100 million to $200 million below the cash-flow forecast through May 2009 with variances in individual programs generally appearing to be timing-related. The Enacted Budget authorizes the General Fund to borrow resources temporarily from other funds for a period not to exceed four months (or the close of the fiscal year, whichever is shorter). DOB expects periodic negative balances during the fiscal year, especially in the first quarter of 2009-10, before the benefit of approved actions in the Enacted Budget are fully realized (See "Special Considerations" in the AIS for a complete discussion). The State Comptroller is expected to publish unaudited operating results for May 2009 in mid-June 2009.

During July 2009, DOB will undertake a comprehensive review of operating results through the first quarter of 2009-10, updated economic data, and other factors in preparation for the First Quarterly Update to the AIS that is expected to be issued either in late July or early August 2009. The First Quarterly Update will reflect updated annual operating estimates to the multi-year Financial Plan.

STATE RETIREMENT SYSTEMS

On May 29, 2009 the State Comptroller released a preliminary estimate indicating that the rate of return for the New York State Common Retirement Fund ("Fund") assets was a negative 26.3 percent, with the Fund value declining to approximately $109.9 billion for the fiscal year that ended March 31, 2009. The Comptroller attributed the Fund's decline to the global economic crisis, which drove the major U.S. stock indices down between 33 and 40 percent. The Comptroller said the market downturn would require higher employer pension contribution rates in future years, and proposed legislation to give State and local government employers an option to manage those expected increases.

LITIGATION

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

Annual Information Statement

State of New York

May 15, 2009

Annual Information Statement
State of New York
Dated: May 15, 2009

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Annual Information Statement of the State of New York

Introduction

This Annual Information Statement ("AIS") is dated May 15, 2009 and contains information only through that date. This AIS constitutes the official disclosure information regarding the financial condition of the State of New York (the "State") and replaces the Annual Information Statement dated May 12, 2008 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in August 2009, November 2009, and February 2010) and may be supplemented from time to time as developments may warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any update or supplement issued during the fiscal year.

In this AIS, readers will find:

1. A section entitled the "Current Fiscal Year" that contains (a) extracts from the 2009-10 Enacted Budget Financial Plan, dated April 28, 2009 (the "Financial Plan"), prepared by the Division of the Budget ("DOB"), including the State's official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State's current fiscal year under the heading "Special Considerations." The first part of the section entitled "Current Fiscal Year" summarizes the major components of the 2009-10 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State's governmental funds in 2009-10.

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

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

DOB is responsible for preparing the State's Financial Plan and presenting the information that appears in this AIS on behalf of the State. In preparing this AIS, DOB relies on information drawn from other sources, including the Office of the State Comptroller ("OSC"), that DOB believes to be reliable. Information relating to matters described in the section entitled "Litigation" is furnished by the State Office of the Attorney General.

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

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

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

The State may issue AIS supplements or other disclosure notices to this AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS with the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs). An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-8282 or from any NRMSIR. OSC expects to issue the Basic Financial Statements for the 2008-09 fiscal year in July 2009. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and will be available on its website at www.osc.state.ny.us.

Usage Notice

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

An informational copy of this AIS is available on the DOB website (www.budget.state.ny.us). The availability of this AIS in electronic form at DOB's website is being provided solely as a matter of convenience to readers and does not create any implication that there have been no changes in the financial condition of the State at any time subsequent to its release date. Maintenance of the AIS on the website is not intended as a republication of the information therein on any date subsequent to its release date.

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

Current Fiscal Year

The 2009-10 Enacted Budget Financial Plan, extracts of which are set forth below, was prepared by the DOB and reflects the actions of the Legislature and Governor.

The Financial Plan contains estimates for the 2009-10 fiscal year and projections for the 2010-11 through 2012-13 fiscal years. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Financial Plan set forth below.

The State accounts for all of its spending and revenues by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as Grants to Local Governments). The Financial Plan tables sort all State projections and results by fund and category. The State Constitution requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund — the fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this is the fund that is statutorily required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.

The State also reports disbursements and receipts activity by other broad measures: State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes capital project funds and Federal Funds; and All Governmental Funds ("All Funds"), which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.

Fund types of the State include: the General Fund; State special revenue funds (SRFs), which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal SRFs, which receive Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction and reconstruction of roads, bridges, prisons, and other infrastructure projects; and Debt Service Funds, which pay principal, interest and related expenses on long-term bonds issued by the State and its public authorities.

2009-10 Enacted Budget Financial Plan Overview[1]

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

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

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

Financial Plan Indicators

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

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

** Unaudited Year-End Results.*

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

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

Addressing the Budget Gaps

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

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

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

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

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

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

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

** Before 2008-09 Enacted DRP.*

Budget Outcomes

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

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

Elements of the Gap-Closing Plan

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

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

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

Spending Restraint

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

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

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

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - SPENDING RESTRAINT (millions of dollars)	2008-09	2009-10	Total	2010-11	2011-12	2012-13
Spending Restraint (net of adds)	**413**	**6,047**	**6,460**	**7,360**	**8,234**	**8,138**
Health Care	63	1,961	2,024	1,673	1,719	1,735
School Tax Relief Program	93	1,559	1,652	2,051	2,113	2,181
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Repeal Planned Member Item Deposits	30	104	134	(85)	(85)	0
Local Government Aid	3	94	97	171	168	165
Other Education Aid	7	21	28	61	53	53
State Workforce	5	170	175	328	328	328
Convert Capital to PAYGO	0	0	0	(100)	(200)	(300)
All Other	147	50	197	25	15	11

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

- **Health Care ($2.0 billion):** Enacts cost-containment measures, including rate reductions; updating the base year on which rates are calculated; re-establishing certain industry assessments; financing a greater share of Medicaid spending through HCRA; eliminating a planned human services COLA in 2009-10; and other targeted public health and aging reductions. In addition, the Enacted Budget authorizes savings actions to fully eliminate the HCRA operating deficit, including an increase in the Covered Lives Assessment, instituting a tax on for-profit HMOs, and increasing certain surcharges;

- **STAR ($1.7 billion):** Eliminates the Middle-class STAR rebate program (but maintains the STAR exemption program that will continue to provide tax relief); reduces the PIT credit for New York City taxpayers; and adjusts the timing of reimbursement to New York City;

- **School Aid ($948 million on a State fiscal year basis):** Maintains selected aids at 2008-09 school year levels; extends the phase-in of foundation aid and the UPK program from four to seven years; and authorizes additional lottery games that would increase projected resources available to education;

- **Mental Hygiene ($392 million):** Eliminates a cost-of-living increase for providers; institutes programmatic reforms to align reimbursement with actual costs (including closing, consolidating, and restructuring facility operations, thereby reducing the planned workforce by 865 positions); maximizes available Federal aid; and other measures;

- **Higher Education ($252 million):** Includes tuition increases at public universities approved by the SUNY and CUNY Boards of Trustees; reductions in support for the four statutory colleges at Cornell University and the College of Ceramics at Alfred University; an assessment on the SUNY and CUNY research foundations; inclusion of public sector pension income in TAP determinations; and other savings;

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

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

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

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

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

Revenue Actions

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

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

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

The most significant actions include:

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

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

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

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

Non-Recurring Resources

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

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

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

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

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

Extraordinary Federal Aid

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

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

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

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

Spending Levels

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

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

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

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

General Fund Balances

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

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

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

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

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

2009-10 General Fund Financial Plan and OutYear Projections

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

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

OUTYEAR GENERAL FUND PROJECTIONS
(millions of dollars)

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

** Includes transfers after debt service.*

In evaluating the State's outyear operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future fiscal condition is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, in terms of the outyear projections, 2010-11 is perhaps the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years. The State will provide quarterly revisions to its multi-year estimates.

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

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

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

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

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

General Fund Outyear Receipts/Projections

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

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

General Fund Outyear Disbursement Projections

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

General Fund Grants to Local Governments

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

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

Medicaid

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

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

** Excludes enhanced FMAP for other state agencies.*

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

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

School Aid

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

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

** Represents State debt service costs.*

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

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

Mental Hygiene

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

Children and Family Services

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

Temporary and Disability Assistance

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

General Fund State Operations

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING STATE OPERATIONS

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

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

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

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

Personal Service

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

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

Non-Personal Service

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

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

General Fund General State Charges

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING GENERAL STATE CHARGES

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

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

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

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

	Health Insurance		
Year	Active Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Unaudited Results)	1,639	1,068	2,707
2009-10 (Projected)	1,712	1,123	2,835
2010-11 (Projected)	1,906	1,247	3,153
2011-12 (Projected)	2,056	1,348	3,404
2012-13 (Projected)	2,217	1,456	3,673

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

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

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

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

General Fund Transfers to Other Funds

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

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

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

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

Dedicated Highway and Bridge Trust Fund

A significant portion of the capital and operating expenses of DOT and DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds. The AIS presents a revised forecast for the General Fund subsidy to reflect Enacted Budget Financial Plan projections. The subsidy is projected at $763 million for 2010-11 and $842 million for 2011-12, with continued growth thereafter.

Financial Plan Reserves

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

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

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

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

Cash Flow Forecast

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

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

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

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

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

2009-10 All Funds Financial Plan Forecast

This section describes the State's Financial Plan projections for receipts and disbursements based on the 2009-10 Enacted Budget agreement. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in current-services spending and the impact of the Budget on the State's major areas of spending. Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, State Operating Funds, Capital Projects Funds, and Federal Operating Funds, thus providing the most comprehensive view of the financial operations of the State.

2009-10 Receipts Forecast

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

Overview of the Revenue Situation

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

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

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

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

TOTAL RECEIPTS
(millions of dollars)

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

** Unaudited Year-End Results.*

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

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

Personal Income Tax

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

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

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

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

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

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

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

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

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

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

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

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

** Excludes Transfers.*

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

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

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

User Taxes and Fees

USER TAXES AND FEES
(millions of dollars)

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

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

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

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

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

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

** Excludes Transfers.*

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

Business Taxes

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

** Unaudited Year-End Results.*

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

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

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

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

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

BUSINESS TAXES
(millions of dollars)

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

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

Other Taxes

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

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

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

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

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

** Excludes Transfers.*

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

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

Miscellaneous Receipts and Federal Grants

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

** Unaudited Year-End Results.*

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

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing is often unpredictable. All Funds Federal grants are projected to total $47.7 billion in 2009-10, an increase of $8.9 billion from 2008-09 results driven by receipt of Federal ARRA monies.

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

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

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

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

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

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

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

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

2009-10 Financial Plan Disbursements Forecast

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

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

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

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

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

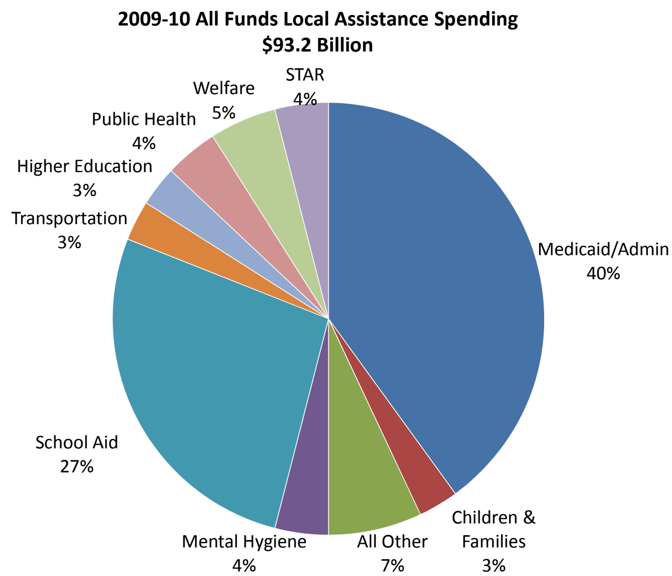
	General Fund *	Other State Funds**	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2008-09 Results* **	**48,436**	**29,732**	**78,168**	**6,830**	**36,573**	**121,571**
Major Functions						
Public Health:						
Medicaid	(1,740)	1,073	(667)	0	4,272	3,605
Public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

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

The spending forecast for each of the State's major financial plan categories follows. Projected current services disbursements are based on agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends, projected economic conditions, and changes in Federal law. All projections account for the timing of payments, since not all the amounts appropriated in the Budget are disbursed in the same fiscal year.

Grants to Local Governments

Grants to Local Governments (Local Assistance) include payments to local governments, school districts, health care providers, and other local entities, as well as certain financial assistance to, or on behalf of, individuals, families, and nonprofit organizations. Local Assistance comprises 71 percent of All Funds spending.



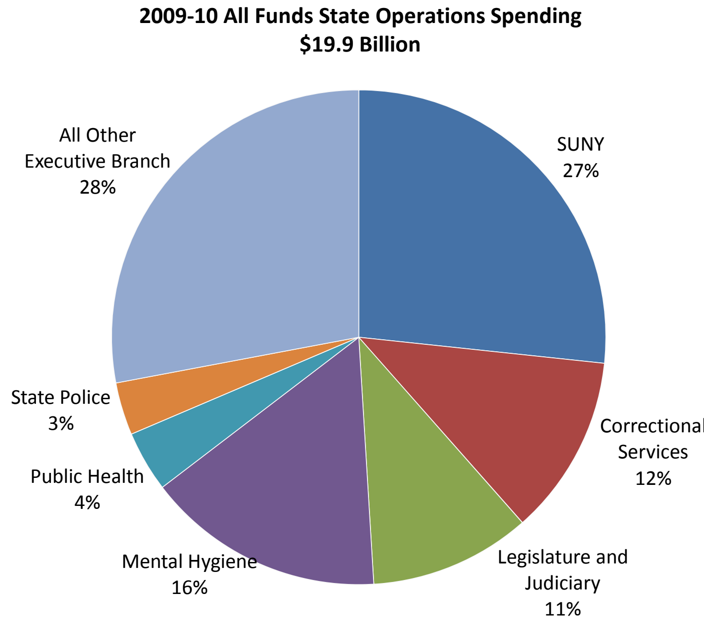
In 2009-10, All Funds spending for local assistance is proposed to total $93.2 billion. Total spending is comprised of State aid to medical assistance providers and public health programs ($40.5 billion); State aid for education, including school districts, universities, and tuition assistance ($34.3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

LOCAL ASSISTANCE SPENDING PROJECTIONS
(millions of dollars)

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

** Unaudited Year-End Results.*

State Operations



State Operations spending is for personal service and non-personal service costs. Personal service costs, which account for approximately two-thirds of State Operations spending, include salaries of State employees of the Executive Branch, Legislature, and Judiciary, as well as overtime payments and costs for temporary employees. Non-personal service costs, which account for the remaining one-third of State Operations, represent other operating costs of State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology, and professional business services), supplies and materials, equipment, telephone service and employee travel.

Approximately 93 percent of the State workforce is unionized. The largest unions include CSEA, which primarily represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which primarily represents professional and technical personnel (i.e., attorneys, nurses, accountants, social workers, and institution teachers); UUP, which represents faculty and non-teaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

The State workforce subject to Executive control (i.e., OSC, Law, SUNY/CUNY, and excluding the Legislature, Judiciary, and contractual labor), is projected to total 128,803 FTEs in 2009-10, a decrease of 7,687 from 2008-09 levels. Decreases are expected in nearly all agencies, mainly as a result of facility closures and the WRP.

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

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

** Unaudited Year-End Results.*

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

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

** Unaudited Year-End Results.*

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

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

Personal Service

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

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

** Unaudited Year-End Results.*

Non-Personal Service

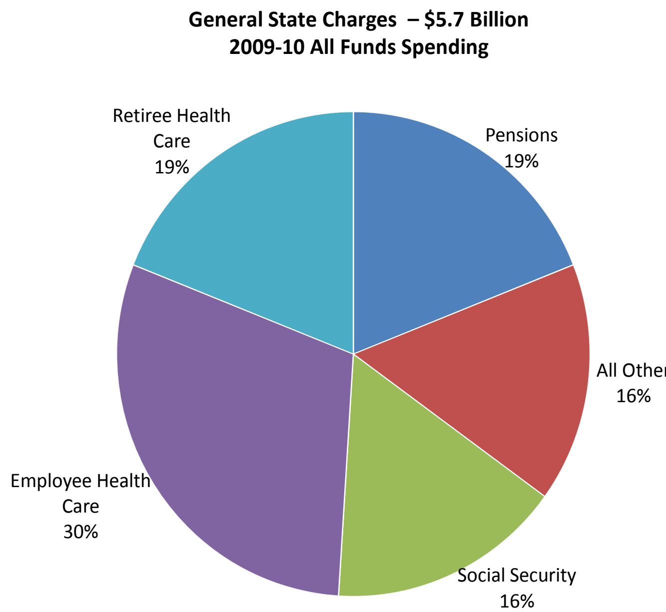
NON-PERSONAL SERVICE
SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE)
FROM 2008-09 TO 2009-10
(millions of dollars)

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

** Unaudited Year-End Results.*

General State Charges

GSCs account for the costs of fringe benefits provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. Fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, Social Security, health insurance, workers' compensation and unemployment insurance. Fixed costs include State taxes paid to local governments for certain State-owned lands, and payments related to lawsuits against the State and its public officers.



For most agencies, employee fringe benefit costs are paid centrally from appropriations made to GSCs. These centrally-paid fringe benefit costs represent the majority of GSCs spending. However, certain agencies, such as the Judiciary and SUNY, directly pay all or a portion of their employees' fringe benefit costs from their respective budgets. Employee fringe benefits paid through the GSCs account are paid from the General Fund in the first instance and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. The funding source of fringe benefit costs directly paid by certain agencies is dependent on the respective agencies' funding sources. Fixed costs are paid in full by General Fund revenues from the GSCs account.

GENERAL STATE CHARGES SPENDING PROJECTIONS
(millions of dollars)

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

** Unaudited Year-End Results.*

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

Debt Service

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

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

** Unaudited Year-End Results.*

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

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

Capital Projects

Capital Projects account for spending across all functional areas to finance costs related to the acquisition, construction, repair or renovation of fixed assets. Spending from appropriations made from over 30 capital projects funds are financed from four sources: annual State taxes or dedicated miscellaneous receipts, grants from the Federal government, the proceeds of notes or bonds issued pursuant to general obligation bond acts which are approved by the State voters, and the proceeds of notes or bonds issued by public authorities pursuant to legal authorization for State capital spending.

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

** Unaudited Year-End Results.*

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

Other Financing Sources/(Uses)

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

In Special Revenue Funds, transfers to other funds include transfers to the Debt Service Funds representing the Federal share of Medicaid payments for patients residing in State-operated health and mental hygiene facilities and community homes, and patients at SUNY hospitals ($3.5 billion), a transfer from HCRA to the Capital Projects Fund to finance anticipated non-bondable spending for HEAL-NY ($140 million) and transfer of moneys from several Special Revenue accounts in excess of spending requirements ($1.0 billion).

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

Debt Service Fund transfers to the General Fund include tax receipts in excess of debt service requirements for general obligation, LGAC and PIT Revenue Bonds ($10.4 billion). Transfers to Special Revenue Funds represent receipts in excess of lease/purchase obligations that are used to finance a portion of the operating expenses for DOH, mental hygiene, and SUNY ($3.8 billion).

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

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

**Unaudited Year-end Results*

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

**Unaudited Year-end Results*

Source: NYS DOB

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

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

**Unaudited Year-end Results*

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

**Unaudited Year-end Results*

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

CASHFLOW
GENERAL FUND
2009-2010
(dollars in millions)

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

Source: NYS DOB

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

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

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

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

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

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

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

**Unaudited Year-end Results*

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

Source: NYS DOB

GAAP-Basis Financial Plans/GASB Statement 45

The State Budget is statutorily required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis, in accordance with standards and regulations set forth by GASB. Thus, the GAAP projections provided herein are intended to supplement, for informational purposes, the cash-basis Financial Plan. The GAAP-basis plans model the accounting principles applied by OSC in preparation of the 2007-08 Financial Statements. OSC will issue the 2008-09 GAAP-basis Financial Statements in July 2009.

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

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

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

This liability was disclosed in the 2007-08 basic GAAP financial statements issued by the State Comptroller in July 2008. GASB rules indicate the liability may be amortized over a 30-year period; therefore, only the annual amortized liability above the current PAYGO costs is recognized in the financial statements. The 2007-08 liability totaled $3.8 billion ($3.1 billion for the State and $0.7 billion for SUNY) under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or roughly $2.7 billion ($2.1 billion for the State and $0.6 billion for SUNY) above the current PAYGO retiree costs. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2007-08 by $2.7 billion.

GASB does not require the additional costs to be funded on the State's budgetary basis, and no funding is assumed for this purpose in the Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis. Anticipated increases in these costs are reflected in the State's multi-year Financial Plan as detailed below.

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

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

** Estimated.*

As noted, the current Financial Plan does not assume pre-funding of the GASBS 45 liability. If such liability were pre-funded at this time, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB will continue to review this matter, and seek input from the State Comptroller, the legislative fiscal committees and other outside parties.

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

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

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

Source: NYS DOB

Special Considerations

Complex political, social, environmental and economic forces influence the State's economy and finances, many of which are outside the ability of the State to control. These include, but are not limited to, the performance of the national and State economies; the impact of continuing write-downs and other costs affecting the profitability of the financial services sector, and the concomitant effect on bonus income and capital gains realizations; the impact of calendar year 2008 wage and bonus activity on the State tax settlement in fiscal year 2009-10; access to the capital markets in light of the disruption in the municipal bond market; litigation against the State, including challenges to certain tax actions and other actions authorized in the Enacted Budget; and actions taken by the Federal government, including audits, disallowances, and changes in aid levels. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year.

For example, the State Financial Plan is based upon forecasts of national and State economic activity developed through both internal analysis and review of national and State economic forecasts prepared by commercial forecasting services and other public and private forecasters. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and the State economies. Many uncertainties exist in forecasts of both the national and State economies, including consumer attitudes toward spending, the extent of corporate and governmental restructuring, the condition of the financial sector, federal fiscal and monetary policies, the level of interest rates, and the condition of the world economy, which could have an adverse effect on the State. There can be no assurance that the State economy will not experience results in the current fiscal year that are materially worse than predicted, with corresponding material and adverse effects on the State's projections of receipts and disbursements. For more information, see the section entitled "Economics and Demographics" in this AIS.

Projections of total State receipts in the Financial Plan are based on the State tax structure in effect during the fiscal year and on assumptions relating to basic economic factors and their historical relationships to State tax receipts. In preparing projections of State receipts, economic forecasts relating to personal income, wages, consumption, profits and employment have been particularly important. The projections of receipts from most tax or revenue sources is generally made by estimating the change in yield of such tax or revenue source from its estimated tax base.

Projections of total State disbursements are based on assumptions relating to economic and demographic factors, levels of disbursements for various services provided by local governments (where the cost is partially reimbursed by the State), and the results of various administrative and statutory mechanisms in controlling disbursements for State operations. Factors that may affect the level of disbursements in the fiscal year include uncertainties relating to the economy of the nation and the State, the policies of the federal government, and changes in the demand for the use of State services.

An additional risk to the State Financial Plan arises from the potential impact of certain litigation and of federal disallowances now pending against the State, which could adversely affect the State's projections of receipts and disbursements. The State Financial Plan assumes no significant litigation or federal disallowances or other federal actions that could affect State finances. For more information on litigation pending against the State, see the section entitled "Litigation" in this AIS.

DOB believes that its projections of receipts and disbursements relating to the current State Financial Plan, and the assumptions on which they are based, are reasonable. Actual results, however, could differ materially and adversely from the projections set forth in this AIS. In the past, the State has taken management actions to address potential Financial Plan shortfalls, and DOB believes it could take similar actions should variances occur in its projections for the current fiscal year.

Actions affecting the level of receipts and disbursements, the relative strength of the State and regional economy, and actions by the federal government have helped to create projected structural budget gaps for the State. These gaps result in a significant disparity between recurring revenues and the costs of maintaining or increasing the level of support for State programs. To address a potential imbalance in any given fiscal year, the State would be required to take actions to increase receipts and/or reduce disbursements as it enacts the budget for that year, and, under the State Constitution, the Governor is required to propose a balanced budget each year. There can be no assurance however, that the Legislature will enact the Governor's proposals or that the State's actions will be sufficient to preserve budgetary balance in a given fiscal year or to align recurring receipts and disbursements in future fiscal years.

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

Risks to the Economic Forecast

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

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

State Cash Flow Projections

DOB currently projects that each month of the 2009-10 fiscal year will end with a positive cash balance in the General Fund. However, the General Fund's 2009-10 opening cash position of $1.9 billion was lower than in recent fiscal years and DOB expects extremely tight operating margins, including periodic negative balances in the General Fund, especially in the first quarter of the fiscal year, before the benefit of approved actions in the Enacted Budget are fully realized. The June 2009 closing balance of $111 million is the lowest projected for the fiscal year, based on the current forecast. DOB projects cash balances of $2.8 billion by September 30, 2009, $1.2 billion by December 30, 2009, and $1.4 billion by March 31, 2010. The settlement of tax liabilities for calendar year 2008, which primarily takes place in April and May 2009, has the potential to significantly alter the cash flow position of the State. DOB and the Department of Taxation and Finance are monitoring collections and refund activity closely.

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

State Workforce Reductions

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

Labor Settlements

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

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

School Supportive Health Services

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

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

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

Proposed Federal Rule on Medicaid Funding

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

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

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

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

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

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

New York City Personal Care Audit

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

Bond Market Issues

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

Other Financial Plan Risks

The Financial Plan forecast also contains specific transaction risks and other uncertainties including, but not limited to, the development of new VLT facilities; the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Financial Plan; the enforcement of certain tax regulations on Native American reservations; the timing and value of proceeds from the sale of Wellpoint stock expected to finance certain health care spending; and the achievement of cost-saving measures, including, but not limited to, administrative savings in State agencies through the WRP and the transfer of available fund balances to the General Fund, at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan.

Finally, there can be no assurance that (1) receipts will not fall below current projections, requiring additional budget-balancing actions in the current year, and (2) the gaps projected for future years will not increase materially from the projections set forth in this AIS.

APPENDIX C-1

**2008 APPROVING OPINION OF ORRICK, HERRINGTON & SUTCLIFFE LLP,
BOND COUNSEL**

June 26, 2008

New York Local Government
Assistance Corporation
Albany, New York

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of $52,730,000 Series 2008B-AV Variable Interest Rate Refunding Bonds (Senior Lien) (the "Series 2008B-AV Senior Bonds"), its $52,755,000 Series 2008B-BV Variable Interest Rate Refunding Bonds (Senior Lien) (the "Series 2008B-BV Senior Bonds"), its $188,705,000 Series 2008B-BV2 Variable Interest Rate Refunding Bonds (Senior Lien) (the "Series 2008B-BV2 Senior Bonds"), its $52,730,000 Series 2008B-CV Variable Interest Rate Refunding Bonds (Senior Lien) (the "Series 2008B-CV Senior Bonds") and its $52,755,000 Series 2008B-DV Variable Interest Rate Refunding Bonds (Senior Lien) (the "Series 2008B-DV Senior Bonds", and together with the Series 2008B-AV Senior Bonds, Series 2008B-BV Senior Bonds, Series 2008B-BV2 Senior Bonds and Series 2008B-CV Senior Bonds, the "Series 2008B Senior 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").

In such connection, we have reviewed the Resolutions (as defined below), the Arbitrage and Use of Proceeds Certificate of the Corporation, dated the date hereof (the "Tax Certificate"), certificates of the Corporation, the Trustee, and others, opinions of counsel to the Corporation and the Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The Series 2008B Senior Bonds are authorized and issued under and pursuant to the Act and the General Bond Resolution of the Corporation, adopted February 19, 1991, as amended (the "General Bond Resolution"), the Amended and Restated Variable Rate Supplemental Resolution, adopted March 17, 1993, as amended March 17, 1994, as amended and restated December 30, 2002, as supplemented by the First Supplement to Amended and Restated Variable Rate Supplemental Bond Resolution, adopted May 20, 2008 (as supplemented, the "Senior Supplemental Resolution") and the Series 2008B Resolution Authorizing up to $625,000,000 Bonds, adopted May 20, 2008 (the "Series Resolution"). The General Bond Resolution, the Senior Supplemental Resolution and the Series Resolution, together with the Comptroller's Series Certificate relating to the Series 2008B Senior Bonds dated as of the date hereof (the "Comptroller's Series Certificate"), are herein collectively called the "Resolutions."

The Series 2008B Senior 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 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 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 2008B Senior Bonds are being issued for the purposes set forth in the Series Resolution.

The Corporation is authorized to issue Bonds, in addition to the Series 2008B Senior Bonds, only upon the terms and conditions set forth in the General Bond Resolution and such Bonds, when issued, will, with the Series 2008B Senior 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 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 2008B Senior 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 have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants contained in the Resolutions and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2008B Senior Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2008B Senior Bonds, the Resolutions and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, 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. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2008B Senior Bonds and express no opinion with respect thereto herein.

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 2008B Senior Bonds thereunder and to perform the obligations and covenants contained in the Resolutions and the Series 2008B Senior 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 Bond Resolution and is authorized and permitted by the General 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. 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. 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 2008B Senior 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 2008B Senior 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 Bond Resolution, to the equal benefit, protection and security of the provisions, covenants and obligations of the General Bond Resolution and of the Act.

4. Pursuant to the Act and the General 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 2008B Senior 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 2008B Senior 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. Interest on the Series 2008B Senior Bonds is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986. Interest on the Series 2008B Senior Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2008B Senior 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). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008B Senior Bonds.

9. 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 2008B Senior Bonds.

10. The adoption and performance by the Corporation of, and compliance with, all of the terms and conditions of the Resolutions and the Series 2008B Senior Bonds, and the execution and delivery of the Series 2008B Senior 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 C-2

2003 APPROVING OPINION OF ORRICK, HERRINGTON & SUTCLIFFE LLP, BOND COUNSEL

February 20, 2003

New York Local Government
Assistance Corporation
Albany, New York

Dear Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of $137,500,000 aggregate principal amount of New York Local Government Assistance Corporation Variable Interest Rate Subordinate Lien Refunding Bonds, Series 2003A-3V, $137,500,000 aggregate principal amount of New York Local Government Assistance Corporation Variable Interest Rate Subordinate Lien Refunding Bonds, Series 2003A-4V, $91,665,000 aggregate principal amount of New York Local Government Assistance Corporation Variable Interest Rate Subordinate Lien Refunding Bonds, Series 2003A-5/6, $100,000,000 aggregate principal amount of New York Local Government Assistance Corporation Variable Interest Rate Subordinate Lien Refunding Bonds, Series 2003A-6V, $50,780,000 aggregate principal amount of New York Local Government Assistance Corporation Variable Interest Rate Subordinate Lien Refunding Bonds, Series 2003A-7V, $40,885,000 aggregate principal amount of New York Local Government Assistance Corporation Variable Interest Rate Subordinate Lien Refunding Bonds, Series 2003A-8V, $63,350,000 aggregate principal amount of New York Local Government Assistance Corporation Variable Interest Rate Subordinate Lien Refunding Bonds, Series 2003A-9V, $63,325,000 aggregate principal amount of New York Local Government Assistance Corporation Variable Interest Rate Subordinate Lien Refunding Bonds, Series 2003A-10V, $63,350,000 aggregate principal amount of New York Local Government Assistance Corporation Variable Interest Rate Subordinate Lien Refunding Bonds, Series 2003A-11V, and $63,325,000 aggregate principal amount of New York Local Government Assistance Corporation Variable Interest Rate Subordinate Lien Refunding Bonds, Series 2003A-12V (collectively, the “Series 2003A 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”).

In such connection, we have reviewed the Resolutions (as defined below), the Arbitrage and Use of Proceeds Certificate of the Corporation, dated the date hereof (the “Tax Certificate”), certificates of the Corporation, the Trustee, and others, opinions of counsel to the Corporation and the Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The Series 2003A 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 (the “General Subordinate Lien Bond Resolution”), the Variable Rate Supplemental Subordinate Lien Bond Resolution adopted by the Corporation on December 30, 2002 (the “Supplemental Subordinate Resolution”), and the Series 2003A Resolution Authorizing up to $2,000,000,000 Subordinate Lien Bonds, adopted December 30, 2002 (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 2003A Subordinate Bonds dated February 20, 2003 (the “Comptroller's Series Certificate”), are herein collectively called the “Resolutions.”

The Series 2003A 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 holders of certain bonds of the Corporation to limit the issuance of additional bonds. The Series 2003A 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 2003A 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 2003A 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 2003A 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.

Certain agreements, requirements and procedures contained or referred to in the Resolutions, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2003A Subordinate Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Series 2003A Subordinate Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

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 or events are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2003A 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 have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants contained in the Resolutions and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2003A Subordinate Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2003A Subordinate Bonds, the Resolutions and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, 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 or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2003A Subordinate Bonds and express no opinion with respect thereto herein.

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 2003A Subordinate Bonds thereunder and to perform the obligations and covenants contained in the Resolutions and the Series 2003A 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 2003A 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 2003A 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 2003A 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 2003A 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 holders 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. Interest on the Series 2003A Subordinate Bonds is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986. Interest on the Series 2003A Subordinate Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Series 2003A Senior Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2003A 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). We 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 2003A Subordinate Bonds.

9. 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 2003A Subordinate Bonds.

10. The adoption and performance by the Corporation of, and compliance with, all of the terms and conditions of the Resolutions and the Series 2003A Subordinate Bonds, and the execution and delivery of the Series 2003A 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,

FORM OF OPINION OF ORRICK, HERRINGTON & SUTCLIFFE LLP, BOND COUNSEL

June , 2009

New York Local Government
Assistance Corporation
Albany, New York

Re: New York Local Government Assistance Corporation Refunding Bonds, Series 2008B-C/D (Senior Lien)

Ladies and Gentlemen:

The New York State Local Government Assistance Corporation Subordinate Lien Refunding Bonds, Series 2008B-C/D, in the aggregate principal amount of $102,325,000 (the "Bonds") were issued by 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"), on June 26, 2008, pursuant to the Act and the General Bond Resolution of the Corporation, adopted February 19, 1991, as amended (the "General Bond Resolution"), the Amended and Restated Variable Rate Supplemental Resolution, adopted March 17, 1993, as amended March 17, 1994, as amended and restated December 30, 2002, as supplemented by the First Supplement to Amended and Restated Variable Rate Supplemental Bond Resolution, adopted May 20, 2008 (as supplemented, the "Senior Supplemental Resolution") and the Series 2008B Resolution Authorizing up to $625,000,000 Bonds, adopted May 20, 2008 (the "Series Resolution"). The General Bond Resolution, the Senior Supplemental Resolution and the Series Resolution, together with the Comptroller's Series Certificate relating to the Series 2008B Senior Bonds dated as of the date hereof (the "Comptroller's Series Certificate"), each as amended and supplemented to the date hereof, are herein collectively called the "Resolutions."

Pursuant to Section 2.05 of the Senior Supplemental Resolution, the Bonds are being converted from the Weekly Mode to the Fixed Mode (the "Conversion"). In connection with such Conversion, as bond counsel to the Corporation, we have reviewed the Resolutions, certificates of the Corporation, the Trustee, and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinion set forth herein.

The opinion expressed herein is based on an analysis of existing laws, regulations, rulings and court decisions and covers certain matters not directly addressed by such authorities. Such opinion 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, and we disclaim any obligation to update this opinion. 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 party other than the Corporation. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. Nothing in this letter should imply that we have considered or in any manner reaffirm any of the matters covered in any opinion we rendered on the date of or in connection with issuance of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any remarketing circular or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that the Conversion, in accordance with the provisions of the Resolutions is authorized or permitted by the Resolution and the Act. We are further of the opinion that Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Interest on the Bonds is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

This opinion is furnished by us as bond counsel to the Corporation solely for purposes of Section 2.05(d) of the Senior Supplemental Resolution. We disclaim any obligation to update this opinion.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

FORM OF OPINION OF ORRICK, HERRINGTON & SUTCLIFFE LLP, BOND COUNSEL

June , 2009

New York Local Government
Assistance Corporation
Albany, New York

Re: New York Local Government Assistance Corporation Variable Interest Rate Subordinate Lien Refunding Bonds, Series 2003A-5/6

Ladies and Gentlemen:

The New York State Local Government Assistance Corporation Subordinate Lien Refunding Bonds, Series 2003A-5/6, in the aggregate principal amount of $182,670,000 (the "Bonds") were issued by 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"), on February 20, 2003, pursuant to the Act and the General Subordinate Lien Bond Resolution of the Corporation adopted December 30, 2002 (the "General Subordinate Lien Bond Resolution"), the Variable Rate Supplemental Subordinate Lien Bond Resolution adopted December 30, 2002 (the "Supplemental Subordinate Resolution") and the Series 2003A Resolution Authorizing up to $2,000,000,000 Subordinate Lien Bonds adopted December 30, 2002 (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 Bonds dated February 20, 2003 (the "Comptroller's Series Certificate"), each as amended and supplemented to the date hereof, are herein collectively called the "Resolutions."

Pursuant to Section 2.05 of the Supplemental Subordinate Resolution, the Bonds are being converted from the Weekly Mode to the Fixed Mode (the "Conversion"). In connection with such Conversion, as bond counsel to the Corporation, we have reviewed the Resolutions, certificates of the Corporation, the Trustee, and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinion set forth herein.

The opinion expressed herein is based on an analysis of existing laws, regulations, rulings and court decisions and covers certain matters not directly addressed by such authorities. Such opinion 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, and we disclaim any obligation to update this opinion. 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 party other than the Corporation. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. Nothing in this letter should imply that we have considered or in any manner reaffirm any of the matters covered in any opinion we rendered on the date of or in connection with issuance of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any remarketing circular or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that the Conversion, in accordance with the provisions of the Resolutions, is authorized or permitted by the Resolution and the Act. We are further of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

This opinion is furnished by us as bond counsel to the Corporation solely for purposes of Section 2.05(d) of the Supplemental Subordinate Resolution. We disclaim any obligation to update this opinion.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP