NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A Subordinate 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 Series 2011A Subordinate Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2011A 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). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Subordinate Bonds. See "Part 9—TAX MATTERS."

$184,040,000
New York Local Government Assistance Corporation
(A Public Benefit Corporation of the State of New York)
Series 2011A Subordinate Lien Refunding Bonds

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

The Series 2011A Subordinate Bonds will be issued as registered bonds. The Series 2011A Subordinate Bonds will be issued under a book-entry-only system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2011A Subordinate Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2011A Subordinate Bonds purchased. The Series 2011A Subordinate Bonds will be issued in denominations of $5,000 or integral multiples thereof. Interest on the Series 2011A Subordinate Bonds will be payable on April 1, 2012 and semi-annually thereafter on each October 1 and April 1. The Series 2011A Subordinate Bonds are not subject to redemption prior to maturity.

The Series 2011A Subordinate Bonds are being issued to refund certain outstanding bonds of the Corporation as more fully described herein. The Series 2011A Subordinate Bonds are general obligations of the Corporation, payable from revenues derived from certain sales and compensating use taxes imposed by the State of New York on a statewide basis and required by law to be deposited in the Local Government Assistance Tax Fund (the "Tax Fund") at the rate of one percent (1%). The Series 2011A Subordinate Bonds will be paid from the 1% Sales Tax after sufficient amounts are deposited in the funds and accounts securing the Senior Bonds (as defined herein). The Series 2011A Subordinate Bonds will be secured by a Capital Reserve Fund established by the Subordinate Resolution (as defined herein) and certain other funds and accounts under the Subordinate Resolution, all as more fully described herein.

Payments from the Tax Fund to make payments on the Series 2011A Subordinate Bonds are subject to appropriation for such purpose by the State Legislature. The State is not bound or obligated to make such appropriation or continue the imposition of the sales and use taxes required to be deposited to the Tax Fund. The Corporation is a public benefit corporation of the State and has no taxing power. The Series 2011A Subordinate Bonds do not constitute an enforceable obligation or a debt of the State or any unit of local government of the State, and neither the faith and credit nor the taxing power of the State or any such unit of local government is pledged to the payment of the principal or Redemption Price of or interest on the Series 2011A Subordinate Bonds.

The Series 2011A Subordinate Bonds are offered when, as and if issued by the Corporation and received by the Purchasers and 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. Public Resources Advisory Group is acting as Financial Advisor to the Corporation. The Series 2011A Subordinate Bonds will be available for delivery through the facilities of DTC on or about September 15, 2011.

Dated: August 31, 2011

$184,040,000
New York Local Government Assistance Corporation
(A Public Benefit Corporation of the State of New York)
Series 2011A Subordinate Lien Refunding Bonds

Due (April 1)	Principal Amount	Interest Rate	Yield	CUSIP Number*
2012	$ 8,435,000	5.00%	0.18%	649876 W88
2013	$15,925,000	5.00%	0.30%	649876 W96
2014	$16,720,000	5.00%	0.35%	649876 X20
2015	$17,560,000	5.00%	0.55%	649876 X38
2016	$18,435,000	5.00%	0.96%	649876 X46
2017	$19,360,000	5.00%	1.28%	649876 X53
2018	$20,325,000	5.00%	1.58%	649876 X61
2019	$21,340,000	5.00%	1.86%	649876 X79
2020	$22,410,000	5.00%	2.11%	649876 X87
2021	$23,530,000	4.00%	2.36%	649876 X95

* The CUSIP number listed above has been assigned by Standard & Poor's, CUSIP Service Bureau and is provided solely for the convenience of bondholders and the Corporation makes no representation with respect to such number or undertakes any responsibility for its accuracy. The CUSIP number is subject to change after the issuance of the Series 2011A Subordinate Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2011A Subordinate Bonds.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2011A Subordinate Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Corporation, by the State of New York and by other sources which are believed to be reliable by the Corporation, but it is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Purchasers. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or of the State of New York since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Table of Contents

OFFICIAL STATEMENT
RELATING TO

$184,040,000
New York Local Government Assistance Corporation
(A Public Benefit Corporation of the State of New York)
Series 2011A Subordinate Lien Refunding Bonds

PART 1—INTRODUCTION

This Official Statement of the New York Local Government Assistance Corporation (the "Corporation" or "LGAC") is provided for the purpose of setting forth information concerning the Corporation in connection with the $184,040,000 Series 2011A Subordinate Lien Refunding Bonds (the "Series 2011A Subordinate Bonds"). The Senior Bonds (defined below) and the Subordinate Bonds (defined below) are referred to collectively as the "Bonds."

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

The Corporation

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

The Bonds

The Series 2011A Subordinate Bonds are to be issued pursuant to the Act, the General Subordinate Lien Bond Resolution adopted December 30, 2002, as amended and supplemented (the "General Subordinate Bond Resolution") and the Series 2011A Resolution Authorizing Up To $230,000,000 of Subordinate Bonds adopted July 14, 2011 (the "Series 2011A Subordinate Resolution") (collectively, the "Subordinate Resolution"). The Bank of New York Mellon is the Trustee under the General Subordinate Bond Resolution. The Series 2011A Subordinate Bonds will be on a parity with $1,375,440,000[1] aggregate principal amount of 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 Official Statement, is set forth in Appendix A-2 hereto. The Subordinate Resolution constitutes a contract between the Corporation and its Subordinate Bondholders and contains certain covenants and conditions for the issuance of additional bonds (the "Additional Subordinate Bonds," and together with the Outstanding Subordinate Bonds and the Series 2011A Subordinate Bonds, the "Subordinate Bonds"). Subject to compliance with the Subordinate Resolution, the Corporation may issue Additional Subordinate Bonds on a parity with the Outstanding Subordinate Bonds and the Series 2011A Subordinate Bonds solely for refunding purposes. See "Additional Bonds" below in Part 4 for a discussion of Additional Subordinate Bonds.

The Corporation also has $1,559,443,073.80[2] aggregate principal amount of outstanding bonds (excluding the increase in appreciated value of capital appreciation bonds since the date of their initial issuance) heretofore

---

[1] Does not include the Series 2011A Subordinate Bonds.
[2] Does not include Senior Bonds proposed to be refunded by the Series 2011A Subordinate Bonds.

issued (the "Outstanding Senior Bonds" and together with the Outstanding Subordinate Bonds, the "Outstanding Bonds") issued pursuant to the Act and the General Bond Resolution adopted February 19, 1991, as amended and supplemented (the "Senior Resolution"). The Senior Resolution and the Subordinate Resolution are referred to collectively as the "Resolutions." As of April 1, 2011, the accreted value of outstanding capital appreciation senior bonds was $49,449,389.95. A summary of certain provisions of the Senior Resolution, together with certain defined terms used therein and in this Official Statement, is set forth in Appendix A-1 hereto. The Senior Resolution constitutes a contract between the Corporation and its Senior Bondholders and contains certain covenants and conditions for the issuance of additional bonds (the "Additional Senior Bonds," and together with the Outstanding Senior Bonds, the "Senior Bonds"). Subject to compliance with the Senior Resolution, the Corporation may issue Additional Senior Bonds on parity with the Outstanding Senior Bonds solely for refunding purposes. See "Additional Bonds" below in Part 4 for a discussion of Additional Senior Bonds.

The Series 2011A Subordinate Bonds are being issued to refund certain Outstanding Senior Bonds, as more fully described herein. See "Plan of Refunding" below in Part 2.

The Series 2011A Subordinate Bonds will be general obligations of the Corporation, payable from payments received by the Corporation from revenues derived from certain sales and compensating use taxes imposed by the State on a statewide basis pursuant to Sections 1105 and 1110 of the Tax Law (the "Sales Tax") and required to be deposited in the Local Government Assistance Tax Fund created by the Act (the "Tax Fund") at the rate of one percent, less amounts which the Commissioner of Taxation and Finance of the State may determine to be necessary for refunds (the "1% Sales Tax"). The Subordinate Bonds will be paid from the 1% Sales Tax and any other revenues that are transferred to the Subordinated Payment Fund established under the Senior Resolution after sufficient amounts are deposited in the funds and accounts securing the Senior Bonds.

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

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

pledged to the payment of the principal or Redemption Price of or interest on the Series 2011A Subordinate Bonds.

The Capital Reserve Funds

The Senior Bonds are secured by amounts on deposit in, and earned on investment of, the Senior Capital Reserve Fund established pursuant to the Act in the Senior Resolution. The Senior Resolution establishes the requirement of the Senior Capital Reserve Fund (the "Senior Capital Reserve Fund Requirement"), as of any date of calculation, as an amount equal to the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest on all Senior Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding fiscal year, assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months' interest and (ii) that interest on Variable Interest Rate Senior Bonds is calculated as if such Variable Interest Rate Senior Bonds bore interest at the maximum rate of interest permitted on such Variable Interest Rate Senior Bonds or under the related Reimbursement Obligation, provided that the Senior Capital Reserve Fund Requirement shall at no time exceed the sum of the Senior Capital Reserve Fund Requirement immediately prior to the issuance of such Series and an amount equal to 10% of the proceeds (as such term is defined under Section 148(d) of the Code) from the sale of such Series. The Senior Capital Reserve Fund is currently funded at the Senior Capital Reserve Fund Requirement with a municipal bond debt service reserve fund policy, investments and cash. It is a condition to the issuance of Additional Senior Bonds that the Senior Capital Reserve Fund shall, upon the issuance of Additional Senior Bonds, be funded at the Senior Capital Reserve Fund Requirement. If there is a deficiency in the Senior Capital Reserve Fund, the Chairperson is required immediately to certify the amount needed to restore the Senior Capital Reserve Fund to the Senior Capital Reserve Fund Requirement, to the extent that the deficiency resulted from a failure by the State to pay any amounts previously certified by the Chairperson. Following the refunding of the Refunded Bonds (as defined herein) with the proceeds of the Series 2011A Subordinate Bonds, the Senior Capital Reserve Fund Requirement will be $261,152,462.50.

The Subordinate Bonds are secured by amounts on deposit in, and earned on investment of, the Subordinate Capital Reserve Fund established pursuant to the Act in the Subordinate Resolution. The Subordinate Resolution establishes the requirement of the Subordinate Capital Reserve Fund (the "Subordinate Capital Reserve Fund Requirement"), as of any date of calculation, as an amount equal to one-half of the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest (exclusive of capitalized interest and accrued interest, if any) on all Subordinate Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding Fiscal Year assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months' interest and (ii) that with respect to Variable Interest Rate Subordinate Bonds, interest on such Variable Interest Rate Subordinate Bonds shall be calculated at a rate or rates reasonably assumed by the Corporation on the date of issuance thereof having due regard for the security and marketability of all its bonds and notes. The Subordinate Capital Reserve Fund is currently funded at the Subordinate Capital Reserve Fund Requirement with investments and cash. It is a condition to the issuance of Additional Subordinate Bonds that the Subordinate Capital Reserve Fund shall, upon the issuance of Additional Subordinate Bonds, be funded at the Subordinate Capital Reserve Fund Requirement. If there is a deficiency in the Subordinate Capital Reserve Fund, the Chairperson is required immediately to certify the amount needed to restore the Subordinate Capital Reserve Fund to the Subordinate Capital Reserve Fund Requirement, to the extent that the deficiency resulted from a failure by the State to pay any amounts previously certified by the Chairperson. Following the issuance of the Series 2011A Subordinate Bonds, the Subordinate Capital Reserve Fund Requirement will be $87,383,461.34.

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

1% Sales Tax

Upon receipt, moneys from the 1% Sales Tax are required to be deposited in the Tax Fund, held jointly by the Commissioner of Taxation and Finance and the Comptroller separate and apart from all other moneys of the State. Moneys in the Tax Fund are required by the Act to be paid by the Comptroller to the Trustee for the Senior

Bonds, at the times and in the amounts certified by the Chairperson of the Corporation, subject to annual appropriation by the State Legislature.

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

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

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

Additional Bonds and Estimated Debt Service Coverage

The Senior Resolution provides that no Additional Senior Bonds (other than Additional Senior Bonds issued for refunding purposes) may be issued on a parity with Outstanding Senior Bonds unless, among other documents, there is filed with the Trustee a certificate of an Authorized Officer of the Corporation stating that the amount certified by the Commissioner of Taxation and Finance for the collection of the 1% Sales Tax for 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 2011-12 fiscal year of the State (See "Part 3 – The Sales Tax—Sales Tax Receipts"), debt service coverage for the maximum annual debt service on the Outstanding Bonds[3] would be 6.70 times, assuming the following: (i) interest on the Corporation's outstanding $132.1 million aggregate principal amount of Series 1995C Variable Interest Rate Senior Bonds and Series 1995E Variable Interest Rate Senior Bonds (together, the "Series 1995C and E Variable Rate Senior 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 Bonds"), $105.485[3] million Series 2008B Variable Interest Rate Senior Refunding Bonds (the "Series 2008B Variable Rate Senior Bonds") and $188.65 million Series 2008B Variable Interest Rate Subordinate Refunding Bonds (the "Series 2008B Variable Rate Subordinate Bonds"), for which interest rate exchange agreements were entered, is 4% per annum (which is approximately equal to the sum of the rate payable by the Corporation under its interest rate exchange agreements and the related fees and expenses on the applicable bonds) and (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 $725,240,000[4], in connection with $725,870,000[3] aggregate principal amount of outstanding Series 2003A Variable Rate Subordinate Bonds, Series 2008B Variable Rate Senior Bonds and Series 2008B Variable Rate Subordinate Bonds. Pursuant to such agreements, the Corporation is required to make payments based on fixed rates to the swap providers and is to receive payments based on a variable rate from the swap providers. Under certain circumstances, the agreements may be terminated by the Corporation or by the applicable swap provider, at which time the Corporation may be required to make a payment to the swap provider. In connection with the issuance of the Series 2011A Subordinated Bonds and the refunding of the Refunded Bonds, the Corporation plans to terminate the interest rate exchange agreement associated with the Refunded Bonds. Swap payments are payable only from the

---

[3] Does not include Senior Bonds proposed to be refunded by the Series 2011A Subordinate Bonds.
[4] Does not include the notional amount of interest rate exchange agreements being terminated in connection with the Senior Bonds proposed to be refunded by the Series 2011A Subordinate Bonds.

Subordinate Subordinated Payment Fund under the Subordinate Resolution. For more information about the interest rate swap agreements, see Note 4 of the financial statements of the Corporation incorporated herein by reference.

Certain Constitutional Requirements

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

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

State Fiscal Reform Program

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

Information Concerning the State of New York

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

PART 2—NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

Purpose and Operations

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

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

Chairperson and Director. Vacant.

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

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

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

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

Director. Vacant.

Director. Vacant.

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

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

Thomas Nitido, *Co-Executive Director*. Thomas Nitido was appointed Deputy Comptroller for the Office of Budget and Policy Analysis in December 2009. Prior to his appointment as Deputy Comptroller, he was named Assistant Comptroller of the Retirement Compliance Unit for the New York State and Local Retirement System in November 2008. Mr. Nitido served eight years as Albany City Comptroller after being elected to the post in 2001 and 2005. Before being elected Albany City Comptroller, Mr. Nitido worked for the New York State Assembly Committee on Health for 14 years, most recently serving as its Executive Director. He also served on the Albany Common Council for seven years. Mr. Nitido is a graduate of Union College and received a master's degree from the SUNY College of Environmental Science and Forestry and Syracuse University.

Patricia Warrington, *Treasurer.* Ms. Warrington was appointed Treasurer of the Corporation on May 17, 2005. Ms. Warrington has served as Assistant Comptroller in the Office of Budget and Policy Analysis within the Office of the State Comptroller since April 2007. Prior to this, she served as Director of the Bureau of Debt Management in the Office of the State Comptroller. Before joining the Comptroller's staff in January 2005, Ms. Warrington served as Director of Budget Studies for the New York State Assembly Ways and Means Committee, where she was employed for 17 years, serving in various budget and fiscal positions for the Committee. She received a Bachelor of Arts in Political Science from the State University of New York at Cortland and a Master of Arts in Political Science from the State University of New York at Binghamton.

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.

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

Plan of Refunding

The Series 2011A Subordinate Bonds are being issued to provide funds, together with other funds available under the Resolutions, to current refund the Bonds of the Corporation described in Appendix D hereto (the "Refunded Bonds"), and to pay certain costs of issuance of the Series 2011A Subordinate Bonds, including amounts to pay a portion of the cost of terminating the interest rate exchange agreement associated with the Refunded Bonds.

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

A portion of the proceeds of the Series 2011A Subordinate Bonds will be deposited with the Trustee into the Debt Service Fund pursuant to the Resolution. Such proceeds will be sufficient, together with any other moneys deposited with the Trustee under the Resolution, to refund the Refunded Bonds at the applicable Redemption Price on the redemption date.

PART 3—THE SALES TAX

General

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

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

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

Sales Tax Receipts

Sales Tax receipts constitute the State’s second largest source of tax receipts after the personal income tax and accounted for approximately 19 percent of State tax receipts in all State Funds in the State’s 2010-11 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 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. Empire Zones legislation provides 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. 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 1.6 percent in the continuing Sales Tax base, losses of $6.8 million from Empire Zones legislation and $10 million from Liberty Zones legislation and gains of $6 million from pre-paid Sales Tax on cigarettes and $32 million from the lower EFT threshold. Liberty Zones legislation enacted in 2002 exempted most sales of tangible personal property and certain other items made in the New York City Liberty and Resurgence Zones and priced under $500 from the State’s 4 percent sales and use tax for the three-day periods June 9 through June 11, 2002, July 9 through July 11, 2002, and August 20 through August 22, 2002.

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

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

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

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

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

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

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

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

The 2011-12 receipts are estimated to be $11.173 billion, reflecting a base increase of 5.1 percent and enacted law changes including the tax modernization project. In addition, clothing and footwear priced up to $55 is exempt from tax until March 31, 2012.

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

Table 1 sets forth historical information relating to Sales Tax receipts from State fiscal years 2001-02 through 2010-11, and estimated amounts for the 2011-12 fiscal year. Table 2 sets forth monthly Sales Tax receipts from the State's 2005-06 fiscal year through July 31, 2011. The information reflects tax law changes described above.

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]
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
2004-05	10,587,200	2,492,739	9.97
2005-06	10,592,411	2,614,566	4.89
2006-07	10,050,370	2,511,475	(3.94)
2007-08	10,590,481	2,645,580	5.34
2008-09	10,274,090	2,566,949	(2.97)
2009-10	9,870,977	2,466,528	(3.91)
2010-11	10,781,965	2,697,197	9.35
2011-12[4]	11,173,000	2,792,950	3.55

Source: Division of the Budget.

(1) These amounts reflect receipts of the full amount of the sales and compensating use tax deposited in both the General Fund and the Debt Service Fund.

(2) Net of refunds.

(3) Unadjusted for rate and base changes. Represents growth rate of net receipts of 1% Sales Tax.

(4) As estimated in the First Quarterly Update to the 2011-12 Financial Plan.

TABLE 2
Monthly Sales Tax Receipts[(1)]
April 1, 2005 Through July 31, 2011
(Millions of Dollars)

MONTH	2005-06	%[(2)]	2006-07	%[(2)]	2007-08	%[(2)]	2008-09	%[(2)]	2009-10	%[(2)]	2010-11	%[(2)]	2011-12
APRIL	$ 792	7	$ 719	7	$ 819	8	$ 764	7	$ 731	8	$ 803	7	$ 839
MAY	803	8	727	7	759	7	793	8	713	7	723	7	814
JUNE	1,104	10	1,044	10	1,090	10	1,080	11	987	10	1,055	10	1,107
JULY	822	8	768	8	811	8	832	8	724	7	805	7	856
AUGUST	766	7	737	7	784	7	833	8	741	8	805	7	
SEPTEMBER	1,113	11	1,063	11	1,086	10	1,082	11	1,060	11	1,055	10	
OCTOBER	766	7	750	8	768	7	781	8	755	8	813	8	
NOVEMBER	771	7	737	7	822	8	764	7	732	7	840	8	
DECEMBER	1,062	10	1,111	11	1,079	10	955	9	1,011	10	1,158	11	
JANUARY	892	8	788	8	850	8	830	8	813	8	924	8	
FEBRUARY	695	7	663	7	733	7	661	6	686	7	750	7	
MARCH	1,007	10	943	9	987	9	899	9	918	9	1,051	10	
TOTAL*	$10,592	100%	$10,050	100%	$10,591	100%	10,274	100%	$9,871	100	10,782	100%	

Source: Division of the Budget.

(1) Amounts shown reflect both the General Fund and Debt Service Fund receipts from the State's 4 percent (4.25 percent effective from June 1, 2003 through May 31, 2005) sales and compensating use taxes.

(2) Percentages indicate the monthly share of yearly receipts.

* Totals may not add due to rounding.

Estimated Debt Service Coverage

The following table sets forth (1) receipts from the net Sales Tax collection for State's 2010-11 fiscal year, (2) receipts from the 1% Sales Tax receipts for the State's 2010-11 fiscal year, (3) estimated maximum annual debt service on Outstanding Bonds of the Corporation and (4) resulting debt service coverage. There can be no assurance that actual Sales Tax collections will not be less than the amounts collected for the 2010-11 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)

2010-11 Fiscal Year Sales Tax Receipts	$10,781,965
2010-11 Fiscal Year 1% Sales Tax Receipts [1]	$2,697,197
Maximum Annual Debt Service [2]	$402,645
Debt Service Coverage	6.70x

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

(2) Amounts include actual outstanding debt service for both Senior and Subordinate Bonds as shown in Table 4 under "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 1995C and E Variable 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 Bonds, the Series 2008B Variable Rate Senior Bonds and the Series 2008B Variable Rate Subordinate Bonds (for all but $630,000 of which interest rate exchange agreements were entered).

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

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

PART 4—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

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

The pledged moneys and securities include the following:

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

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

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

Subordinate Bonds. The Subordinate Bonds, including the Series 2011A Subordinate Bonds, are general obligations of the Corporation payable out of certain pledged Revenues and from other moneys pledged under the Subordinate Resolution including amounts on deposit in and earned on investment of the Subordinate Capital Reserve Fund. The Subordinate Bonds, including the Series 2011A Subordinate Bonds, are entitled to a first lien, created by the pledge under the Subordinate Resolution on the Revenues and moneys or securities on deposit in the Subordinate Debt Service Fund and the Subordinate Capital Reserve Fund. The pledge created by the Subordinate Resolution, insofar as it relates to Revenues, moneys and securities and funds pledged under the Senior Resolution, is subordinate in all respects to the pledge of such Revenues, moneys, and securities and funds created by the Senior Resolution.

The pledged moneys and securities include the following:

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

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

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

Tax Fund

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

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

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

Certification of Payments Required by the Corporation

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

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

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

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

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

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

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

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

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

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

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

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

Moneys Held in the Tax Fund

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

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

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

Appropriation by Legislature

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

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

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

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

Summary of Flow of Funds

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

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

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

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

4. If, and only if, an appropriation has been made sufficient to pay all amounts certified by the Chairperson for the fiscal year, receipts from the 1% Sales Tax on deposit in the Tax Fund will be paid

monthly to the General Fund, but only to the extent that they are neither needed to pay debt service on the Bonds nor required to be impounded for the Bonds.

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

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

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

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

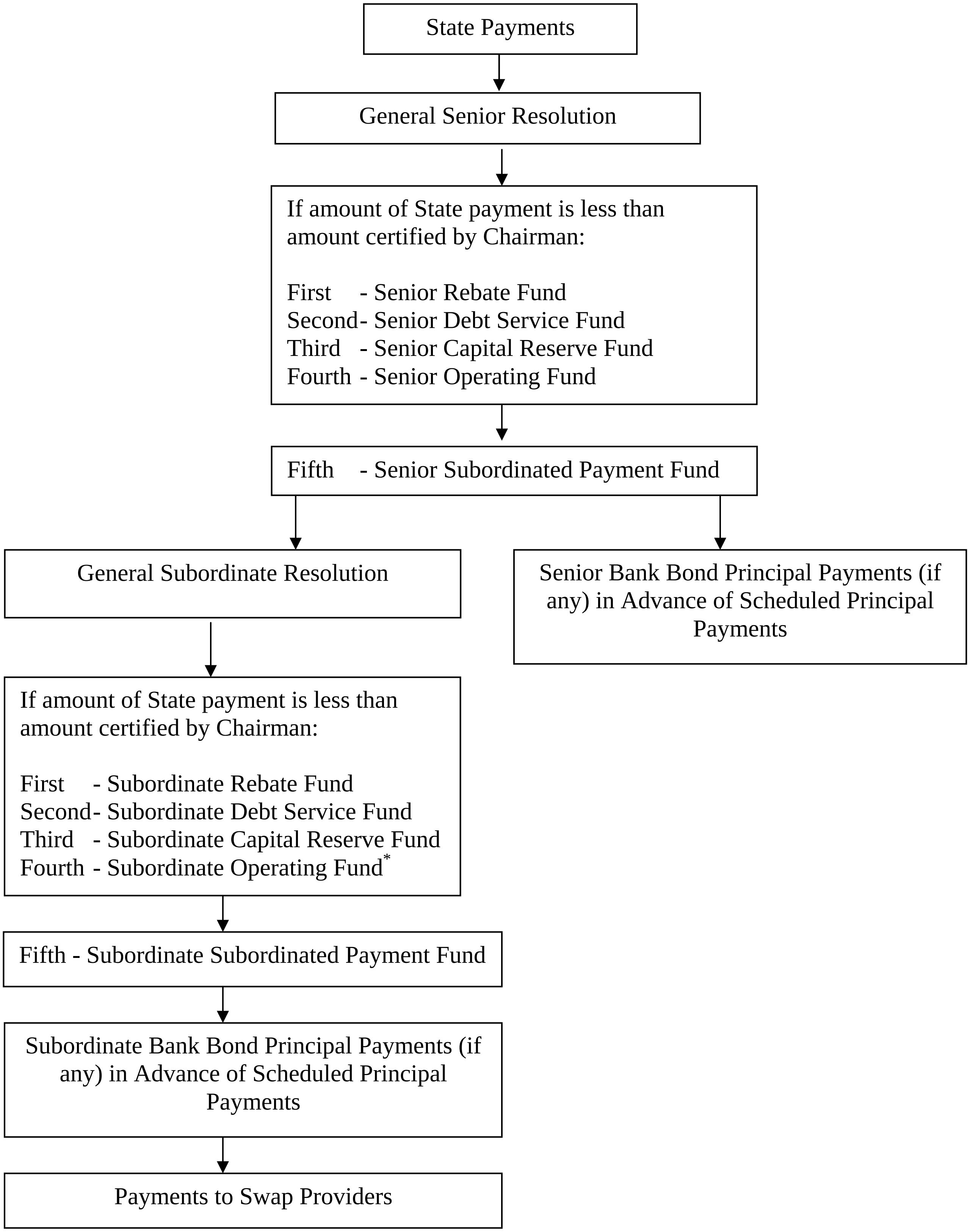
9. If a shortfall exists in the Subordinate Debt Service Fund immediately prior to a payment date on the Subordinate Bonds, moneys on deposit in the Subordinate Capital Reserve Fund sufficient to replenish the shortfall are required to be applied to the Subordinate Debt Service Fund for the payment of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

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

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

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

FLOW OF FUNDS



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

Capital Reserve Funds

The Senior Bonds are secured by amounts on deposit in, and earned on investment of, the Senior Capital Reserve Fund established pursuant to the Act in the Senior Resolution. The Senior Resolution establishes the requirement of the Senior Capital Reserve Fund (the "Senior Capital Reserve Fund Requirement"), as of any date of calculation, as an amount equal to the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest on all Senior Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding fiscal year, assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months' interest and (ii) that interest on Variable Interest Rate Senior Bonds is calculated as if such Variable Interest Rate Senior Bonds bore interest at the maximum rate of interest permitted on such Variable Interest Rate Senior Bonds or under the related Reimbursement Obligation, provided that the Senior Capital Reserve Fund Requirement shall at no time exceed the sum of the Senior Capital Reserve Fund Requirement immediately prior to the issuance of such Series and an amount equal to 10% of the proceeds (as such term is defined under Section 148(d) of the Code) from the sale of such Series. The Senior Capital Reserve Fund was previously funded to the Capital Reserve Fund Requirement from the proceeds of prior Series of Bonds. Following the refunding of the Refunded Bonds with the proceeds of the Series 2011A Subordinate Bonds, the Senior Capital Reserve Fund Requirement will be $261,152,462.50.

The Subordinate Bonds are secured by amounts on deposit in, and earned on investment of, the Subordinate Capital Reserve Fund established pursuant to the Act in the Subordinate Resolution. The Subordinate Resolution establishes the requirement of the Subordinate Capital Reserve Fund (the "Subordinate Capital Reserve Fund Requirement"), as of any date of calculation, as an amount equal to one-half of the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest (exclusive of capitalized interest and accrued interest, if any) on all Subordinate Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding Fiscal Year assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months' interest and (ii) that with respect to Variable Interest Rate Bonds, interest on such Subordinate Bonds shall be calculated at a rate or rates reasonably assumed by the Corporation on the date of issuance thereof having due regard for the security and marketability of all its bonds and notes. Following the issuance of the Series 2011A Subordinate Bonds, the Subordinate Capital Reserve Fund Requirement will be $87,383,461.34.

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

Under each of the Resolutions, the Corporation may deposit a surety agreement, insurance agreement, letter of credit or other similar agreement or arrangement in the applicable Capital Reserve Fund in order to meet the applicable Capital Reserve Fund Requirement, provided that the financial institution providing such surety shall have an outstanding, unsecured, uninsured and unguaranteed debt issue that is assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) or any other modifier to any rating) by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ("S&P") and provided further that if the financial institution providing such surety is an insurance company, the claims-paying ability of such insurance company shall be assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) or any other modifier to any rating) by Moody's and S&P and provided further that no such surety agreement, insurance agreement, letter of credit or other similar agreement or arrangement may be deposited to such Capital Reserve Fund if such deposit would result in the downgrading of the rating on the applicable Bonds by either Moody's or S&P to the extent that either such firm is then maintaining a rating on such Bonds. With respect to any surety deposited in the Senior Capital Reserve Fund, the financial institution providing such surety is required to satisfy the foregoing ratings requirements at the time of deposit of such surety. On March 2, 2000, the Corporation deposited to the Senior Capital Reserve Fund a Municipal Bond Debt Service Reserve Fund Policy issued by the Financial Guaranty Insurance Company ("FGIC") in the amount of $170,000,000. As a result of this deposit, an approximately equal amount of money was released from the Senior Capital Reserve Fund and was applied or was deposited into escrow accounts to be applied to redeem Senior Bonds. At the time of such deposit, Moody's and S&P rated the claims paying ability of FGIC "Aaa" and "AAA" respectively. LGAC understands that pursuant to a reinsurance agreement between FGIC and National Public Finance Guarantee Corporation, a subsidiary of MBIA, Inc., National Public Finance Guarantee Corporation has reinsured certain obligations of FGIC, including the FGIC Municipal Bond Debt Service Reserve Insurance Policy on deposit in the Senior Capital Reserve Fund. As of the date hereof, National Public Finance Guarantee is rated "Baa1" by Moody's and "BBB" by S&P. Each of the Resolutions provides that moneys in the applicable Capital Reserve Fund are to be invested in Capital Reserve Fund Investments, as that term is defined in the Resolutions, summaries of which are set forth in Appendices A-1 and A-2 herein.

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

Additional Bonds

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

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

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

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

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

The Corporation has outstanding[4] under the Senior Resolution $132.1 million of Series 1995C and E Variable Rate Senior Bonds, which are Senior Bonds supported by a letter of credit, and $105.485 million of Series 2008B Variable Rate Senior Bonds, which are Senior Bonds with liquidity provided by standby bond purchase agreements. The Series 1995C and E Variable Rate Senior Bonds and the Series 2008B Variable Rate Senior Bonds are subject to mandatory tender and purchase under certain circumstances. Provisions have been included in the Amended and Restated Variable Rate Supplemental Bond Resolution adopted pursuant to the Senior Resolution and the respective Series Resolutions authorizing the issuance of the Series 1995C and E Variable Rate Senior Bonds and the Series 2008B Variable Rate Senior Bonds meeting the foregoing requirements of the Senior Resolution, so that only scheduled debt service on the Series 1995C and E Variable Rate Senior Bonds and the Series 2008B Variable Rate Senior Bonds is on a parity with Outstanding Senior Bonds and all other redemptions of principal as a result of mandatory purchase will be payable solely from the Senior Subordinated Payment Fund on a parity with Subordinate Bonds.

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

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

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

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

---

[4] Does not include Senior Bonds proposed to be refunded by the Series 2011A Subordinate Bonds.

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

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

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

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

No Prior Liens

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

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

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

Estimated Sources and Uses

Estimated sources and uses of funds for the Series 2011A Subordinate Bonds are expected to be as follows:

Sources of Funds:	
Series 2011A Subordinate Bonds	$184,040,000
Original Issue Premium	30,547,481
Other Available Funds	1,975,843
Total Sources	$216,563,324
Uses of Funds:	
Redemption of Refunded Bonds	$188,705,000
Purchaser's Discount	134,513
Swap Termination Payment	27,419,000
Cost of Issuance	304,811
Total Uses	$216,563,324

The Corporation is issuing the Series 2011A Subordinate Bonds for the purpose of refunding the Refunded Bonds. See "Plan of Refunding" in Part 2 for a more detailed discussion of the refunding.

Debt Service Schedule

The following schedule sets forth the Debt Service requirements for the Bonds after the issuance of the Series 2011A Subordinate Bonds.

TABLE 4
Debt Service Schedule

Year Ending April 1	Outstanding Senior Debt Service (1)(2)	Outstanding Subordinate Debt Service(2)	Series 2011A Subordinate Debt Service	Aggregate Subordinate Debt Service(2)	Total Debt Service(1)(2)
2012	$221,174,300.00	$155,776,537.50	$13,316,870.00	$169,093,407.50	$390,267,707.50
2013	231,276,562.50	146,794,267.50	24,469,950.00	171,264,217.50	402,540,780.00
2014	217,503,412.50	152,508,937.50	24,468,700.00	176,977,637.50	394,481,050.00
2015	223,137,862.50	154,659,150.00	24,472,700.00	179,131,850.00	402,269,712.50
2016	223,380,112.50	154,089,150.00	24,469,700.00	178,558,850.00	401,938,962.50
2017	204,305,375.00	150,980,150.00	24,472,950.00	175,453,100.00	379,758,475.00
2018	123,823,275.00	148,658,650.00	24,469,950.00	173,128,600.00	296,951,875.00
2019	228,910,925.00	149,265,150.00	24,468,700.00	173,733,850.00	402,644,775.00
2020	227,645,275.00	149,967,100.00	24,471,700.00	174,438,800.00	402,084,075.00
2021	94,390,500.00	149,682,950.00	24,471,200.00	174,154,150.00	268,544,650.00
2022	13,952,000.00	128,854,650.00	0.00	128,854,650.00	142,806,650.00
2023	14,292,000.00	90,416,150.00	0.00	90,416,150.00	104,708,150.00
2024	14,372,000.00	49,051,800.00	0.00	49,051,800.00	63,423,800.00
2025	14,204,000.00	23,665,200.00	0.00	23,665,200.00	37,869,200.00
Total	$2,052,367,600.00	$1,804,369,842.50	$233,552,420.00	$2,037,922,262.50	$4,090,289,862.50

(1) Does not include Debt Service on the Refunded Bonds.

(2) Assumes interest at 6% per annum, which includes related fees and expenses, on the Series 1995C and E Variable 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 Bonds, the Series 2008B Variable Rate Senior Bonds and the Series 2008B Variable Rate Subordinate Bonds (for all but $630,000 of which interest rate exchange agreements were entered).

PART 6—DESCRIPTION OF THE SERIES 2011A SUBORDINATE BONDS

General

The Series 2011A Subordinate Bonds will be dated their date of delivery and will bear interest at the rates and will mature on the dates as set forth on the inside cover page of this Official Statement. All of the Series 2011A Subordinate Bonds will be issued in book-entry-only form as described below. The Series 2011A Subordinate Bonds will be issued in denominations of $5,000 or any whole multiple thereof. The Series 2011A Subordinate Bonds will bear interest calculated on the basis of a 360-day year.

The Series 2011A Subordinate Bonds are not subject to redemption at the option of the Corporation.

Book-Entry-Only System

Beneficial ownership interests in the Series 2011A Subordinate Bonds will be available in book-entry-only form, in Authorized Denominations. Purchasers of beneficial ownership interests in the Series 2011A Subordinate Bonds will not receive certificates representing their interests in the Series 2011A Subordinate Bonds purchased.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2011A Subordinate Bonds. The Series 2011A Subordinate Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2011A Subordinate Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Series 2011A Subordinate Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011A Subordinate Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A Subordinate Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A Subordinate Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2011A Subordinate Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A Subordinate Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2011A Subordinate Bond documents. For example, Beneficial Owners of the Series 2011A Subordinate Bonds may wish to ascertain that the nominee holding the Series 2011A Subordinate Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2011A Subordinate Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2011A Subordinate Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011A Subordinate Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The above information concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation does not take responsibility for the

accuracy thereof. The Beneficial Owners may wish to confirm the foregoing information with DTC or the Direct Participants or Indirect Participants.

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

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

NEITHER THE CORPORATION, THE TRUSTEE, NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2011A SUBORDINATE BONDS UNDER THE SUBORDINATE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2011A SUBORDINATE BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2011A SUBORDINATE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2011A SUBORDINATE BONDS; OR (VI) ANY OTHER MATTER.

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

In order to induce prospective purchasers to purchase bonds and notes of the Corporation, the State has pledged and agreed with the holders of the bonds and notes of the Corporation, including the holders of the Series 2011A Subordinate Bonds, that while any of the bonds or notes of the Corporation are outstanding, the State will abide by and not amend the provisions of the Act, more fully described below, limiting the issuance by the State of tax and revenue anticipation notes issued and due in the same fiscal year. The State may enact amendments which implement or clarify any ambiguity provided that they do not have a material adverse effect on the protections established by those provisions. The Corporation is authorized to include, and has included, to the fullest extent enforceable under applicable federal and State law, the foregoing pledge and agreement in the Resolutions.

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

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

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

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

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

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

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

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

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

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

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

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

PART 8—LEGALITY FOR INVESTMENT AND DEPOSIT

Under the Act, the Series 2011A Subordinate Bonds are securities in which all public officers and bodies of the State and all municipalities and political subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries and all other persons now authorized or who may become authorized to invest in bonds or other obligations of the State may properly and legally invest funds, including capital, in their control or belonging to them.

The Series 2011A Subordinate Bonds may be deposited with and may be received by all public officers and bodies of the State and all municipalities, political subdivisions and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

PART 9—TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A Subordinate Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series 2011A Subordinate Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2011A 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). A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

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

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

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

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

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

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2011A Subordinate 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 Series 2011A Subordinate 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 Series 2011A Subordinate Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2011A Subordinate 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 issuance or delivery of the Series 2011A Subordinate Bonds or questioning or affecting the validity of the Series 2011A Subordinate Bonds or the proceedings and authority under which they are issued; (ii) contesting the creation, organization or existence of the Corporation, or the title of the directors or officers of the Corporation to their respective offices; (iii) questioning the right of the Corporation to adopt the Resolutions and to pledge the Revenues and funds and other moneys and securities purported to be pledged by the Resolutions in the manner and to the extent provided in the Resolutions; or (iv) questioning or affecting the levy or collection of the Sales Tax in any material respect, or the application of the Sales Tax for the purposes contemplated by the Act, or the establishment of the Tax Fund or the procedure thereunder.

PART 11—RATINGS

The Series 2011A Subordinate Bonds have been assigned a rating of AAA by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and AA by Fitch Ratings Inc. Ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings must be obtained from the rating agency furnishing such rating. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. A downward revision or withdrawal of such ratings, or either of them, may have an effect on the market price of the Series 2011A Subordinate Bonds.

PART 12—APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance and delivery of the Series 2011A Subordinate Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Corporation. Certain legal matters are subject to the approval of the Attorney General of the State of New York, General Counsel to the Corporation. Carter Ledyard & Milburn LLP, New York, New York, has acted as counsel for the Trustee.

PART 13—FINANCIAL ADVISOR

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

PART 14—TRUSTEE

The Bank of New York Mellon (the "Trust Company") is the Trustee under the Senior Resolution and under the Subordinate Resolution. Its trust offices are located at 101 Barclay Street, Floor 7W, New York, New York, 10286. The Trustee has accepted the duties and responsibilities imposed upon it by each of the Resolutions and is vested with all of the rights, powers and duties of a trustee appointed by Bondholders pursuant to the Act. Upon the happening of an "event of default" as defined in the Senior Resolution, the Trustee may, and in certain circumstances is required to, proceed to protect and enforce its rights and the rights of the Senior Bondholders. See Appendix A-1—"Summary of Certain Provisions of the Senior Resolution." Upon the happening of an "event of default" as defined in the Subordinate Resolution, the Trustee may, and in certain circumstances is required to, proceed to protect and enforce its rights and the rights of the Subordinate Bondholders. See Appendix A-2—"Summary of Certain Provisions of the Subordinate Resolution." In the performance of its duties, the Trustee is entitled to indemnification for any act which would involve it in expense or liability and will not be liable as a result of any action taken in connection with the performance of its duties except for its own negligence, misconduct or default or for the unexplained disappearance of funds or securities in its custody. The Trustee is protected in acting upon any direction or document reasonably believed by it to be genuine and to be signed by the proper party or parties or upon the opinion or advice of counsel. The Trustee may resign at any time upon 60 days written notice to the Corporation and publication thereof; provided that no resignation shall take effect until a successor trustee shall have been appointed and shall have accepted such appointment. Any such resignation shall take effect on the date specified in the notice, but in the event that a successor has been appointed, the resignation shall take effect immediately. The Trust Company may acquire obligations of the Corporation for its own account. The Trust Company also may in the future perform certain banking services for the Corporation.

PART 15—CONTINUING DISCLOSURE UNDER RULE 15C2-12

In order to assist the Underwriters in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the State will undertake in a written agreement for the benefit of the holders of the Series 2011A Subordinate Bonds (the "Continuing Disclosure Agreement") to provide in electronic form to the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board ("MSRB"), as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12, on an annual basis on or before 120 days after the end of each fiscal year, commencing with the fiscal year ending March 31, 2012, financial information and operating data concerning the State and the sources of revenue for the Local Government Assistance Tax Fund of the type included in this Official Statement, referred to herein as "Annual Information" and described in more detail below. The Comptroller is required by existing law to issue audited annual financial statements of the State, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), within 120 days after the close of the State fiscal year, and the State will also undertake to electronically file with the MSRB, the State's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, if and when such statements are available. In addition, the Corporation will undertake, for the benefit of the holders of the Series 2011A Subordinate Bonds, to electronically file with the MSRB, (i) no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2012, audited financial statements of the Corporation for such fiscal year and (ii) not later than ten Business Days after the occurrence of any of the events described below, the notices described below. If audited financial statements of the State or the Corporation are not available by the required filing date, then unaudited financial statements are required to be electronically filed with the MSRB and such audited financial statements are required to be electronically filed with the MSRB if and when they become available.

The Annual Information shall consist of (a) financial information and operating data of the type included in this Official Statement under the heading "The Sales Tax," including information relating to (1) the rate and base of the Sales Tax, together with information concerning tax imposition and collection of the Sales Tax; (2) historical information relating to Sales Tax receipts for the period of the ten most recent completed fiscal years then available, together with estimated amounts for the current fiscal year, if such estimates are available, in substance similar to Table 1 under the heading "The Sales Tax" in this Official Statement; (3) historical information setting forth monthly Sales Tax receipts for the period of the five most recent completed fiscal years then available, in substance similar to Table 2 under the heading "The Sales Tax" in this Official Statement; and (4) estimated debt service coverage in substance similar to the information set forth under "The Sales Tax-Estimated Debt Service Coverage" in this Official Statement for the most recent fiscal year available (unless, with respect to items (1) through (4) just described, the source of revenue for the payment of the Series 2011A Subordinate Bonds has been materially changed or modified, in which case the Annual Information will include similar information regarding such new or modified source of revenue, whether on an actual historical basis, a pro forma basis, or otherwise); (b) financial information and operating data of the type included in the Annual Information Statement of the State set forth in Appendix B hereto, under the headings or sub-headings "Prior Fiscal Years," "Debt and Other Financing Activities," "State Government Employment," "State Retirement Systems," and "Authorities and Localities," including, more specifically, information consisting of (1) for prior fiscal years, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems; together with (c) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning the State and the sources of revenue for the Local Government Assistance Tax Fund and in judging the financial condition of the State and the Sales Tax (or other source of revenue).

The notices that the Corporation will undertake to provide as described above, include notices of any of the following events with respect to the Series 2011A Subordinate Bonds (each of which is described in more detail in the Continuing Disclosure Agreement): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) issuance by the IRS of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material events affecting the tax status of the security; (7) modifications to the rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the obligated person; and of the following events, if material; (13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

In addition, the Corporation will undertake, for the benefit of the holders of the Series 2011A Subordinate Bonds, to electronically file with the MSRB 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 Continuing Disclosure Agreement described above is an action to compel specific performance of the undertakings of the State and the Corporation, and no person, including a holder of the Series 2011A Subordinate Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Subordinate Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The State has not in the previous five years failed to comply, in all material respects, with any previous undertakings pursuant to Rule 15c2-12. Copies of the Continuing Disclosure Agreement when executed by the parties thereto will be on file at the office of the Corporation.

PART 16—FINANCIAL STATEMENTS

The financial statements of the Corporation for its fiscal year ended March 31, 2011 and the accompanying report prepared by Toski, Schaefer & Co., P.C., the independent auditor of the Corporation, have been filed electronically with the MSRB and are hereby included by reference herein. Toski, Schaefer & Co., P.C. 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. Toski, Schaefer & Co., P.C. also has not performed any procedures relating to this Official Statement.

PART 17—MISCELLANEOUS

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

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

The agreements of the Corporation with holders of the Series 2011A Subordinate Bonds are fully set forth in the Subordinate Resolution. Neither any advertisement of the Series 2011A Subordinate Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2011A Subordinate Bonds.

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

NEW YORK LOCAL GOVERNMENT
ASSISTANCE CORPORATION

By: /s/ Thomas P. Nitido
Co-Executive Director

APPENDIX A-1

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR RESOLUTION

APPENDIX A-1

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR RESOLUTION

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

Certain Definitions

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

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

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

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

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

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

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

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

Comptroller means the Comptroller of the State.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

State means the State of New York.

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

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

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

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

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

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

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

Resolution to Constitute Contract

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

Provisions for Refunding Bonds

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

Agreement with Comptroller

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

Notice of Redemption

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

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

Application of Certain Proceeds

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

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

Proceeds Fund" below, into which moneys in the Bond Proceeds Fund shall be deposited for the purposes of making the payments described in clause (iii) under the heading "Application of Bond Proceeds Fund" below.

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

Application of Bond Proceeds Fund

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

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

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

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

(Section 502)

The Pledge Effected by the General Bond Resolution

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

Establishment of Funds

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

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

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

Application of Payments

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

Operating Fund

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

Debt Service Fund

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

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

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

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

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

Capital Reserve Fund

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

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

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

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

Rebate Fund

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

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

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

Subordinated Payment Fund

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

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

Investment of Funds and Accounts

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

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

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

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

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

Creation of Liens

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

Tax Exemption

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

Agreement With the Director of the Budget

The Corporation shall enter into one or more agreements with the State, acting through the Director of the Budget, as provided in subdivision 5 of Section 3240 of the Public Authorities Law providing for the specific manner, timing and amount of payments to be made to the Corporation under Section 3240 of the Public Authorities

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

Purposes for Which Bonds May Be Issued

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

Accounts and Reports

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

Surety or Bond Facility

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

Modification and Amendment Without Consent

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

ambiguity or defect or inconsistent provisions in the General Bond Resolution or to insert such provisions clarifying matters or questions arising under the General Bond Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the General Bond Resolution as theretofore in effect.
(Section 1001)

Supplemental Resolutions Effective With Consent of Bondholders

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

Powers of Amendment

Any modification or amendment of the General Bond Resolution and of the rights and obligations of the Corporation and of the Holders of the Bonds under the General Bond Resolution, may be made by a Supplemental Resolution, with the written consent given as provided in the General Bond Resolution, (a) of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (c) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the section of the General Bond Resolution described under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the section of the General Bond Resolution described under this heading, a Series shall be deemed to be affected by a modification or amendment of the General Bond Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular Series or maturity would be affected by any modification or amendment of the General Bond Resolution and any such determination shall be binding and conclusive on the Corporation and all Holders of Bonds. The Trustee may receive an opinion of counsel, including Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the General Bond Resolution. For purposes of this section, in the case of any Series of Bonds issued in one or more subseries, references in this section to "Series" or "Series of Bonds" shall be deemed to refer to such subseries.
(Section 1101)

Consent of Bondholders

The Corporation may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the General Bond Resolution described above under the heading "Powers of Amendment" to take effect when and as provided in the section of the General Bond Resolution described under this heading. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Corporation to Bondholders and be published at least once a week for two (2) successive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in the section of the General Bond Resolution summarized under this heading). Such Supplemental Resolution shall not be effective unless and until (a) there shall have been filed with the Trustee certain documents required by the General Bond Resolution and (b) a notice shall have been published

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

Consent of Provider of Bond Facility

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

Events of Default

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

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

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

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

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

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

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

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

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

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

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

Remedies

Upon the happening and continuance of any event of default described in clause (i) under the heading "Events of Default" above, the Trustee shall proceed, or upon the happening and continuance of any other event of default described under the heading "Events of Default" above, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (i) by mandamus or other suit, action or proceeding at law, including without limitation an action for damages, or in equity, to enforce all rights of the Bondholders, and to require the Corporation, and to the fullest extent permitted by applicable Federal and State law, the State, to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (ii) by bringing suit upon the Bonds; (iii) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the Holders of the Bonds; (iv) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and (v) upon 30 days' notice to the Corporation, the Governor, the Comptroller, the

Temporary President of the Senate, the Speaker of the Assembly and the Attorney General of the State, in accordance with the provisions of Section 3243 of the Public Authorities Law, to declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and its consequences; provided that nothing in the General Bond Resolution shall preclude the Corporation from agreeing that consent of the provider of a Bond Facility is required for an acceleration of related Bonds in an event of default other than a failure to pay principal of or interest on the Bonds when due, as described in the last paragraph under this heading; provided further that the absence of such consent shall not limit the right of the Trustee to make such declaration with respect to all other Outstanding Bonds as provided in clause (v) above and upon consent of the Holders of twenty-five per centum (25%) in principal amount of all Outstanding Bonds.

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

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

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

Bondholders' Direction of Proceedings

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

Limitation on Rights of Bondholders

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

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

No Waiver of Default

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

Notice of Event of Default

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

Defeasance

If the Corporation shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Bond Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Corporation to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all money, securities and funds held by them pursuant to the General Bond Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with effect expressed in the provisions of the General Bond Resolution described in the preceding paragraph. All Outstanding Bonds of any Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the provisions of the General Bond Resolution described in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption as provided in the General Bond Resolution on said date of such Bonds, (b) there shall have been deposited with the Trustee either (i) moneys in an amount which shall be sufficient, (ii) non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed or (iii) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (ii), provided that such obligations shall be held in trust by the Trustee or a bank or trust company or national banking association meeting the requirements for a successor Trustee under the General Bond Resolution, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay, when due, the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the section of the General Bond Resolution described under this heading and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed, qualified certificates evidencing ownership of the right to payments of principal or interest on such obligations, moneys deposited with the Trustee pursuant to the provisions of the General Bond Resolution described under this heading and principal or interest payments on any such securities shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in non-callable direct obligations of the United States of America maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for three years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds

become due and payable, shall, at the written request of the Corporation, be repaid by the Fiduciary to the Corporation, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Corporation for the payment of such Bonds; provided, however, that before being required to make any such payment to the Corporation, the Fiduciary shall, at the expense of the Corporation, cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Corporation.
(Section 1401)

APPENDIX A-2

SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE RESOLUTION

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 Official Statement. Certain other terms used in this Official Statement and not defined shall have the meanings given to such terms in the Subordinate Resolution.

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

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

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

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

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

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

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

Comptroller means the Comptroller of the State.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Senior Bonds means any bonds issued under the Senior Resolution.

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

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

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

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

State means the State of New York.

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

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

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

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

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

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

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

Resolution to Constitute Contract

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

Provisions for Refunding Bonds

Subject to certain requirements set forth in the General Subordinate Lien Bond Resolution, all or any part of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any part of one or more Series of Outstanding Bonds, or to refund all Senior Bonds or any part of one or more Series of Senior Bonds. Refunding Bonds shall be issued in a principal amount sufficient,

together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, the General Subordinate Lien Bond Resolution and the Series Resolution authorizing said Series of Refunding Bonds.
(Section 203)

Agreement with Comptroller

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

Notice of Redemption

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

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

Application of Certain Proceeds

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

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

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

Application of Bond Proceeds Fund

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

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

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

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

(Section 502)

The Pledge Effected by the General Subordinate Lien Bond Resolution

The Revenues and all funds (other than the Bond Proceeds Fund, the Operating Fund, the Subordinated Payment Fund and the Rebate Fund) established by the General Subordinate Lien Bond Resolution, and other moneys and securities referred to in the General Subordinate Lien Bond Resolution (other than moneys and securities in the Bond Proceeds Fund, the Operating Fund, the Subordinated Payment Fund and the Rebate Fund) are pledged for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the General Subordinate Lien Bond Resolution, subject only to the provisions of the General Subordinate Lien Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the General Subordinate Lien Bond Resolution. The pledge made by the General Subordinate Lien Bond Resolution shall be valid and binding from and after the time of adoption of the General Subordinate Lien Bond Resolution. The Revenues thereafter received by the Corporation and all funds and other moneys and securities therein pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation irrespective of whether such parties have notice thereof. The pledge created by this Resolution, insofar as it relates to revenues, monies and securities and funds pledged under the Senior Resolution, is, and is hereby expressly declared to be, subordinate in all respects to the pledge of such revenues, monies and securities and funds created by the Senior Resolution. The Bonds issued under this resolution shall be "Other Obligations" as defined in the Senior Resolution and shall be payable from amounts on deposit in the Subordinated Payment Fund held under the Senior Resolution on a parity with all "Other Obligations" as defined in the Senior Resolution and the financial obligations of the Corporation payable therefrom.
(Section 601)

Establishment of Funds

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

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

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

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

Application of Payments

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

Operating Fund

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

Debt Service Fund

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

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

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

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

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

Capital Reserve Fund

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

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

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

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

Rebate Fund

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

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

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

Subordinated Payment Fund

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

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

Investment of Funds and Accounts

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

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

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

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

The Comptroller may withdraw, or the Corporation may release the Comptroller, from his powers and duties specified in the provisions of the General Subordinate Lien Bond Resolution summarized under this heading relating to the investment of funds and accounts held under the General Subordinate Lien Bond Resolution, each by delivery of ten days' prior written notice to the other and to the Trustee. Upon any such withdrawal or release,

moneys in the funds and accounts under the General Subordinate Lien Bond Resolution shall be invested by the Trustee in accordance with the General Subordinate Lien Bond Resolution, upon direction of the Corporation in writing, signed by an Authorized Officer.
(Section 701)

Creation of Liens

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

Tax Exemption

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

In order to maintain the exclusion from gross income for purposes of Federal income taxation of interest on the Series 2011A Subordinate Bonds, the Corporation covenants to comply with the provisions of the Code, and any regulations or rulings issued thereunder, applicable to the Series 2011A Subordinate Bonds. Further, the Corporation covenants that it will not take any action or fail to take any action that would cause the Series 2011A Subordinate Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. In fulfilling the covenants set forth in the section of the Series 2011A Subordinate Resolution described in this paragraph, the Corporation agrees to instruct all parties acting by or on behalf of the Corporation or in any manner with respect to the Series 2011A Subordinate Bonds regarding all acts necessary to satisfy and fulfill such covenants. Notwithstanding any provision of the Series 2011A Subordinate Resolution to the contrary, so long as necessary in order to maintain the exclusion of interest on the Series 2011A Subordinate Bonds from gross income for Federal income tax purposes under Section 103 of the Code, the covenant contained in this paragraph shall survive payment of the Series 2011A Subordinate Bonds, including any payment or defeasance thereof pursuant to the General Subordinate Lien Bond Resolution.
(Series 2011A Subordinate Resolution, Section 5.02)

Agreement With the Director of the Budget

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

Purposes for Which Bonds May Be Issued

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

Accounts and Reports

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

Surety or Bond Facility

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

Modification and Amendment Without Consent

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

Supplemental Resolutions Effective With Consent of Bondholders

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

Powers of Amendment

Any modification or amendment of the General Subordinate Lien Bond Resolution and of the rights and obligations of the Corporation and of the Holders of the Bonds under the General Subordinate Lien Bond Resolution, may be made by a Supplemental Resolution, with the written consent given as provided in the General Subordinate Lien Bond Resolution, (a) of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (c) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the section of the General Subordinate Lien Bond Resolution described under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the section of the General Subordinate Lien Bond Resolution described under this heading, a Series shall be deemed to be affected by a modification or amendment of the General Subordinate Lien Bond Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular Series or maturity would be affected by any modification or amendment of the General Subordinate Lien Bond Resolution and any such determination shall be binding and conclusive on the Corporation and all Holders of Bonds. The Trustee may receive an opinion of counsel, including Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the General Subordinate Lien Bond Resolution. For purposes of this section, in the case of any Series of Bonds issued in one or more subseries, references in this section to "Series" or "Series of Bonds" shall be deemed to refer to such subseries.
(Section 1101)

Consent of Bondholders

The Corporation may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the General Subordinate Lien Bond Resolution described above under the heading "Powers of Amendment" to take effect when and as provided in the section of the General Subordinate Lien Bond Resolution described under this heading. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Corporation to Bondholders and be published at least once a week for two (2) successive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in the section of the General Subordinate Lien Bond Resolution summarized under this heading). Such Supplemental Resolution shall not be effective unless and until (a) there shall have been filed with the Trustee certain documents required by the General Subordinate Lien Bond Resolution and (b) a notice shall have been published as provided in the General Subordinate Lien Bond Resolution. Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be

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

Consent of Provider of Bond Facility

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

Events of Default

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

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

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

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

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

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

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

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

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

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

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

Remedies

Upon the happening and continuance of any event of default described in clause (i) under the heading "Events of Default" above, the Trustee shall proceed, or upon the happening and continuance of any other event of default described under the heading "Events of Default" above, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (i) by mandamus or other suit, action or proceeding at law, including without limitation an action for damages, or in equity, to enforce all rights of the Bondholders, and to require the Corporation, and to the fullest extent permitted by applicable Federal and State law, the State, to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (ii) by bringing suit upon the Bonds; (iii) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the Holders of the Bonds; (iv) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and (v) upon 30 days' notice to the Corporation, the Governor, the Comptroller, the

Temporary President of the Senate, the Speaker of the Assembly and the Attorney General of the State, in accordance with the provisions of Section 3243 of the Public Authorities Law, to declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and its consequences. Provided that the Bonds may not be declared due and payable unless and until all of the Senior Bonds are no longer outstanding or have been declared due and payable; provided that nothing in the General Subordinate Lien Bond Resolution shall preclude the Corporation from agreeing that consent of the provider of a Bond Facility is required for an acceleration of related Bonds in an event of default other than a failure to pay principal of or interest on the Bonds when due, as described in the last paragraph under this heading; provided further that the absence of such consent shall not limit the right of the Trustee to make such declaration with respect to all other Outstanding Bonds as provided in clause (v) above and upon consent of the Holders of twenty-five per centum (25%) in principal amount of all Outstanding Bonds.

In the enforcement of any remedy under the General Subordinate Lien Bond Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation for principal, Redemption Price, interest or otherwise, under any provision of the General Subordinate Lien Bond Resolution or a Series Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the General Subordinate Lien Bond Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable, all in accordance with the provisions of the Act.

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

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

Bondholders' Direction of Proceedings

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

Limitation on Rights of Bondholders

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

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

No Waiver of Default

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

Notice of Event of Default

The Trustee shall give to the Bondholders notice of each event of default under the General Subordinate Lien Bond Resolution known to the Trustee within ninety (90) days after knowledge of the occurrence thereof, unless such event of default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal, Sinking Fund Installment, or Redemption Price of or interest on any of the Bonds, or in the making of any payment required to be made into the Operating Fund, the Debt Service Fund or the Capital Reserve Fund, the Trustee shall be protected in withholding such notice if and so long as

the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Each such notice of event of default shall be given by the Trustee by mailing such written notice thereof: (i) to all registered Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; and (ii) to such other persons as is required by law.
(Section 1211)

Defeasance

If the Corporation shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Subordinate Lien Bond Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Corporation to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all money, securities and funds held by them pursuant to the General Subordinate Lien Bond Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with effect expressed in the provisions of the General Subordinate Lien Bond Resolution described in the preceding paragraph. All Outstanding Bonds of any Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the provisions of the General Subordinate Lien Bond Resolution described in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption as provided in the General Subordinate Lien Bond Resolution on said date of such Bonds, (b) there shall have been deposited with the Trustee either (i) moneys in an amount which shall be sufficient, (ii) non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed or (iii) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (ii), provided that such obligations shall be held in trust by the Trustee or a bank or trust company or national banking association meeting the requirements for a successor Trustee under the General Subordinate Lien Bond Resolution, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay, when due, the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the section of the General Subordinate Lien Bond Resolution described under this heading and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed, qualified certificates evidencing ownership of the right to payments of principal or interest on such obligations, moneys deposited with the Trustee pursuant to the provisions of the General Subordinate Lien Bond Resolution described under this heading and principal or interest payments on any such securities shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in non-callable direct obligations of the United States of America maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for three years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become due and payable, shall, at the written request of the Corporation, be repaid by the Fiduciary to the Corporation, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Corporation for the payment of such Bonds; provided, however, that before being required to make any such payment to the Corporation, the Fiduciary shall, at the expense of the Corporation, cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Corporation.
(Section 1401)

APPENDIX B

INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

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

UPDATE TO ANNUAL INFORMATION STATEMENT (AIS)
STATE OF NEW YORK

August 22, 2011

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

In this AIS Update, readers will find:

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

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

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

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

5. Updated information regarding the State Retirement Systems.

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

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

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

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

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

The State may issue AIS supplements or other disclosure notices to this AIS Update as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS Update in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS Update with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. An electronic copy of this AIS Update can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-7705. In July 2011, OSC issued the Basic Financial Statements for FY 2011 (ended March 31, 2011) . Copies of the Basic Financial Statements for FY 2011 may be attained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2011 can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

OVERVIEW OF THE CURRENT FINANCIAL PLAN

INTRODUCTION

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

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

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

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

SUMMARY

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

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

PRELIMINARY YEAR-TO-DATE OPERATING RESULTS

GENERAL FUND RESULTS VERSUS ENACTED BUDGET

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

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

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

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

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

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

Significant spending variances from the Enacted Budget projections include:

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

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

GENERAL FUND YEAR-OVER-YEAR RESULTS

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

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

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

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

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

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

STATE OPERATING FUNDS RESULTS VERSUS ENACTED BUDGET

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

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

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

STATE OPERATING FUNDS YEAR-OVER-YEAR RESULTS

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

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

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

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

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

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

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

BUDGET RISKS AND UNCERTAINTIES

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

State law changes approved in FY 2012 grant the Executive certain powers to achieve the Medicaid savings assumed in the Financial Plan. However, there can be no assurance that these powers will be sufficient to achieve the level of gap-closing savings anticipated in FY 2012 or limit the rate of annual growth in the Department of Health ("DOH") State Funds Medicaid spending. In addition, savings are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, and the participation of health care industry stakeholders.

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

STATE AGENCY SAVINGS AND STATUS OF CURRENT LABOR NEGOTIATIONS

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

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

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

PRIOR-YEAR LABOR SETTLEMENTS

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

Current Cash-Flow Projections

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

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

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

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

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

PENSION AMORTIZATION

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

In March 2011, the State made a pension payment of $1.078 billion for FY 2011, and amortized $216 million. The State prepaid $46 million earlier in fiscal year 2011. In addition, the State's Office of Court Administrations (OCA) made its pension payment of $179 million, and amortized $33 million. The $249.6 million in total deferred payments will be repaid with interest over the next ten years, beginning in FY 2012. The Current Financial Plan assumes that the State and OCA will amortize pension costs, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be five percent over ten years from the date of each deferred payment.

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

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

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

DEBT REFORM ACT LIMIT

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

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

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

SECURED HOSPITAL PROGRAM

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

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

BOND MARKET

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

LITIGATION

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

Federal Actions

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

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

Health Insurance Company Conversions

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

Other Post-Employment Benefits

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

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

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

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

The net OPEB liability for FY 2011 totaled $3.7 billion ($3.1 billion for the State and $0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was $2.5 billion ($2.1 billion for the State and $0.4 billion for SUNY) above the payments for retiree OPEB costs made by the State in FY 2010. This difference between the State's pay-as-you-go (PAYGO) costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of FY 2011 by $2.5 billion.

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

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

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

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

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

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

GENERAL FUND PROJECTIONS

MULTI-YEAR GENERAL FUND PROJECTIONS
(millions of dollars)

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

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

Source: NYS DOB

STATE OPERATING FUNDS PROJECTIONS

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

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

Source: NYS DOB

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

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

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

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

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

Summary of Net Assets
(millions of dollars)

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

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

STATE RETIREMENT SYSTEMS

GENERAL

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

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

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

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

TIERS 3 THROUGH 5 BENEFIT COMPARISON

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

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

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

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

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

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

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

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

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

CONTRIBUTIONS

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

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

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

Pension Assets and Liabilities

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

The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last ten years. See also "Contributions" above.

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

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

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

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

(3) Includes payments from Group Life Insurance Plan which funds the first $50,000 of any death benefit paid.

(4) Amounts reflected for FY 2012 are estimates provided by the Division of the Budget.

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

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

Sources: State and Local Retirement Systems.

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

AUTHORITIES AND LOCALITIES

LOCALITIES

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

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

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

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

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

LITIGATION AND ARBITRATION

METROPOLITAN TRANSPORTATION AUTHORITY

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

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

SCHOOL AID

In *Becker et al. v. Paterson et al. (Sup. Ct., Albany Co.),* plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid due by statute on December 15, 2009, violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the commencement of the suit, the moneys at issue were released. Following a February 3, 2010 conference with the court to discuss the status of the case, plaintiffs amended their complaint to reflect late payment of the moneys at issue. Pursuant to a Court-directed schedule, following defendants' answer, plaintiffs moved for summary judgment on March 5, 2010. Defendants cross-moved for summary judgment on April 15, 2010.

In a second case involving the parties, plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid from March 31, 2010 to June 1, 2010, also violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the commencement of the suit, the moneys at issue were also released. The defendants answered, claiming that the statue in question, Education Law §3609-a, permitted payment on June 1, 2010, and that March 31, 2010 was merely an authorized pre-payment date. Plaintiffs moved for summary judgment on July 21, 2010 and defendants responded and cross-moved for summary judgment on September 16, 2010.

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

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

REPRESENTATIVE PAYEES

In *Weaver et ano. v. State of New York*, filed in the New York State Court of Claims on July 17, 2008 and subsequently amended, two claimants allege that the executive directors of the Office of Mental Health facilities in which the claimants were hospitalized, acting as representative payees under the Federal Social Security Act, improperly received benefits due them and improperly applied those benefits to the cost of their in-patient care and maintenance and, in the case of one of the claimants, also to the cost of her care and maintenance in a state-operated community residence.

The first named claimant initially sought benefits on her own behalf as well as certification of a class of claimants. However, the class claims were dismissed by the Court of Claims on February 10, 2010 for failure to comply with Court of Claims Act § 11(b), which provides that a claim must state when and where the claim arose, the nature of the claim, the items of damage, and the total sum claimed. By decision and order dated March 8, 2011, the Appellate Division, Second Department, affirmed the decision of the Court of Claims.

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. By decision and order dated September 27, 2010, the Court of Claims (Ruderman, J.), granted the State's motion for summary judgment and dismissed the individual claims. The Court held that the state statutes relied on by claimants do not apply to Social Security benefits and that executive directors of OMH facilities are acting properly in accordance with the Social Security Act and applicable federal regulations. Claimants served a notice of appeal on November 23, 2010. The appeal is pending.

SALES TAX

There are several cases challenging the State's authority to collect taxes on cigarettes sold on Indian reservations.

In *Oneida Indian Nation of New York v. Paterson, et al.* (and four consolidated cases), the tribal plaintiffs seek judgments declaring that Chapters 134 and 136 of the Laws of 2010, which enacted amendments to the Tax Law regarding collection of excise taxes on reservation cigarette sales to non-tribal members, violate their rights under Federal law, and enjoining the State from enforcing those laws. In four of the five cases, the District Court for the Western District of New York denied plaintiffs' motions for preliminary injunctions but granted a stay of enforcement pending plaintiffs' appeal. In the fifth case, the District Court for the Northern District of New York granted the plaintiff's motion for a preliminary injunction. On May 9, 2011, the Second Circuit Court of Appeals affirmed the Western District's orders denying the plaintiffs' motions for preliminary injunctions, and vacated the Northern

District's order granting the motion for a preliminary injunction, vacated all stays pending appeal, and remanded the cases to the District Courts for further proceedings consistent with the Court's opinion.

In *Day Wholesale Inc., et al. v. State, et al. (Sup. Ct., Erie Co.)*, plaintiffs also seek to enjoin the collection of taxes on cigarettes sold to or by reservation retailers. On August 31, 2010, the Supreme Court, Erie County issued an order vacating two earlier preliminary injunctions of that court barring the collection of such taxes until defendants had taken certain steps to comply with prior law. The Court also denied plaintiffs' motion for a preliminary injunction enjoining enforcement of the provisions of Chapters 134 and 186 of the Laws of 2010.

The plaintiffs in *Day Wholesale* appealed. On September 14, 2010 the Appellate Division, Fourth Department denied plaintiffs' motion for a preliminary injunction pending appeal. Pursuant to the rules of the Appellate Division, Fourth Department, the appeal is deemed abandoned because plaintiffs failed to perfect the appeal within nine months of the filing of the notice of appeal.

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

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

PERSONAL INJURY CLAIMS

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

INSURANCE DEPARTMENT ASSESSMENTS

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

CASHFLOW
GENERAL FUND
FY 2012
(dollars in millions)

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

Source: NYS DOB

Annual Information Statement

State of New York

May 24, 2011

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

TABLE OF CONTENTS

THE FOLLOWING SECTIONS ARE INCLUDED BY CROSS-REFERENCE

INTRODUCTION

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

In this AIS, readers will find:

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

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

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

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

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

INTRODUCTION

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

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

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

USAGE NOTICE

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

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

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

BUDGETARY AND ACCOUNTING BACKGROUND

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

THE STATE BUDGET PROCESS

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

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

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

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

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

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

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

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

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

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

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

FINANCIAL PLAN INFORMATION

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

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

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

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

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

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

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

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

---

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

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

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

EXECUTIVE BUDGET PROPOSAL

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

ENACTED BUDGET FOR FISCAL YEAR 2012

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

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

ENACTED BUDGET FINANCIAL PLAN AT-A-GLANCE: SELECTED INDICATORS AND MEASURES
(millions of dollars)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROJECTED CLOSING BALANCES

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

GENERAL FUND ESTIMATED CLOSING BALANCE
(millions of dollars)

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

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

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

ANNUAL SPENDING GROWTH

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

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

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

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

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

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

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

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

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

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

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

STATE OPERATING FUNDS AS RESTATED
(millions of dollars)

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

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

FISCAL YEAR 2012 ENACTED BUDGET GAP-CLOSING PLAN

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

State Agency Redesign

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

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

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

Revenue Enhancements

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

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

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

NON-RECURRING RESOURCES

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

OTHER RESOURCES

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

OTHER MATTERS AFFECTING THE ENACTED BUDGET FINANCIAL PLAN

GENERAL

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

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

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

BUDGET RISKS AND UNCERTAINTIES

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

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

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

CURRENT CASH-FLOW PROJECTIONS

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

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

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

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

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

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

Source: NYS DOB

PENSION EXPENDITURES (INCLUDING AMORTIZATION)

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

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

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

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

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

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

OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

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

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

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

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

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

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

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

DEBT REFORM ACT LIMIT

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

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

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

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

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

BOND MARKET

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

LITIGATION

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

FEDERAL FUNDING

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

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

HEALTH INSURANCE COMPANY CONVERSIONS

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

LABOR SETTLEMENTS

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

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2012 THROUGH 2015

INTRODUCTION

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

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

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

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

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

SUMMARY

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

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

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

GENERAL FUND PROJECTIONS

MULTI-YEAR GENERAL FUND PROJECTIONS
(millions of dollars)

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

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

STATE OPERATING FUNDS PROJECTIONS

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

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

FISCAL YEAR 2012 OVERVIEW

RECEIPTS

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

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

OVERVIEW OF THE RECEIPTS FORECAST

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

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

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

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

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

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

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

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

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

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

PERSONAL INCOME TAX

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

[1] Excludes Transfers.

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

USER TAXES AND FEES

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

[1] Excludes Transfers.

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

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

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

BUSINESS TAXES

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

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

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

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

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

OTHER TAXES

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

[1] Excludes Transfers.

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

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

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

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

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

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

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

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

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

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

DISBURSEMENTS

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

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

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

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

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

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

[1] As percent of salary.
[2] Projected by DOB.

LOCAL ASSISTANCE GRANTS

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

EDUCATION

SCHOOL AID

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

School Year (July 1 — June 30)

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

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

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

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

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

State Fiscal Year

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

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

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

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

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

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

SCHOOL TAX RELIEF PROGRAM

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

STAR
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

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

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

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

OTHER EDUCATION AID

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

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

EDUCATION
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

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

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

HIGHER EDUCATION

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

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

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

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

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

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

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

HEALTH CARE

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

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

MEDICAID

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

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

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

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

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

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

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

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

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

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

DOH MEDICAID SPENDING - STATE OPERATING FUNDS WITH AND WITHOUT FMAP IMPACT [1]
TOTAL DISBURSEMENTS
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12	2012-13
DOH Medicaid - Without FMAP	12,668	14,523	15,887	15,680	15,686
Enhanced FMAP	(1,092)	(3,041)	(3,948)	(353)	254
DOH Medicaid - With FMAP	**11,576**	**11,482**	**11,939**	**15,327**	**15,940**

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

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

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (DOH ONLY) -- LOCAL ASSISTANCE
(millions of dollars)

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

[1] Does not include Medicaid spending in other State agencies, DOH State operations spending, or the local government share of total Medicaid program spending.
[2] Excludes benefits in other State agencies. Costs in 2012-13 reflect the reconciliation of the local share benefit for 2011-12 that will occur in 2012-13.

PUBLIC HEALTH/AGING PROGRAMS

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

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

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

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

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

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

HCRA

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

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

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

HCRA FINANCIAL PLAN 2010-11 THROUGH 2014-15
(millions of dollars)

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

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

MENTAL HYGIENE

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

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

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

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

SOCIAL SERVICES

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

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

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

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

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

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

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

TRANSPORTATION

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

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

LOCAL GOVERNMENT ASSISTANCE

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

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

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

AGENCY OPERATIONS

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

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

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

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

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

GENERAL STATE CHARGES

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

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

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

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

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

DEBT SERVICE

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

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

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

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

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

CASHFLOW
GENERAL FUND
2011-2012
(dollars in millions)

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

Source: NYS DOB

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Orrick, Herrington & Sutcliffe LLP]

______________, 2011

New York Local Government
Assistance Corporation
Albany, New York

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of $184,040,000 Series 2011A Subordinate Lien Refunding Bonds (the "Series 2011A 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 2011A Subordinate Bonds are authorized and issued under and pursuant to the Act and the General Subordinate Lien Bond Resolution of the Corporation, adopted December 30, 2002, as amended and supplemented (the "General Subordinate Lien Bond Resolution"), and the Series 2011A Resolution Authorizing up to $230,000,000 Subordinate Lien Bonds, adopted July 14, 2011 (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 2011A Subordinate Bonds dated as of the date hereof (the "Comptroller's Series Certificate"), are herein collectively called the "Resolutions."

The Series 2011A Subordinate Bonds are part of an issue of bonds of the Corporation (the "Bonds") which the Corporation has established and created under the terms of the General Subordinate Lien Bond Resolution. The Corporation is authorized to issue Bonds from time to time for its corporate purposes authorized by the Act, as of the date of adoption of the General Subordinate Lien Bond Resolution, and limited as to amount as provided in the Resolutions or as may be further limited by law. The Corporation has covenanted with the owners of certain bonds of the Corporation to limit the issuance of additional bonds. The Series 2011A 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 2011A 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 2011A 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 2011A Subordinate Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Subordinate Lien Bond Resolution.

The Act provides for, among other things, creating the Corporation as aforesaid, adding a new section 92-r to Article 6 of the State Finance Law, and establishes a local government assistance tax fund (the "Tax Fund") in the joint custody of the Comptroller of the State and the Commissioner of Taxation and Finance of the State. Under the Act, the Tax Fund consists of the amount of revenue collected within the State from the imposition of the sales and compensating use taxes (including interest and penalties) pursuant to Sections 1105 and 1110 of the Tax Law of the State (the "Sales Tax") equal to the amount attributable to a one percent rate of taxation, less such amounts as the Commissioner of Taxation and Finance of the State may determine to be necessary for refunds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series 2011A 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 2011A 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 2011A 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, 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 2011A 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 2011A Subordinate Bonds thereunder and to perform the obligations and covenants contained in the Resolutions and the Series 2011A 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 2011A 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 2011A 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 2011A 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 2011A Subordinate Bonds be payable out of any funds other than those of the Corporation.

6. The State has the good right and lawful authority:

(a) to provide for the appropriation of, and at least annually to appropriate to, the Corporation, from the Tax Fund or other funds of the State, amounts sufficient to enable the Corporation to fulfill the terms of the Resolutions and to carry out its corporate purposes, but the State is not bound or obligated to make such appropriations;

(b) to impose and to increase or decrease the Sales Tax, and to amend, repeal, modify or otherwise alter statutes imposing or relating to the Sales Tax; the State is not bound or obligated to continue the imposition of the Sales Tax; and

(c) to establish the Tax Fund, but the State is not bound or obligated to maintain the existence of the Tax Fund.

7. The Corporation, the owners of the Bonds, or holders of any evidence of indebtedness of the Corporation do not have nor will they have a pledge of or lien on the Tax Fund or the Sales Tax.

8. Interest on the Series 2011A 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 2011A Subordinate 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 2011A 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 other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A 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 2011A 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 2011A Subordinate Bonds, and the execution and delivery of the Series 2011A Subordinate Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law applicable to the Corporation.

Very truly yours,

APPENDIX D

BONDS TO BE REDEEMED

Series	Principal Amount	Maturity Date	Redemption Date	Redemption Price
Series 2008B-BV2	$188,705,000	April 1, 2021	September 15, 2011	100%