

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 2010B 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 2010B 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 2010B 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 2010B Subordinate Bonds. See “Part 9—TAX MATTERS.”*

**\$206,020,000**

**New York Local Government Assistance Corporation  
(A Public Benefit Corporation of the State of New York)  
Series 2010B Refunding Bonds (Subordinate Lien)**

**Dated: Date of Delivery**

**Due: April 1, as shown on the inside cover**

The Series 2010B Subordinate Bonds will be issued as registered bonds. The Series 2010B 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 2010B Subordinate Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2010B Subordinate Bonds purchased. The Series 2010B Subordinate Bonds will be issued in denominations of \$5,000 or integral multiples thereof. Interest on the Series 2010B Subordinate Bonds will be payable on April 1, 2011 and semi-annually thereafter on each April 1 and October 1. The Series 2010B Subordinate Bonds are subject to redemption prior to maturity as more fully described herein.

The Series 2010B Subordinate Bonds are being issued to refund certain outstanding bonds of the Corporation as more fully described herein. The Series 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B Subordinate Bonds.**

*The Series 2010B 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 2010B Subordinate Bonds will be available for delivery through the facilities of DTC on or about December 1, 2010.*

Dated: November 16, 2010

**\$206,020,000**  
**New York Local Government Assistance Corporation**  
**(A Public Benefit Corporation of the State of New York)**  
**Series 2010B Refunding Bonds (Subordinate Lien)**

<u>Due</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number*</u>
2012	\$13,930,000	5.000%	0.68%	649876U98
2013	\$14,630,000	5.000%	0.97%	649876V22
2014	\$15,360,000	5.000%	1.28%	649876V30
2015	\$16,130,000	5.000%	1.65%	649876V48
2016	\$16,935,000	5.000%	1.92%	649876V55
2017	\$17,785,000	5.000%	2.29%	649876V63
2018	\$18,670,000	5.000%	2.65%	649876V71
2019	\$19,605,000	5.000%	2.89%	649876V89
2020	\$20,585,000	5.000%	3.15%	649876V97
2021**	\$21,620,000	5.000%	3.32%	649876W21
2022**	\$22,700,000	5.000%	3.46%	649876W39
2023**	\$ 8,070,000	5.000%	3.59%	649876W47

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\* 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 2010B Subordinate Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2010B Subordinate Bonds.

\*\* Priced to first call date of April 1, 2020.

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 2010B Subordinate Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Corporation, by the State of New York and by other sources which are believed to be reliable by the Corporation, but it is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Purchasers. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or of the State of New York since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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**OFFICIAL STATEMENT  
RELATING TO  
\$206,020,000  
New York Local Government Assistance Corporation  
(A Public Benefit Corporation of the State of New York)  
Series 2010B Refunding Bonds (Subordinate Lien)**

**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 \$206,020,000 Series 2010B Subordinate Lien Refunding Bonds (the “Series 2010B 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 2010B 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 2010B Resolution Authorizing Up To \$250,000,000 of Subordinate Bonds adopted October 25, 2010 (the “Series 2010B Subordinate Resolution”) (collectively, the “Subordinate Resolution”). The Bank of New York Mellon is the Trustee under the General Subordinate Bond Resolution. The Series 2010B Subordinate Bonds will be on a parity with \$1,244,070,000<sup>1</sup> 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 2010B 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 2010B Subordinate Bonds solely for refunding purposes. See “Additional Bonds” below in Part 4 for a discussion of Additional Subordinate Bonds.

The Corporation also has \$1,879,948,073.80<sup>2</sup> aggregate principal amount of outstanding bonds (excluding the increase in appreciated value of capital appreciation bonds since the date of their initial issuance) heretofore

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<sup>1</sup> Does not include the Series 2010B Subordinate Bonds.

<sup>2</sup> Does not include Senior Bonds proposed to be refunded by the Series 2010B 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 October 1, 2010, the accreted value of outstanding capital appreciation senior bonds was \$48,055,702.45. 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 a 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 2010B 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 2010B 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 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 2010B Subordinate Bonds, the Senior Capital Reserve Fund Requirement will be \$273,372,162.50.

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 2010B Subordinate Bonds, the Subordinate Capital Reserve Fund Requirement will be \$75,359,530.44.

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 15<sup>th</sup> 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 2009-10 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<sup>3</sup> would be 6.40 times, assuming the following: (i) interest on the Corporation’s outstanding \$134.1 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 Bonds”), for which no interest rate exchange agreements were entered, is 6% per annum (including related fees and expenses), (ii) interest on the Corporation’s outstanding \$431.735 million Series 2003A Variable Interest Rate Subordinate Lien Refunding Bonds (the “Series 2003A Variable Rate Subordinate Lien Bonds”), \$294.19 million Series 2008B Variable Interest Rate Senior Refunding Bonds (the “Series 2008B Variable Rate Senior Bonds”) and \$188.650 million Series 2008B Variable Interest Rate Subordinate Refunding Bonds (the “Series 2008B Variable Rate Subordinate Lien Bonds”), for which interest rate exchange agreements were entered, is 4% per annum (which is approximately equal to the sum of the rate payable by the Corporation under its interest rate exchange agreements and the related fees and expenses on the applicable bonds) and (iii) principal of and interest on such Bonds are paid as regularly scheduled. See “Estimated Debt Service Coverage” below in Part 3 for a more detailed explanation of estimated debt service coverage.

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

### **Interest Rate Swap Agreements**

The Corporation has five interest rate swap agreements outstanding, in a notional amount of \$913,560,000, in connection with \$914,575,000 aggregate principal amount of outstanding Series 2003A Variable Rate Subordinate Lien Bonds, Series 2008B Variable Rate Senior Bonds and Series 2008B Variable Rate Subordinate Lien Bonds. Pursuant to such agreements, the Corporation is required to make payments based on fixed rates to the swap providers and is to receive payments based on a variable rate from the swap providers. Under certain circumstances, the agreements may be terminated by the Corporation or by the applicable swap provider, at which time the Corporation may be required to make a payment to the swap provider. Swap payments are payable only from the Subordinate Subordinated Payment Fund under the Subordinate Resolution. For more information about the interest rate swap agreements, see Note 4 of the financial statements of the Corporation incorporated herein by reference.

### **Certain Constitutional Requirements**

Under the State Constitution, the State is permitted to amend, modify or otherwise alter the Sales Tax and cannot be bound or obligated to continue the imposition of the 1% Sales Tax and may repeal the provisions thereof under the Act benefiting the Corporation. Further, under the State Constitution, the State may appropriate at least

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<sup>3</sup> Does not include Senior Bonds proposed to be refunded by the Series 2010B Subordinate Bonds.



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, 2010, and he has been elected to serve another term commencing on January 1, 2011. 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.*

**Andrew M. Cuomo**, *General Counsel*. Mr. Cuomo is the Attorney General of the State of New York and serves as general counsel ex officio. The Attorney General, the chief legal officer of the State, is elected on a statewide basis and has charge and control of the State's legal affairs. He prosecutes and defends all actions and proceedings for and against the State and its departments, defends the constitutionality of the acts of the Legislature and serves as bond counsel on bond sales by the State. Mr. Cuomo was elected Attorney General in November 2006. His current term of office expires December 31, 2010. Mr. Cuomo was elected to serve as Governor of the State commencing January 1, 2011.

**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 2010B 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 2010B Subordinate Bonds.

The Refunded Bonds, the principal amount thereof, the maturity date, the Redemption Price and the date on which the Refunded Bonds shall be redeemed from funds in the irrevocable escrow fund established under the Escrow Agreement (as defined below) are as shown in Appendix D hereto.

A portion of the proceeds of the Series 2010B Subordinate Bonds will be deposited with the Trustee pursuant to the Escrow Deposit Agreement (the "Escrow Agreement") to be entered into, at or prior to the issuance of the Series 2010B Subordinate Bonds, between the Corporation and the Trustee. Such proceeds, together with a deposit held by the Trustee under the Escrow Agreement from the release of funds from the Capital Reserve Fund, will be sufficient, together with any other moneys deposited with the Trustee under the Escrow Agreement, to refund the Refunded Bonds at the applicable Redemption Price on the redemption date. The moneys held by the Trustee pursuant to the Escrow Agreement will be held in an irrevocable escrow account established under the Escrow Agreement and pledged to secure the payment of the Refunded Bonds.

## **PART 3—THE SALES TAX**

### **General**

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

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

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

### **Sales Tax Receipts**

Sales Tax receipts constitute the State's second largest source of tax receipts after the personal income tax and accounted for approximately 18 percent of State tax receipts in all State Funds in the State's 2009-10 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 2.8 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 6.8 percent in the continuing Sales Tax base as well as tax law changes. The 2004-05 Enacted Budget temporarily eliminated the exemption for items of clothing and shoes priced under \$110 due to resume on June 1, 2004 with an exemption for items of clothing and footwear priced under \$110 during two separate weeks in 2004-05. This legislation increased receipts by an estimated \$483 million. 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 2.3 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 6.9 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.

The 2010-11 receipts are estimated to be \$10.696 billion, reflecting a base increase of 6.0 percent and proposed 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.

(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 2009-10, and estimated amounts for the 2010-11 fiscal year. Table 2 sets forth monthly Sales Tax receipts from the State's 2004-05 fiscal year through October 31, 2010. The information reflects tax law changes described above.

**TABLE 1**  
**Sales Tax Receipts<sup>(1)</sup>**  
**(Thousands of Dollars)**

State Fiscal Year	Net Receipts of Sales Tax	Net Receipts of 1% Sales Tax <sup>(2)</sup>	Annual Rate of Growth/Decline (%) <sup>(3)</sup>
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 <sup>(4)</sup>	10,696,000	2,674,000	8.42

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 2010-11 Mid-Year Financial Plan Update.

**TABLE 2**  
**Monthly Sales Tax Receipts<sup>(1)</sup>**  
**April 1, 2004 Through October 31, 2010**  
**(Millions of Dollars)**

<b>MONTH</b>	<b><u>2004-05</u></b>	<b><u>%<sup>(2)</sup></u></b>	<b><u>2005-06</u></b>	<b><u>%<sup>(2)</sup></u></b>	<b><u>2006-07</u></b>	<b><u>%<sup>(2)</sup></u></b>	<b><u>2007-08</u></b>	<b><u>%<sup>(2)</sup></u></b>	<b><u>2008-09</u></b>	<b><u>%<sup>(2)</sup></u></b>	<b><u>2009-10</u></b>	<b><u>%<sup>(2)</sup></u></b>	<b><u>2010-11</u></b>
APRIL	\$ 817	8	\$ 792	7	\$ 719	7	\$ 819	8	\$ 764	7	\$ 731	8	\$ 803
MAY	753	7	803	8	727	7	759	7	793	8	713	7	723
JUNE	1,121	11	1,104	10	1,044	10	1,090	10	1,080	11	987	10	1,055
JULY	814	8	822	8	768	8	811	8	832	8	724	7	805
AUGUST	780	7	766	7	737	7	784	7	833	8	741	8	805
SEPTEMBER	1,081	10	1,113	11	1,063	11	1,086	10	1,082	11	1,060	11	1,055
OCTOBER	769	7	766	7	750	8	768	7	781	8	755	8	812.5
NOVEMBER	769	7	771	7	737	7	822	8	764	7	732	7	
DECEMBER	1,130	11	1,062	10	1,111	11	1,079	10	955	9	1,011	10	
JANUARY	848	8	892	8	788	8	850	8	830	8	813	8	
FEBRUARY	663	6	695	7	663	7	733	7	661	6	686	7	
MARCH	<u>1,042</u>	<u>10</u>	<u>1,007</u>	<u>10</u>	<u>943</u>	<u>9</u>	987	<u>9</u>	899	<u>9</u>	<u>918</u>	<u>9</u>	
TOTAL*	<u>\$10,587</u>	<u>100%</u>	<u>\$10,592</u>	<u>100%</u>	<u>\$10,050</u>	<u>100%</u>	<u>\$10,591</u>	<u>100%</u>	<u>10,274</u>	<u>100%</u>	<u>\$9,871</u>	<u>100</u>	

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 2009-10 fiscal year, (2) receipts from the 1% Sales Tax receipts for the State’s 2009-10 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 2009-10 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)**

2009-10 Fiscal Year Sales Tax Receipts.....	\$9,870,977
2009-10 Fiscal Year 1% Sales Tax Receipts <sup>(1)</sup> .....	\$2,466,528
Maximum Annual Debt Service <sup>(2)</sup> .....	\$ 385,619
Debt Service Coverage.....	6.40x

(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 Bonds (Variable Interest Rate Senior Bonds for which no interest rate exchange agreements were entered) and 4% per annum, which is approximately equal to the sum of the rate payable by the Corporation under its interest rate exchange agreements and the related fees and expenses on the applicable bonds, for the Series 2003A Variable Rate Subordinate Lien Bonds, the Series 2008B Variable Rate Senior Bonds and the Series 2008B Variable Rate Subordinate Lien Bonds (for all of which interest rate exchange agreements were entered).

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

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

## PART 4—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

### General

Senior Bonds. The Senior Bonds 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 2010B 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 2010B 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 15<sup>th</sup> 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.

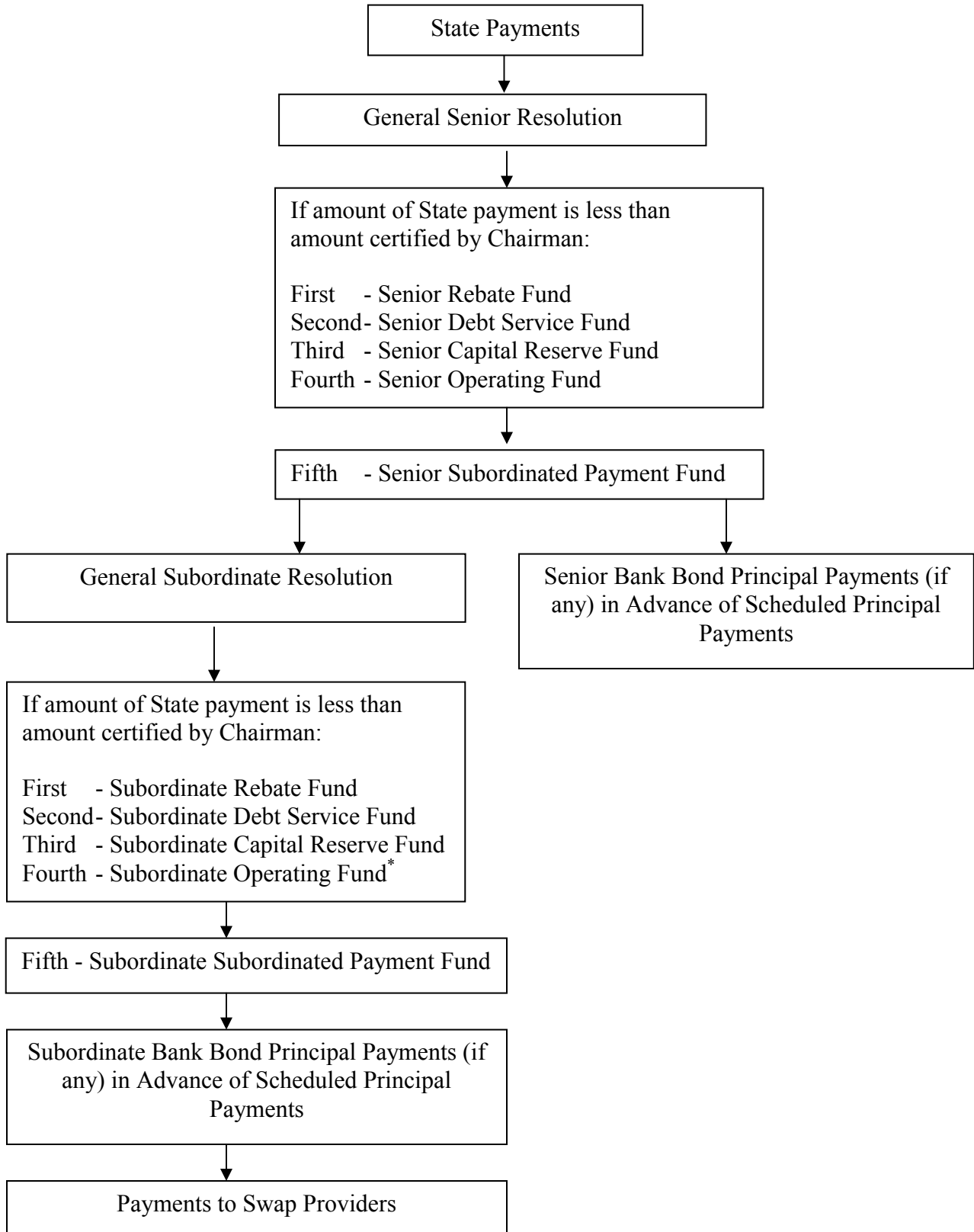
9. If a shortfall exists in the Subordinate Debt Service Fund immediately prior to a payment date on the Subordinate Bonds, moneys on deposit in the Subordinate Capital Reserve Fund sufficient to replenish the shortfall are required to be applied to the Subordinate Debt Service Fund for the payment of 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 2010B Subordinate Bonds, the Senior Capital Reserve Fund Requirement will be \$273,372,162.50.

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 2010B Subordinate Bonds, the Subordinate Capital Reserve Fund Requirement will be \$75,359,530.44.

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 "A" 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<sup>4</sup> under the Senior Resolution \$134.1 million of Series 1995C and E Bonds, which are Variable Interest Rate Senior Bonds supported by a letter of credit and \$294.19 million of Series 2008B Bonds, which are Variable Interest Rate Senior Bonds with liquidity provided by standby bond purchase agreements. The Series 1995C and E Bonds and the Series 2008B 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, the respective Series Resolutions authorizing the issuance of the Series 1995C and E Bonds and the Series 2008B Bonds meeting the foregoing requirements of the Senior Resolution, so that only scheduled debt service on the Series 1995C and E Bonds and the Series 2008B 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.

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<sup>4</sup> Does not include Senior Bonds proposed to be refunded by the Series 2010B 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 Interest Rate Subordinate Lien Bonds, which are insured Variable Interest Rate Subordinate Bonds in an auction rate mode, \$137.5 million of Series 2003A Variable Interest Rate Subordinate Lien Bonds, which are insured<sup>5</sup> Variable Interest Rate Subordinate Bonds with liquidity provided by a standby bond purchase agreement, \$40.885 million of Series 2003A Variable Interest Rate Subordinate Lien Bonds, which are uninsured Variable Interest Rate Subordinate Bonds with liquidity provided by a standby bond purchase agreement, and \$188.65 million of Series 2008B Variable Interest Rate Subordinate Lien Bonds, which are uninsured Variable Interest Rate Subordinate Bonds with liquidity provided by standby bond purchase agreements. The Series 2003A Variable Interest Rate Subordinate Lien Bonds and the Series 2008B Variable Interest Rate Subordinate Lien Bonds are subject to mandatory tender and purchase under certain circumstances. Provisions have been included in the Variable Rate Supplemental Subordinate Lien Bond Resolution adopted pursuant to the General Subordinate Bond Resolution and the respective Series Resolutions authorizing the issuance of the Series 2003A Variable Interest Rate Subordinate Lien Bonds and the Series 2008B Variable Interest Rate Subordinate Lien Bonds meeting the foregoing requirements of the Subordinate Resolution, so that only scheduled debt service on the Series 2003A Variable Interest Rate Subordinate Lien Bonds and the Series 2008B Variable Interest Rate Subordinate Lien Bonds will be on a parity with Outstanding Subordinate Bonds and that all other redemptions of principal as a result of such mandatory purchase or redemption provisions are payable solely from the Subordinate Subordinated Payment Fund.

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

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<sup>5</sup> The Corporation plans to cancel the insurance and remarket the \$137.5 million of Series 2003A-4V Variable Interest Rate Subordinate Lien Bonds on December 1, 2010. Following the cancellation of the insurance policy, the Corporation will have outstanding \$178.385 million of uninsured Series 2003A Variable Interest Rate Subordinate Lien Bonds with liquidity supported by standby bond purchase agreements.

## 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 2010B Subordinate Bonds are expected to be as follows:

#### Sources of Funds:

Series 2010B Subordinate Bonds	206,020,000
Net Original Issue Premium	27,283,322
Capital Reserve Fund Release	<u>32,574,500</u>
Total Sources	<u>\$265,877,822</u>

#### Uses of Funds:

Deposit to Escrow Fund	265,100,000
Purchaser's Discount	535,652
Cost of Issuance	<u>242,170</u>
Total Uses	<u>\$265,877,822</u>

The Corporation is issuing the Series 2010B 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 2010B Subordinate Bonds.

**TABLE 4**  
**Debt Service Schedule**

Year Ending April 1	Outstanding Senior Debt Service (1)(2)	Outstanding Subordinate Debt Service(2)	Series 2010B Subordinate Debt Service	Aggregate Subordinate Debt Service(2)	Total Debt Service(1)(2)
2011	\$238,607,495.00	\$127,856,115.28	\$3,433,666.67	\$131,289,781.95	\$369,897,276.95
2012	228,722,500.00	131,545,537.50	24,231,000.00	155,776,537.50	384,499,037.50
2013	238,824,762.50	122,559,767.50	24,234,500.00	146,794,267.50	385,619,030.00
2014	225,051,612.50	128,275,937.50	24,233,000.00	152,508,937.50	377,560,550.00
2015	230,686,062.50	130,424,150.00	24,235,000.00	154,659,150.00	385,345,212.50
2016	230,928,312.50	129,855,650.00	24,233,500.00	154,089,150.00	385,017,462.50
2017	231,088,575.00	126,743,400.00	24,236,750.00	150,980,150.00	382,068,725.00
2018	231,157,075.00	124,426,150.00	24,232,500.00	148,658,650.00	379,815,725.00
2019	232,677,525.00	125,031,150.00	24,234,000.00	149,265,150.00	381,942,675.00
2020	235,166,475.00	125,733,350.00	24,233,750.00	149,967,100.00	385,133,575.00
2021	160,014,500.00	125,443,450.00	24,239,500.00	149,682,950.00	309,697,450.00
2022	13,952,000.00	104,616,150.00	24,238,500.00	128,854,650.00	142,806,650.00
2023	14,292,000.00	81,942,650.00	8,473,500.00	90,416,150.00	104,708,150.00
2024	14,372,000.00	49,051,800.00		49,051,800.00	63,423,800.00
2025	14,204,000.00	23,665,200.00		23,665,200.00	37,869,200.00
Total	\$2,539,744,895.00	\$1,657,170,457.78	\$278,489,166.67	\$1,935,659,624.45	\$4,475,404,519.45

(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 Bonds (Variable Interest Rate Senior Bonds for which no interest rate exchange agreements were entered) and 4% per annum, which is approximately equal to the sum of the rate payable by the Corporation under its interest rate exchange agreements and the related fees and expenses on the applicable bonds, on the Series 2003A Variable Rate Subordinate Lien Bonds, the Series 2008B Variable Rate Senior Bonds and the Series 2008B Variable Rate Subordinate Lien Bonds (for all of which interest rate exchange agreements were entered).

## **PART 6—DESCRIPTION OF THE SERIES 2010B SUBORDINATE BONDS**

### **General**

The Series 2010B 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 2010B Subordinate Bonds will be issued in book-entry-only form as described below. The Series 2010B Subordinate Bonds will be issued in denominations of \$5,000 or any whole multiple thereof. The Series 2010B Subordinate Bonds will bear interest calculated on the basis of a 360-day year.

The Series 2010B Subordinate Bonds maturing April 1, 2012 through April 1, 2020, inclusive, are not subject to redemption at the option of the Corporation. The Series 2010B Subordinate Bonds maturing after April 1, 2020 are subject to redemption at the option of the Corporation at any time on or after April 1, 2020, either as a whole or in part in such order of maturity as the Corporation may determine (and if less than all of a maturity is to be redeemed, in such manner as the Trustee may determine), at par plus accrued interest to the date of redemption. See Appendix A-2, “Summary of Certain Provisions of the Subordinate Resolution – Notice of Redemption.”

### **Book-Entry-Only System**

Beneficial ownership interests in the Series 2010B Subordinate Bonds will be available in book-entry-only form, in Authorized Denominations. Purchasers of beneficial ownership interests in the Series 2010B Subordinate Bonds will not receive certificates representing their interests in the Series 2010B Subordinate Bonds purchased.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2010B Subordinate Bonds. The Series 2010B 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 2010B 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 2010B Subordinate Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2010B Subordinate Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2010B 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 2010B 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 2010B Subordinate Bonds, except in the event that use of the book-entry system for the Series 2010B Subordinate Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010B 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 2010B 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 2010B Subordinate Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010B 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 2010B Subordinate Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010B Subordinate Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2010B Subordinate Bond documents. For example, Beneficial Owners of the Series 2010B Subordinate Bonds may wish to ascertain that the nominee holding the Series 2010B 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 2010B 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 2010B 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 2010B Subordinate Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2010B 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 2010B 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 2010B 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 2010B 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 2010B Subordinate Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the Series 2010B Subordinate Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of Series 2010B 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 2010B 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 2010B 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 2010B SUBORDINATE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B Subordinate Bonds is less than the amount to be paid at maturity of such Series 2010B Subordinate Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2010B 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 2010B 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 2010B Subordinate Bonds is the first price at which a substantial amount of such maturity of the Series 2010B 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 2010B Subordinate Bonds accrues daily over the term to maturity of such Series 2010B 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 2010B Subordinate Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2010B Subordinate Bonds. Beneficial Owners of the Series 2010B Subordinate Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2010B Subordinate Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2010B Subordinate Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2010B Subordinate Bonds is sold to the public.

Series 2010B 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 2010B 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 2010B 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 2010B Subordinate Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2010B 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 2010B Subordinate Bonds may adversely affect the value of, or the tax status of interest on, the Series 2010B 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 2010B 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 2010B 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 2010B 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 2010B Subordinate Bonds. Prospective purchasers of the Series 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B Subordinate Bonds or questioning or affecting the validity of the Series 2010B 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 2010B 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 2010B Subordinate Bonds.

## **PART 12—APPROVAL OF LEGALITY**

All legal matters incident to the authorization, issuance and delivery of the Series 2010B 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 2010B 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. 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 2010B 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, 2011, 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 2010B 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, 2011, 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 2010B 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 2010B 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 2010B 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 2010B 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.

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, 2010 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 2010B Subordinate Bonds are fully set forth in the Subordinate Resolution. Neither any advertisement of the Series 2010B Subordinate Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2010B Subordinate Bonds.

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

NEW YORK LOCAL GOVERNMENT  
ASSISTANCE CORPORATION

By:                     /s/ Ronald L. Greenberg                      
Co-Executive Director

**SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR RESOLUTION**

**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 (i) 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)*

**SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE RESOLUTION**

## 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 2010B Subordinate Bonds, the Corporation covenants to comply with the provisions of the Code, and any regulations or rulings issued thereunder, applicable to the Series 2010B Subordinate Bonds. Further, the Corporation covenants that it will not take any action or fail to take any action that would cause the Series 2010B 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 2010B 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 2010B Subordinate Bonds regarding all acts necessary to satisfy and fulfill such covenants. Notwithstanding any provision of the Series 2010B Subordinate Resolution to the contrary, so long as necessary in order to maintain the exclusion of interest on the Series 2010B 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 2010B Subordinate Bonds, including any payment or defeasance thereof pursuant to the General Subordinate Lien Bond Resolution.  
*(Series 2010B 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 (i) of the principal, Sinking Fund Installments, if any, or Redemption Price of any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise or the Corporation shall default in the payment of interest on any of the Bonds; or

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

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

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

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

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

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

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

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

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

*(Section 1202)*

## **Remedies**

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

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

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

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

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

*(Section 1203)*

### **Bondholders' Direction of Proceedings**

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

*(Section 1206)*

### **Limitation on Rights of Bondholders**

No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Subordinate Lien Bond Resolution, or for the protection or enforcement of any right under the General Subordinate Lien Bond Resolution or any right under law unless such Holder shall have

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

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

*(Section 1207)*

#### **No Waiver of Default**

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

*(Section 1210)*

#### **Notice of Event of Default**

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

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

## **Defeasance**

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

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

applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

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

*(Section 1401)*

## APPENDIX B

### INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix B is dated September 7, 2010. It was updated on November 9, 2010. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org). An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at <http://www.budget.state.ny.us>.

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

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



# **Update to Annual Information Statement (AIS)**

## **State of New York**

*November 9, 2010*

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

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the 2010-11 Financial Plan (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on November 1, 2010. The Updated Financial Plan includes (a) a summary of recent events and changes to the Financial Plan made since the AIS was released, (b) revised Financial Plan projections for fiscal years 2010-11 through 2013-14, (c) operating results for the first half of fiscal year 2010-11, (d) an updated economic forecast, (e) pro forma Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2010-11 and information on other post-employment benefits, and (f) a summary on debt management. The Updated Financial Plan is available on the DOB website, [www.budget.state.ny.us](http://www.budget.state.ny.us).
2. A discussion of special considerations related to the State Financial Plan for fiscal year 2010-11.
3. The status of significant litigation that has the potential to adversely affect the State's finances.

DOB is responsible for preparing the State's Financial Plan and presenting the information that appears in this AIS Update on behalf of the State. In preparing this AIS Update, DOB has utilized significant portions of the Updated Financial Plan, but has also relied on information drawn from other sources, such as the Office of the State Comptroller ("OSC"), that it believes to be reliable. Information relating to matters described in the section entitled "Litigation" is furnished by the State Office of the Attorney General.

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

The State may issue AIS supplements to this AIS Update as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS Update in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS Update with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. Effective July 1, 2009, pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the MSRB is designated as the sole repository for the electronic filing of all primary and secondary market disclosure. An electronic copy of

this AIS Update can be accessed through EMMA at [www.emma.msrb.org](http://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.

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## Update to the 2010-11 Financial Plan ---

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

*State law requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund — the fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this is the fund that is required to be balanced, the focus of the State’s budget discussion is often weighted toward the General Fund.*

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

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

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

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## 2010-11 Updated Financial Plan Highlights

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

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

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

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

<sup>3</sup> Reflects the estimated change in tax receipts excluding the impact of Tax Law changes since fiscal year 1986-87.

<sup>4</sup> Before proposed spending reductions to eliminate the projected budget gap.

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

<sup>6</sup> See workforce discussion under the "Special Considerations" section later in this Update.

## Summary

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

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

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

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

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

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<sup>1,2</sup> Excludes the impact of debt service revisions that affect the transfer of tax receipts to the General Fund.

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

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

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

## Revisions to the 2010-11 Financial Plan

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

<b>GENERAL FUND FORECAST FOR 2010-11 THROUGH 2013-14</b>				
<b>SAVINGS/(COSTS)<sup>1</sup></b>				
<b>(millions of dollars)</b>				
	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>ENACTED BUDGET SURPLUS/(GAP) ESTIMATE</b>	<b>0</b>	<b>(8,177)</b>	<b>(13,461)</b>	<b>(15,563)</b>
<b>Total Receipts Revisions</b>	<b>(162)</b>	<b>(750)</b>	<b>(983)</b>	<b>(1,069)</b>
Forecast Revisions:	(88)	60	(86)	(157)
Tax Forecast Revisions	<u>(278)</u>	<u>(105)</u>	<u>(339)</u>	<u>(405)</u>
Personal Income Tax <sup>2</sup>	(300)	(302)	(322)	(323)
Sales/Use Taxes*	(94)	80	(1)	0
Business Taxes	69	117	(16)	(82)
Other Taxes*	47	0	0	0
18-A Assessment	(40)	(28)	(28)	(28)
Mental Hygiene	73	139	226	240
Workers Compensation Assessment Surplus	65	0	0	0
Debt Management	43	0	0	0
Allocation of Agency Operational Savings	33	62	52	44
All Other	16	(8)	3	(8)
Other Adjustments (No Net Financial Plan Impact)	<u>(74)</u>	<u>(810)</u>	<u>(897)</u>	<u>(912)</u>
Mental Hygiene Accounting Reclassifications	(168)	(810)	(897)	(912)
Allocation of FMAP Contingency Savings	94	0	0	0
<b>Total Disbursement Revisions</b>	<b>(153)</b>	<b>(99)</b>	<b>(200)</b>	<b>(600)</b>
Forecast Revisions	(227)	(909)	(1,097)	(1,512)
Medicaid/HCRA	<u>(368)</u>	<u>(725)</u>	<u>(859)</u>	<u>(827)</u>
Program Costs/Caseload Increases	(732)	(800)	(841)	(887)
HCRA/Other Medicaid	(125)	(135)	21	(89)
Medicare Part D Clawback	223	38	0	0
FMAP Reestimate/State/Local Share Reconciliation	300	208	0	0
Federal Health Care Reform	(34)	(36)	(39)	149
Human Services	156	151	149	146
School Aid	12	(109)	(156)	(354)
Lottery Aid	(83)	(11)	(63)	(68)
Higher Education	2	(100)	(166)	(169)
Transportation/Motor Vehicles	74	64	94	115
Public Safety/Criminal Justice	(10)	(25)	(33)	(71)
Judiciary	0	132	13	(129)
Fringe Benefits	<u>8</u>	<u>(12)</u>	<u>(65)</u>	<u>(53)</u>
Health Insurance	(40)	(75)	(125)	(125)
Pension	(1)	22	45	57
All Other Fringe Benefits	49	41	15	15
Mental Hygiene	(84)	(118)	(229)	(309)
Allocation of Agency Operational Savings	(187)	89	236	246
Timing of Outstanding Labor Agreements	204	(204)	0	0
All Other	49	(41)	(18)	(39)
Other Adjustments (No Net Financial Plan Impact)	<u>74</u>	<u>810</u>	<u>897</u>	<u>912</u>
Mental Hygiene Accounting Reclassifications	168	810	897	912
Allocation of FMAP Contingency Savings	(94)	0	0	0
<b>REVISED BUDGET SURPLUS/(GAP) ESTIMATE</b>	<b>(315)</b>	<b>(9,026)</b>	<b>(14,644)</b>	<b>(17,232)</b>
<i>(Increase)/Decrease From Enacted Budget</i>	<i>(315)</i>	<i>(849)</i>	<i>(1,183)</i>	<i>(1,669)</i>
Proposed Across-the-Board Reductions (Requires Leg. Approval)	375	0	0	0
Funding for Initiatives	(60)	0	0	0
<b>PROPOSED BUDGET SURPLUS/(GAP) ESTIMATE</b>	<b>0</b>	<b>(9,026)</b>	<b>(14,644)</b>	<b>(17,232)</b>
<p>1. Certain revisions displayed in the table above are reclassifications of receipts and disbursements projections that have no net Financial Plan impact (e.g., Mental Hygiene). In other cases, revisions may affect both receipts and disbursements and need to be considered together to understand the Financial Plan impact. For instance, revisions related to reductions in State agency operations included in the Enacted Budget Financial Plan and allocated to agency budgets for the first time in this Updated Financial Plan affect both receipts and disbursements. (For example, a reduction to State agency operations funded by a special revenue fund is displayed as a transfer of resources from the special revenue fund, thereby increasing General Fund receipts.)</p> <p>2. Tax changes include transfers from other funds before the impact of revisions to debt service costs.</p>				

## Receipts Revisions

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

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

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

- **Other Receipts:** The reduction in estimated annual tax receipts in 2010-11 is offset in part by higher than expected receipts from other sources. These unplanned receipts include legal recoveries, surplus workers compensation funds, and transfers related to reductions in statewide agency operations financed by special revenue funds (see discussion below). In addition, the State realized a one-time benefit of \$43 million from the termination of its existing synthetic variable rate swaps in September 2010.
- **Accounting Reclassifications:** The Updated Financial Plan includes accounting reclassifications related to the transfer of money to and from the General Fund. The reclassifications have no impact on the net operating forecast (e.g., a reduction in planned transfers from other funds is offset by a commensurate reduction in planned transfers to other funds). The most sizeable reclassification is related to the adjustment of spending for mental hygiene services between the General Fund and State special revenue funds, which has the effect of reducing transfers to and from the General Fund by an equal amount.

## Disbursement Revisions

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

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



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

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

- **Social Services:** Spending projections for child welfare services have been reduced by approximately \$120 million annually based on updated claiming data from social service districts. In addition, projected spending for other programs, and the reconciliation of human services COLA based on statutorily defined inflationary increases, has been lowered.
- **School Aid:** The September 2010 update to the school aid database resulted in higher than projected costs beginning in the 2011-12 school year. The costs reflect additional claims filed since the Enacted Budget Financial Plan, and updated wealth and demographic information reported by school districts. The Updated Financial Plan projections also reflect the impact of a revised estimate of demographic and enrollment factors within the Foundation Aid formula. Based on statute, additional school year obligations from 2010-11 are to be paid in State fiscal year 2011-12. As in prior years, updated school district data and additional claims have resulted in a cost increase to the State's multi-year Financial Plan, subsequent to the Enacted Budget agreements.
- **Lottery/VLT Aid for Education:** Receipts from statewide lottery games continue to fall below expectations, reflecting in part the impact of the economic downturn. DOB has lowered the estimate of lottery receipts expected to be available for School Aid across the Financial Plan forecast period.
- **Higher Education:** Current economic conditions, in particular high unemployment rates, have contributed in part to the recent upward trend in student enrollment in SUNY and CUNY community colleges. Similarly, increased spending under the TAP grant award program is expected due to the increased enrollment in institutions of higher education.
- **Transportation/Motor Vehicles:** The General Fund subsidy provided to the DHBTF has been revised across the plan period as a result of changes in estimated spending levels for capital projects, debt service costs, and other receipts.
- **Public Safety/Criminal Justice:** General Fund spending projections have been increased to reflect additional disaster relief aid, and a downward revision to expected revenues from the Motor Vehicle Law Enforcement fee that is used to support State Police costs.

- **Fringe Benefits:** Reflects multi-year upward revisions for health insurance costs for State employees and retirees mainly due to three factors: delays in the State's progress in self-insuring parts of NYSHIP; reduced savings from the implementation of the Medicare Part B premium sharing legislation enacted as part of the 2010-11 budget; and projected increases due to Federal Health Care Reform and premium rate changes. Reductions in the State's salary base are expected to reduce pension and social security costs, compared to the Enacted Budget Financial Plan forecast.
- **Mental Hygiene:** The revisions reflect two-year net savings of \$10 million for 2010-11 and 2011-12, excluding the impact of the workforce reduction plan. The major changes include reduced projected spending of approximately \$40 million for the human service COLA based on the current statutory formula (a decrease from an annual increase of 3.5 percent to 1.2 percent in 2011-12). This is partially offset by higher estimated costs for a recent Federal District Court decision mandating additional supported housing and support services, such that costs are now projected to be \$4 million in 2010-11 and \$45 million in 2011-12, or \$8 million more than projected previously, as well as \$12 million in additional costs based on the latest projected civil confinement caseload for the SOMTA program.
- **Timing of Outstanding Labor Settlements:** The Enacted Budget Financial Plan included estimated spending in 2010-11 to finance potential agreements with labor unions that have not yet reached settlements for the period from 2007-08 through 2010-11. Based on the status of negotiations and the timetable for ratification, it no longer appears likely than any spending for potential agreements will occur in the current year.
- **Allocation of Statewide Agency Operational Savings:** The Enacted Budget Financial Plan included \$500 million in planned savings from statewide reductions in agency spending. The estimated spending for each agency has been revised to reflect its share of the reductions. Savings were anticipated from, among other things, workforce reductions that include the early retirement incentive plan, hiring freezes, layoffs, eliminating positions through attrition, delaying planned hiring of staff, encouraging participation in the voluntary reduction in work schedule program, eliminating funded vacancies and temporary positions, and enhancing controls for reducing overtime costs. Operational efficiencies that reduce costs in contractual services, supplies and materials, equipment purchases and travel expenses are also expected. Total savings at a level comparable to the Enacted Budget Financial Plan projections are expected by the end of fiscal year 2011-12, with lower than expected savings in 2010-11 and higher savings in 2011-12.
- **Allocation of FMAP Contingency Reductions:** The Enacted Budget Financial Plan mandated uniform reductions to most local assistance payments to cover the difference between the \$1.1 billion in savings counted on in the proposed 2010-11 Financial Plan from enhanced FMAP and the actual amount ultimately approved by the Federal government. DOB calculated this difference at \$281 million. The payment reductions to local assistance spending began taking effect in mid-September 2010, as provided by law, and have been allocated to agency budgets in the Updated Financial Plan.

### Adjusted Annual Spending growth

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

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

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

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

The annual spending growth in State Operating Funds is affected by the rapid annual increase in debt service and fringe benefits, which are difficult to control in the short-term due to existing constitutional, statutory, and contractual obligations. Together, these costs are projected to increase by over \$1.0 billion in 2010-11.

<b>CAUSES OF ADJUSTED STATE OPERATING FUNDS SPENDING CHANGE <sup>1</sup></b>				
<b>(millions of dollars)</b>				
	<b>2009-10</b>	<b>2010-11</b>	<b>Annual \$ Change</b>	<b>Annual % Change</b>
<b>Total</b>	<b>78,934</b>	<b>79,201</b>	<b>267</b>	<b>0.3%</b>
Debt Service	4,961	5,471	510	10.3%
Fringe Benefits	4,276	4,811	535	12.5%
Non-Personal Service/Fixed Costs	4,885	4,950	65	1.3%
Personal Service	10,874	10,270	(604)	-5.6%
Local Assistance	53,938	53,699	(239)	-0.4%

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

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

Spending on fringe benefits is projected to increase by \$535 million, an increase of 12.5 percent. Growth in fringe benefits is due principally to increases in the State's annual contribution to the New York State and Local Retirement System and the cost of providing health insurance for active and retired State employees. Pension costs are expected to increase by \$313 million (27.1 percent) in 2010-11. The growth assumes that \$242 million in State pension costs will be amortized in 2010-11, as authorized in the 2010-11 Enacted Budget.

## 2010-11 Projected Closing Balances

### General Fund

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

<b>2010-11 GENERAL FUND ESTIMATED CLOSING BALANCE</b>			
<b>(millions of dollars)</b>			
	<b>Enacted Budget</b>	<b>Change</b>	<b>Revised Estimate</b>
<b>Projected Fund Balance</b>	<b>1,385</b>	<b>0</b>	<b>1,385</b>
Tax Stabilization Reserve Fund	1,031	0	1,031
Rainy Day Reserve Fund	175	0	175
Community Projects Fund	85	0	85
Reserved for Debt Reduction	73	0	73
Contingency Reserve Fund	21	0	21

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

### All Governmental Funds

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

<b>2010-11 ALL FUNDS ESTIMATED CLOSING BALANCE</b> (millions of dollars)			
	<b>Enacted Budget</b>	<b>Change</b>	<b>Mid-Year Estimate</b>
<b>Projected Fund Balance</b>	<b>3,827</b>	<b>(251)</b>	<b>3,576</b>
General Fund	1,385	0	1,385
State Special Revenue Funds	1,816	(136)	1,680
Miscellaneous Special Revenue	<u>676</u>	<u>(44)</u>	<u>632</u>
<i>Industry Assessments</i>	321	(17)	304
<i>Health and Social Welfare</i>	166	(15)	151
<i>General Government</i>	168	2	170
<i>All Other</i>	21	(14)	7
State University Income	949	(155)	794
Mass Transportation Operating Assistance	3	39	42
Dedicated Mass Transportation Trust Fund	71	9	80
MTA Financial Assistance Fund	61	0	61
Health Care Resources Fund	0	0	0
Lottery Fund	18	3	21
All Other	38	12	50
Federal Operating Funds	522	(100)	422
Capital Projects Funds	(284)	9	(275)
Debt Service Funds	388	(24)	364

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

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

## General Fund Outyear Budget Projections

This section presents the State's multi-year projections for receipts and disbursements based on the Updated Financial Plan. State law requires the Governor to submit, and the Legislature to enact, a balanced plan of receipts and disbursements on a cash-basis for the General Fund. However, approximately 40 percent of total State spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, school aid, higher education, transportation and mental hygiene. Thus, the multi-year projections and growth rates are presented on both a General Fund and State Operating Funds basis.

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

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

### Budget Gaps

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

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

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

### Spending

General Fund spending is projected to grow at an average annual rate of 12.8 percent from 2010-11 through 2013-14.<sup>3</sup> Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting an expected return to a lower Federal matching rate for Medicaid expenditures after June 30, 2011, which will increase the share of Medicaid costs that must be financed by State resources, and the expected loss of temporary Federal aid for education. Excluding these stimulus-related effects, which temporarily suppress General Fund costs in 2010-11 and the first quarter of 2011-12, General Fund spending grows at approximately 8.7 percent on a compound annual basis.

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<sup>3</sup> The 2010-11 estimate is adjusted to exclude \$2.1 billion in school aid payments that were budgeted in 2009-10 but paid in 2010-11.

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

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

**Receipts**

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

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

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## General Fund Projections

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

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



## State Operating Funds Projections

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

<sup>1</sup> Financed in part with the use of existing fund balances in 2010-11. See Financial Plan Tables.

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

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

## Grants to Local Governments

### *Medicaid (Department of Health)*

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

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

<sup>1</sup> Excludes benefits in other State agencies. Costs in 2012-13 reflect the reconciliation of the local share benefit for 2011-12 that will occur in Fall 2012.

Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services (particularly in managed care), and higher levels of utilization, as well as the expiration of the temporarily enhanced levels of Federal aid. The number of Medicaid recipients is expected to total 4.9 million at the end of 2010-11, an increase of 5.9 percent from the 2009-10 caseload of 4.5 million.

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

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

### School Aid

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

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

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

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

MULTI-YEAR SCHOOL AID FINANCING PROJECTIONS - FISCAL YEAR BASIS (ADJUSTED) (millions of dollars)								
	2010-11 <sup>1</sup>	2011-12	Annual \$ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
General Fund Local Assistance	16,705	19,958	3,253	19.5%	22,405	12.3%	24,859	11.0%
General Fund Lottery Aid Guarantee	83	0	(83)	-100.0%	n/a	n/a	n/a	n/a
Core Lottery Aid	2,085	2,095	10	0.5%	2,102	0.3%	2,109	0.3%
VLT Lottery Aid	925	642	(283)	-30.6%	793	23.5%	855	7.8%
<b>Total State Funds</b>	<b>19,798</b>	<b>22,695</b>	<b>2,897</b>	<b>14.6%</b>	<b>25,300</b>	<b>11.5%</b>	<b>27,823</b>	<b>10.0%</b>

<sup>1</sup>Adjusted to exclude the end of 2009-10 fiscal year payment (\$2.06 billion) which was deferred to 2010-11.

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

#### *Mental Hygiene*

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

#### *Social Services*

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

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## State Operations

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

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

### Personal Service

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

### Non-Personal Service

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

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

### **General State Charges**

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

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

The Enacted Budget Financial Plan permits local governments and the State to amortize a portion of their pension costs beginning in 2010-11. Specifically, pension contribution costs in excess of the amortization thresholds, which are 9.5 percent for ERS and 17.5 percent for PFRS in 2010-11, may be amortized. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease by no more than one percentage point for each year. Repayment of the amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. For 2010-11 amortizations, the Comptroller has set the interest rate at 5 percent. For planning purposes, the Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The amounts assumed to be amortized over the Financial Plan period total \$242 million in 2010-11, \$552 million in 2011-12, \$755 million in 2012-13, and \$1.0 billion in 2013-14.

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

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

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

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

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

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

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

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

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

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## Debt Service

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

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

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

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

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



## Statutory Debt Limitations

### Debt Reform Act

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

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

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

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

Debt Service Cap (millions of dollars)	
New Debt Service	\$2,359
Governmental Funds Receipts	\$126,748
Debt Service (Percent of Gov't'l Fund Receipts)	1.86%
Cap Imposed by Debt Reform Act	3.98%

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

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

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

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## Year-to-Date Operating Results

### General Fund

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

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

\* Includes transfers from other funds after debt service.

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

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

- Medicaid spending continues to exceed planned levels in nearly all categories of service, and enrollment in the program is growing even faster than expected. DOB has increased the annual estimate for Medicaid spending based in part on operating results to date.
- All other education spending to date has been affected by the processing of special education claims by SED. Claims for the year are still expected to remain within budgeted levels.
- Children and Families spending has been lower to date due to a combination of processing delays and claiming patterns. The annual spending estimate has been lowered.
- Lower school aid spending reflects, in part, the impact of FMAP contingency reductions on disbursements.
- State Operations spending is exceeding planned levels through the second quarter. Constraints affecting implementation of statewide agency reductions are expected to result in higher personal service costs in 2010-11 than previously anticipated.
- Other spending has been affected by the FMAP contingency reductions, payment processing, and other factors that are not expected to materially affect annual estimates.

### General Fund Annual Change (Through September)

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

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

### All Governmental Funds Operating Results

SPENDING RESULTS: APRIL to SEPTEMBER 2010 (millions of dollars)				
	Enacted Budget	Results	Favorable/ (Unfavorable) vs. Plan	Increase/ (Decrease) from Prior Year
<b>State Operating Funds</b>	<b>36,929</b>	<b>36,721</b>	<b>208</b>	<b>820</b>
General Fund (excl. transfers)	23,184	22,817	367	710
Other State Funds	11,491	11,676	(185)	(136)
Debt Service Funds	2,254	2,228	26	246
<b>All Governmental Funds</b>	<b>63,544</b>	<b>63,424</b>	<b>120</b>	<b>3,790</b>
State Operating Funds	36,929	36,721	208	820
Capital Projects Funds	3,651	3,611	40	225
Federal Operating Funds	22,964	23,091	(127)	2,742

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

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

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

## **Economic Outlook**

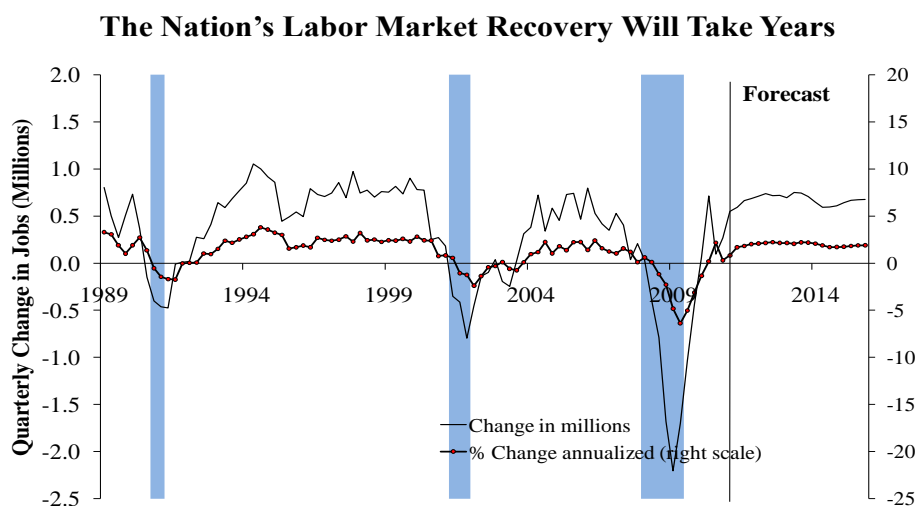
### **The National Economy**

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

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

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

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



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

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

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

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

<b>U.S. ECONOMIC INDICATORS</b>			
(Percent change from prior calendar year)			
	2009	2010	2011
	<u>(Actual)</u>	<u>(Forecast)</u>	<u>(Forecast)</u>
Real U.S. Gross Domestic Product	(2.6)	2.6	2.6
Consumer Price Index (CPI)	(0.3)	1.6	1.5
Personal Income	(1.7)	3.1	3.3
Nonagricultural Employment	(4.3)	(0.6)	1.1

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

## New York State Economy

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

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

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

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

<b>NEW YORK STATE ECONOMIC INDICATORS</b> (Percent change from prior calendar year)			
	2009 (Actual)	2010 (Forecast)	2011 (Forecast)
Personal Income	(3.1)	4.4	3.3
Wages	(7.2)	4.5	2.9
Nonagricultural Employment	(2.9)	(0.3)	0.8

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

## All Funds Receipts Projections

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

### 2010-11 All Funds Receipts Overview

<b>TOTAL RECEIPTS</b> (millions of dollars)				
	2009-10 Actual	2010-11 Mid-Year Update	Annual \$ Change	Annual % Change
<b>General Fund</b>	52,556	54,513	1,957	3.7%
<b>State Funds</b>	81,141	84,609	3,468	4.3%
<b>All Funds</b>	126,748	135,236	8,488	6.7%



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

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

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

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

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

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

### **Fiscal Year 2011-12 Overview**

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

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

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

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

### Change from Enacted Budget Financial Plan

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

<sup>1</sup> Excludes Transfers

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

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

## Multi-Year Receipts

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

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

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

## Revenue Risks

- DOB's forecast calls for the continuation of New York's economic recovery. Should the speed or magnitude of this recovery be inconsistent with the current forecast, revenue collections could be affected.
- Although real estate transfer tax receipts outperformed the year-to-date Enacted Budget Financial Plan estimate, recent disclosures concerning foreclosure practices by certain banks and stricter lending policies provide risk to the estimate.
- Personal income tax estimated payments grew 9.2 percent during the first half of 2010-11 from the same period one year ago, but fell \$100 million short of the Enacted Budget Financial Plan for this period. This represents a risk for the remainder of the fiscal year as a significant portion of estimated payments is due during December and January.
- Personal income tax receipts will be affected by how employers and high-income taxpayers respond to the scheduled expiration of lower Federal tax rates on high incomes, capital gains, and dividends at the end of tax year 2010.
- New York's statute to enforce the cigarette tax on Native American sales to non-tribal members is now in litigation in Federal court, preventing the State from collecting the tax. Absent a favorable decision, \$130 million in annual outyear collections are at risk.
- A disproportionately large share of audit and compliance receipts is expected during the second half of the current fiscal year. This represents a risk to the Updated Financial Plan during this period.

## GAAP-Basis Financial Plans/GASB Statement 45

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

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

### Other Post-Employment Benefits

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

As reported in the State's Basic Financial Statements for 2009-10, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008 with results projected to April 1, 2009 for the fiscal year ended March 31, 2010. The valuation calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2010 at \$55.9 billion (\$46.3 billion for the State and \$9.6 billion for SUNY), determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The net OPEB liability for 2009-10 totaled \$3.3 billion (\$2.7 billion for the State and \$0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was \$2.1 billion (\$1.7 billion for the State and \$0.4 billion for SUNY) above the payments for retiree costs made by the State in 2009-10. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2009-10 by \$2.1 billion.

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

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

<b>FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)</b>			
<b>Health Insurance</b>			
<b>Year</b>	<b>Active Employees</b>	<b>Retirees</b>	<b>Total State</b>
<b>2007-08 (Actual)</b>	1,390	1,182	2,572
<b>2008-09 (Actual)</b>	1,639	1,068	2,707
<b>2009-10 (Actual)</b>	1,609	1,072	2,681
<b>2010-11 (Projected)</b>	1,838	1,223	3,061
<b>2011-12 (Projected)</b>	2,034	1,355	3,389
<b>2012-13 (Projected)</b>	2,244	1,493	3,737
<b>2013-14 (Projected)</b>	2,470	1,643	4,113

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

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

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

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## Special Considerations

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

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

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

The Updated Financial Plan may be adversely affected by actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. Most recently, the Federal CMS requested additional information pertaining to claims for services provided to individuals in developmental centers operated by OPWDD. Among other information, CMS requested that the State provide a detailed description of how these daily rates are developed as well as the current upper payment limit demonstration. Although no official audit has commenced and the rates paid for these services are established in accordance with the methodology set forth in the approved State Plan, adverse action by CMS relative to these claims could jeopardize a significant amount of Federal financial participation in the Medicaid program.

There can be no assurance that the budget gaps in the current year or future years will not increase materially from current projections. If this were to occur, the State would be required to take additional gap-closing actions beyond those described in this update. These may include, but are not limited to, additional reductions in State agency operations; suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In nearly all cases, the ability of the State to implement these actions requires the approval of the Legislature or other entities outside of the control of the Executive.

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

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

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

### **Recent Operating Results and Cash Position**

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

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

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

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

The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller (available balances include money in the State's governmental funds, as well as certain other money). The available balances on hand in STIP have declined compared to recent years.

DOB will continue to closely monitor and manage the State's liquidity position during the fiscal year, which may include temporarily reducing planned payments, and will continue to reserve money in advance of the upcoming quarter of debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants.

### **Debt Reform Cap**

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

### **Secured Hospital Program**

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



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

### **Future Budget Gaps**

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

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

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

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

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

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

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

### **State Workforce**

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

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

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

# Litigation and Arbitration

## Real Property Claims

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

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

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

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

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

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

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

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

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

## **Metropolitan Transportation Authority**

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

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

## **School Aid**

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In *Becker et al. v. Paterson et al.* (Sup. Ct. Albany Co.), plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid due by statute on December 15, 2009, violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the commencement of the suit, the moneys at issue have been released. Following a February 3, 2010 conference with the court to discuss the status of the case, plaintiffs amended their complaint to reflect late payment of the moneys at issue. Pursuant to a Court-direct schedule, following defendants' answer, plaintiffs moved for summary judgment on March 5, 2010. Defendants cross-moved for summary judgment on April 15, 2010. The plaintiffs replied on May 7, 2010 and defendants filed their sur-reply on May 21, 2010. The motions were argued on June 24, 2010 and the parties await decision.

In a second case involving the parties (*Becker et al. v. Paterson* [Sup. Ct., Albany Co.]), plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid from March 31, 2010 to June 1, 2010, also violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the commencement of the suit, the moneys at issue have also been released. The defendants answered, claiming that the statute in question, Education Law §3609-a, permitted payment on June 1, 2010, and that March 31, 2010 was merely an authorized pre-payment date.

Plaintiffs moved for summary judgment on July 21, 2010 and defendants responded and cross-moved for summary judgment on September 16, 2010. The plaintiffs waived their right to reply on their motion and submitted no opposition to the cross-motion. The parties waived oral argument and await decision.

In *Hussein v. State of New York*, plaintiffs seek a judgment declaring that the State's system of financing public education violates section 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education. In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. The State has appealed this denial to the Appellate Division, Third Department. The appeal will be argued in November, 2010.

## Representative Payees

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

The first named claimant initially sought benefits on her own behalf as well as certification of a class of claimants. However, the class claims were dismissed by the Court of Claims on February 10, 2010 for failure to comply with Court of Claims Act § 11(b), which provides that a claim must state when and where the claim arose, the nature of the claim, the items of damage, and the total sum claimed. On March 18, 2010, claimants filed a notice of appeal.

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. The State's summary judgment motion is *sub judice*. By decision and order dated September 27, 2010, the Court of Claims (Ruderman, J.), granted the State's motion for summary judgment and dismissed the individual claims. The Court held that the state statutes relied on by claimants do not apply to Social Security benefits and that executive directors of OMH facilities are acting properly in accordance with the Social Security Act and applicable federal regulations. The time in which claimants may appeal from this decision and order has not yet expired.

## Sales Tax

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In *Seneca Nation of Indians v. Paterson et al. (USDC WDNY)*, *St. Regis Mohawk Tribe v. Paterson, et al. (USDC WDNY)*, *Unkechaug Indian Nation v Paterson, et al. (USDC WDNY)*, and *Oneida Indian Nation of New York v Paterson, et al. (USDC NDNY)*, plaintiffs seek judgments declaring that Chapters 134 and 136 of the Laws of 2010, which enacted amendments to the Tax Law regarding collection of excise taxes on reservation cigarette sales to non-tribal members, violate their rights under Federal law, and enjoining the State from enforcing those laws. On August 26, 2010, in *Seneca*, the District Court granted a motion to intervene brought by the Cayuga Indian Nation of New York. In *Seneca*, in an order dated August 31, 2010, the District Court ordered that defendants are temporarily restrained from implementing, administering and enforcing the challenged provisions of the Tax Law and the implementing regulations as applied to the Seneca Nation of Indians and the Cayuga Indian Nation of New York pending further order of the Court. On October 15, 2010 the District Court granted a similar temporary restraining order in the *St. Regis* and *Unkechaug* cases.

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

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

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

The plaintiffs in *Day Wholesale* appealed. On September 14, 2010 the Appellate Division, Fourth Department denied plaintiffs' motion for a preliminary injunction pending appeal.

## **Bottle Bill Litigation**

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

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



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

## Public Finance

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

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

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

## Eminent Domain

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

## Insurance Department Assessments

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In *New York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.)*, several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions to the extent that the assessments include amounts for items that are not direct expenses of the Insurance Department. The State filed its answer on May 4, 2010.

On June 9, 2010, the State filed a motion for summary judgment. Plaintiffs have filed a motion for permission to conduct discovery prior to responding to the State's motion for summary judgment. Plaintiffs' motion is returnable on December 13, 2010, but plaintiffs have indicated that they intend to file an amended complaint prior to that time.

## Tobacco Master Settlement Agreement (MSA)

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

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

## **MSA Arbitration**

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

## Glossary of Acronyms

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

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

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

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

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



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

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

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

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Source: NYS DOB

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

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

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Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

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Source: NYS DOB

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

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

Source: NYS DOB



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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

---

Source: NYS DOB

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

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

Source: NYS DOB

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

	2010 April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	September Actuals	October Actuals*	November Projected	December Projected	2011 January Projected	February Projected	March Projected	Total
<b>OPENING BALANCE</b>	2,302	4,274	1,648	(87)	590	528	2,381	2,071	803	864	5,545	5,794	2,302
<b>RECEIPTS:</b>													
Personal Income Tax	3,069	783	2,164	1,575	1,669	2,571	1,526	1,344	523	5,280	2,016	1,648	24,148
User Taxes and Fees	669	589	858	666	666	863	696	684	880	753	628	784	8,736
Business Taxes	60	2	80	21	43	990	(7)	131	1,431	70	1,431	2,047	5,783
Other Taxes	93	83	103	155	81	116	67	67	67	67	67	68	1,034
Total Taxes	3,891	1,457	4,040	2,476	2,437	4,540	2,282	2,226	2,901	6,123	2,781	4,547	39,701
Licenses, Fees, etc.	47	56	55	77	53	69	50	50	50	45	65	50	667
Abandoned Property	0	(4)	77	3	28	43	16	120	40	70	60	197	650
ABC License Fee	9	1	6	4	4	0	3	3	3	3	3	3	46
Motor vehicle fees	0	0	0	0	0	0	0	0	0	0	0	0	42
Reimbursements	7	13	35	13	6	47	6	11	36	6	11	31	222
Investment Income	1	0	0	1	0	0	(3)	1	1	2	4	3	10
Other Transactions	26	33	80	41	69	423	54	49	99	73	77	200	1,224
Total Miscellaneous Receipts	90	99	253	139	160	586	126	234	229	199	220	526	2,861
Federal Grants	1	13	0	0	0	0	14	0	14	0	0	18	60
PT in Excess of Revenue Bond Debt Service	1,022	108	887	509	232	964	348	165	1,080	1,331	303	822	7,771
Sales Tax in Excess of LGAC Debt Service	180	100	350	202	132	267	210	206	264	227	2	158	2,298
Real Estate Taxes in Excess of CW/CA Debt Service	32	34	33	32	33	28	22	22	22	22	22	23	332
All Other	4	1	62	87	20	11	15	39	190	144	185	733	1,491
Total Transfers from Other Funds	1,238	243	1,332	837	417	1,270	585	432	1,556	1,724	512	1,736	11,892
TOTAL RECEIPTS	5,220	1,812	5,625	3,452	3,014	6,396	3,017	2,892	4,700	8,046	3,513	6,827	54,514
<b>DISBURSEMENTS:</b>													
School A/L	491	2,616	3,767	100	574	1,063	397	1,004	1,560	300	514	6,379	18,765
Higher Education	16	16	379	196	14	314	56	361	149	50	420	473	2,488
All Other Education	17	14	17	14	88	523	25	420	38	94	151	77	1,488
Medicaid - DOH	1,085	633	668	516	590	389	259	714	538	714	927	321	7,425
Public Health	40	30	122	16	65	117	17	46	129	30	30	144	786
Mental Hygiene	10	5	362	50	130	392	164	21	401	128	127	428	2,218
Children and Families	9	15	14	66	274	74	338	139	214	165	88	301	1,697
Temporary & Disability Assistance	61	140	61	62	114	83	152	110	153	62	6	148	1,152
Transportation	0	0	0	11	9	18	0	24	9	0	25	2	98
Unrestricted Aid	3	12	274	1	1	96	9	2	212	2	2	166	780
All Other	19	16	189	(27)	45	48	(46)	73	52	39	40	443	891
Total Local Assistance Grants	1,751	3,497	5,853	1,017	1,904	3,117	1,373	2,985	3,455	1,584	2,330	8,882	37,748
Personal Service	514	547	586	619	465	622	403	459	593	409	379	593	6,189
Non-Personal Service	143	108	151	171	180	175	122	166	180	212	169	172	1,949
Total State Operations	657	655	737	790	645	797	525	625	773	621	548	765	8,138
General State Charges	122	30	485	112	348	298	441	293	104	385	165	1,336	4,119
Debt Service	414	38	3	470	(5)	(133)	599	0	(1)	457	(15)	(177)	1,650
Capital Projects	14	21	4	121	(42)	63	88	59	63	127	120	240	878
State Share Medicaid	180	162	244	185	184	363	179	144	229	181	210	212	2,435
Other Purposes	110	35	34	80	42	38	46	54	46	49	(15)	183	778
Total Transfers to Other Funds	718	256	285	856	179	331	988	257	337	805	271	458	5,741
TOTAL DISBURSEMENTS	3,248	4,438	7,360	2,775	3,076	4,543	3,327	4,160	4,669	3,385	3,314	11,441	55,746
Excess/(Deficiency) of Receipts over Disbursements	1,972	(2,626)	(1,735)	677	(62)	1,853	(310)	(1,268)	31	4,651	199	(4,614)	(1,232)
<b>CLOSING BALANCE</b>	4,274	1,648	(87)	590	528	2,381	2,071	803	834	5,515	5,744	1,180	1,070
<b>Net Proposed Reductions</b>	0	0	0	0	0	0	0	0	30	30	50	205	315
<b>Closing Fund Balance After Proposed Reductions</b>	4,274	1,648	(87)	590	528	2,381	2,071	803	864	5,545	5,794	1,385	1,385

\*Preliminary Results

Source: NYS DOB

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

	2009-2010 Actuals	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>					
Agriculture and Markets, Department of	109,449	100,822	111,324	126,235	105,146
Alcoholic Beverage Control	17,012	17,774	19,658	20,176	20,993
Banking Department	87,166	90,845	93,975	97,677	100,817
Developmental Authority North	36	200	162	162	162
Consumer Protection Board	2,295	2,684	2,748	2,633	2,657
Economic Development Capital Programs	18,306	6,500	2,500	2,500	2,500
Economic Development, Department of	76,889	92,189	64,915	66,420	81,105
Energy Research and Development Authority	29,380	34,858	31,307	30,158	31,178
Insurance Department	657,937	464,700	463,468	471,900	479,183
Empire State Development Corporation	606,568	1,012,595	760,671	291,301	382,996
Olympic Regional Development Authority	7,966	4,815	5,025	5,025	5,152
Public Service, Department of	77,313	75,266	78,822	82,617	85,830
Racing and Wagering Board, State	22,575	23,733	24,638	22,625	23,405
Science, Technology and Innovation, Foundation for	29,083	31,024	29,111	26,827	23,387
Strategic Investment	8,827	10,000	4,000	5,000	5,000
<b>Functional Total</b>	<b>1,750,802</b>	<b>1,968,005</b>	<b>1,692,324</b>	<b>1,251,256</b>	<b>1,349,511</b>

**PARKS AND THE ENVIRONMENT**

Adirondack Park Agency	5,292	5,118	4,667	4,669	4,669
Environmental Conservation, Department of	864,001	1,038,671	991,615	787,219	757,919
Environmental Facilities Corporation	10,025	9,067	9,249	9,433	9,433
Hudson River Park Trust	11,977	10,000	0	0	0
Parks, Recreation and Historic Preservation, Office of	305,485	238,211	218,789	220,456	221,198
<b>Functional Total</b>	<b>1,196,780</b>	<b>1,301,067</b>	<b>1,224,320</b>	<b>1,021,777</b>	<b>993,219</b>

**TRANSPORTATION**

Motor Vehicles, Department of	320,230	326,441	310,740	319,237	325,565
Thruway Authority	1,403	1,800	1,800	1,800	1,800
Metropolitan Transportation Authority	184,681	217,100	194,500	183,600	183,600
Transportation, Department of	7,376,584	8,171,039	8,156,431	8,001,729	7,999,715
<b>Functional Total</b>	<b>7,882,898</b>	<b>8,716,380</b>	<b>8,663,471</b>	<b>8,506,366</b>	<b>8,510,680</b>

**HEALTH**

Aging, Office for the	229,966	226,863	219,285	219,338	219,381
Health, Department of	42,156,549	44,707,035	49,012,901	50,810,999	55,398,469
Medical Assistance	37,025,209	39,146,472	43,028,745	45,049,303	49,581,347
Medicaid Administration	939,296	1,098,413	1,147,500	1,193,500	1,241,300
Public Health	4,192,044	4,462,150	4,836,656	4,568,196	4,575,822
Health - Medicaid Assistance	0	0	0	0	0
Medicaid Inspector General, Office of	64,868	73,770	87,434	90,014	91,724
Stem Cell and Innovation	17,676	44,700	50,000	61,373	63,673
<b>Functional Total</b>	<b>42,469,059</b>	<b>45,052,368</b>	<b>49,369,620</b>	<b>51,181,724</b>	<b>55,773,247</b>

**SOCIAL WELFARE**

Children and Family Services, Office of	3,189,020	3,241,227	3,327,980	3,511,844	3,733,849
OCFS	3,139,542	3,134,526	3,196,618	3,376,657	3,594,824
OCFS - Medicaid	49,478	106,701	131,362	135,187	139,025
Human Rights, Division of	20,300	19,339	18,990	19,596	19,881
Labor, Department of	728,721	797,210	738,445	733,468	716,357
Housing and Community Renewal, Division of	417,003	467,490	403,257	263,395	280,349
National Commission Services	16,862	20,732	14,627	14,629	14,715
Prevention of Domestic Violence, Office for	2,167	1,947	1,962	1,983	1,983

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

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

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

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



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

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

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

Source: NYS DOB

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

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

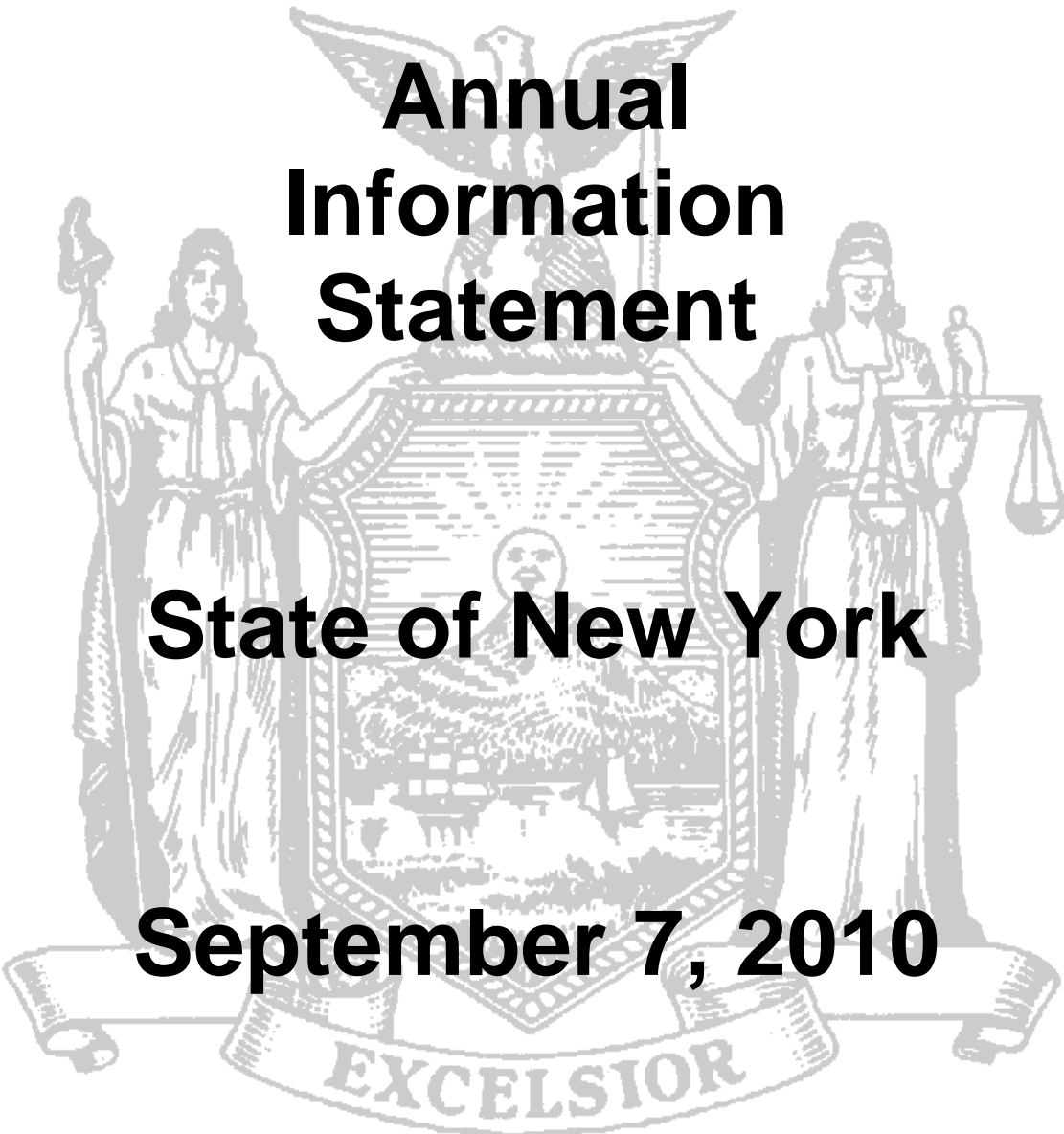
Source: NYS DOB

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

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

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Source: NYS DOB

The seal of the State of New York is centered in the background. It features a shield with a landscape scene, flanked by two female figures: Liberty on the left holding a torch and a scroll, and Justice on the right holding scales. Above the shield is an eagle with wings spread. A banner at the bottom of the shield contains the word "EXCELSIOR".

**Annual  
Information  
Statement**

**State of New York**

**September 7, 2010**



# Annual Information Statement

## State of New York

*Dated: September 7, 2010*

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- Appropriations and Fiscal Controls
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#### Exhibit D to Annual Information Statement

- Glossary of Acronyms



# Annual Information Statement of the State of New York

## Introduction

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This Annual Information Statement (“AIS”) is dated September 7, 2010 and contains information only through that date. This AIS constitutes the official disclosure information regarding the financial condition of the State of New York (the “State”) and replaces the Annual Information Statement dated May 15, 2009 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in November 2010 and February 2011) and may be supplemented from time to time as developments may warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any current updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. A section entitled the “Current Fiscal Year” that contains (a) extracts from the 2010-11 Enacted Budget Financial Plan, dated August 20, 2010 (the “Updated Financial Plan”), prepared by the Division of the Budget (“DOB”), including the State’s official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State’s current fiscal year under the heading “Special Considerations.” The first part of the section entitled “Current Fiscal Year” summarizes the major components of the 2010-11 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State’s governmental funds in 2010-11.
2. Information on other subjects relevant to the State’s fiscal condition, including: (a) operating results for the three prior fiscal years, (b) the State’s revised economic forecast and a profile of the State economy, (c) debt and other financing activities, (d) selected State government summary, and (e) activities of public authorities and localities.
3. The status of significant litigation and arbitration that has the potential to adversely affect the State’s finances.

DOB is responsible for preparing the State’s Financial Plan and presenting the information that appears in this AIS on behalf of the State. In preparing this AIS, DOB has utilized significant portions of the Updated Financial Plan, but has also relied on information drawn from other sources, including the Office of the State Comptroller (“OSC”), that DOB believes to be reliable. Information contained in the section entitled “State Retirement Systems” is furnished by the Office of the State Comptroller. Information relating to matters described in the section entitled “Litigation and Arbitration” is furnished by the State Office of the Attorney General.

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



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

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

The State may issue AIS supplements or other disclosure notices to this AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. An electronic copy of this AIS can be accessed through the EMMA at [www.emma.msrb.org](http://www.emma.msrb.org). An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-7705. OSC issued the Basic Financial Statements for the 2009-10 fiscal year in July 2010. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and are available on its website at [www.osc.state.ny.us](http://www.osc.state.ny.us).

## Usage Notice

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

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

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

## Overview

### The State Budget Process

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

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

Once the appropriation bills and other bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economy, as well as new actions taken by the Governor or the Legislature. As required by the State Finance Law, the Governor updates the State Financial Plan within 30 days of the close of each quarter of the fiscal year, generally issuing reports by July 30, October 30, and in January as part of the Executive Budget. The Governor is required to submit these updates to the Legislature and explain any changes from the previous State Financial Plan.

Subject to approval by the Governor, the Legislature may enact additional appropriation bills or revenue measures (including tax reductions) during any regular session or, if called into session for that purpose, any special session. In the event additional appropriation bills or revenue measures are disapproved by the Governor, the Legislature has authority to override the Governor's veto upon the vote of two-thirds of the members of each house of the Legislature. The Governor may present deficiency appropriations to the Legislature near the end of any fiscal year to supplement inadequate appropriations or to provide new appropriations for purposes not covered by the regular and supplemental appropriations.

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

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

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

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## The 2010-11 Enacted Budget Overview

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

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

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

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

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

<sup>4</sup> Reflects the estimated change in tax receipts excluding the impact of Tax Law changes since fiscal year 1986-87.

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

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

## 2010-11 Enacted Budget Gap-Closing Plan

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

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

<sup>1</sup> Includes the carry-forward of the 2009-10 budget shortfall of \$1.6 billion into 2010-11.

<sup>2</sup> Recurring value of administrative and legislative actions approved in December 2009.

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

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

## Current Fiscal Year

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

*The State Constitution requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund — the fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this is the fund that is required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.*

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

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

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

## Updated Financial Plan

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

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

<b>GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS</b>				
<b>SUMMARY OF CHANGES FROM REVISED CURRENT-SERVICES THROUGH ENACTED BUDGET RECOMMENDATION</b>				
<b>(millions of dollars)</b>				
	<u>2010-11<sup>1</sup></u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
<b>Current Services Surplus/(Gap) Estimates</b>	<b><u>(9,188)</u></b>	<b><u>(15,851)</u></b>	<b><u>(19,650)</u></b>	<b><u>(21,584)</u></b>
<b>2010-11 Enacted Budget Actions</b>	<b><u>9,188</u></b>	<b><u>7,674</u></b>	<b><u>6,189</u></b>	<b><u>6,021</u></b>
Spending Control	<u>6,319</u>	<u>4,783</u>	<u>4,308</u>	<u>4,396</u>
December 2009 Deficit Reduction Actions	692	811	876	854
Enacted Budget	4,813	4,526	4,192	4,095
Veto Benefit	533	(554)	(760)	(553)
FMAP Local Assistance Contingency	281	0	0	0
Revenue Actions	1,034	1,867	1,460	1,204
Tax Audits; Recoveries; Enforcement	371	421	421	421
Non-Recurring Actions	660	0	0	0
Extension of Enhanced FMAP	804	603	0	0
<b>ENACTED BUDGET SURPLUS/(GAP) ESTIMATES</b>	<b><u>0</u></b>	<b><u>(8,177)</u></b>	<b><u>(13,461)</u></b>	<b><u>(15,563)</u></b>
Four-Year Total Gap (2010-11 through 2013-14)				(37,201)
<sup>1</sup> Includes the carry-forward of the \$1.65 billion budget shortfall from 2009-10.				

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

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

<sup>3</sup> See “Summary of Changes to the Current-Services Gap” herein.

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

The Updated Financial Plan:

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

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

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

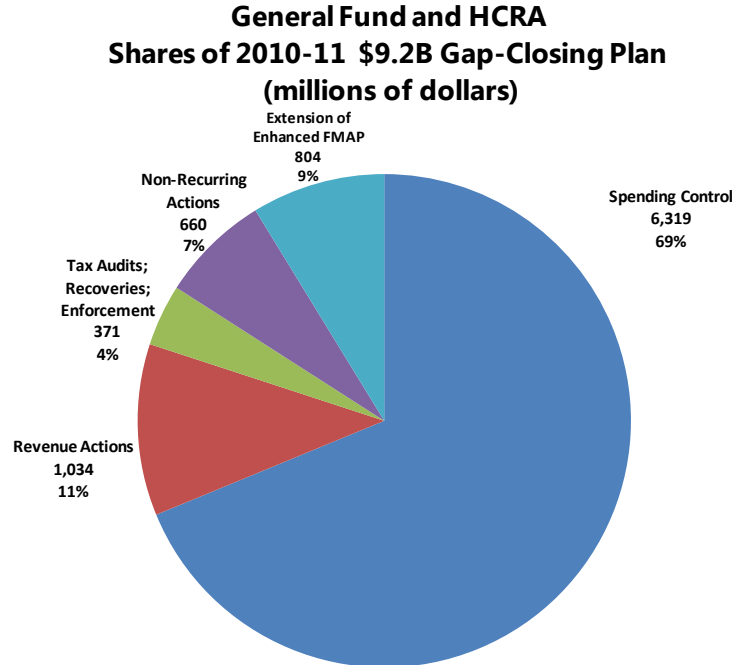
<sup>6</sup> Unless otherwise noted, and except for the tables which appear on pages 61-76, all annual spending estimates have been adjusted to account for the impact of 2009-10 payment deferrals and, in the case of Federal Funds and All Funds, for the timing of ARRA pass-through funding. See "Impact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

<sup>7</sup> Agency operations include fixed costs.



### Composition of the Gap-Closing Plan

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



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

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

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

<sup>8</sup> Includes value of the DRP. See "Explanation of the Deficit Reduction Plan" herein.

## Impact on Spending

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

TOTAL DISBURSEMENTS -- SUMMARY OF ADJUSTMENTS <sup>1</sup>						
(millions of dollars)						
	2009-10			2010-11		
	Actual Results	Adjustment	Results Adjusted	2010-11 Enacted	Adjustment	Enacted Adjusted
<b>State Operating Funds</b>	<b>76,874</b>	<b>2,060</b>	<b>78,934</b>	<b>81,058</b>	<b>(2,060)</b>	<b>78,998</b>
General Fund (Excludes Transfers)	46,415	2,060	48,475	49,661	(2,060)	47,601
Other State Funds	25,447	0	25,447	25,789	0	25,789
Debt Service Funds	5,012	0	5,012	5,608	0	5,608
<b>All Funds</b>	<b>126,877</b>	<b>4,060</b>	<b>130,937</b>	<b>135,887</b>	<b>(2,060)</b>	<b>133,827</b>
State Operating Funds	76,874	2,060	78,934	81,058	(2,060)	78,998
Capital Projects Funds	7,112	0	7,112	8,454	0	8,454
Federal Operating Funds	42,891	2,000	44,891	46,375	0	46,375
<b>General Fund, including Transfers</b>	<b>52,202</b>	<b>2,060</b>	<b>54,262</b>	<b>55,593</b>	<b>(2,060)</b>	<b>53,533</b>
<b>State Funds</b>	<b>82,034</b>	<b>2,060</b>	<b>84,094</b>	<b>87,133</b>	<b>(2,060)</b>	<b>85,073</b>

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

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

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

The annual spending growth in State Operating Funds is affected by the rapid annual increase in debt service and fringe benefits, which are difficult to control in the short-term due to existing constitutional, statutory, and contractual obligations. Together, these costs are projected to increase by a total of \$1.2 billion in 2010-11.

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

Spending on fringe benefits is projected to increase by \$603 million, an increase of 14.1 percent. Growth in fringe benefits is due principally to increases in the State's annual contribution to the New York State and Local Retirement System and the cost of providing health insurance for active and retired State employees. Pension costs are expected to increase by \$312 million (27 percent) in 2010-11. This increase is net of \$242 million in amortization savings scheduled for 2010-11. The following table summarizes the growth in these spending categories.

<b>CAUSES OF ADJUSTED STATE OPERATING FUNDS SPENDING CHANGE <sup>1</sup></b>				
<b>(millions of dollars)</b>				
	<b>2009-10</b>	<b>2010-11</b>	<b>Annual \$ Change</b>	<b>Annual % Change</b>
<b>Total</b>	<b>78,934</b>	<b>78,998</b>	<b>64</b>	<b>0.1%</b>
Debt Service	4,961	5,516	555	11.2%
Fringe Benefits	4,276	4,879	603	14.1%
Personal Service	10,874	10,307	(567)	-5.2%
Non-Personal Service/Fixed Costs	4,885	4,663	(222)	-4.5%
Local Assistance	53,938	53,633	(305)	-0.6%

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

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

The following table summarizes the major sources of annual change.

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

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

<sup>2</sup> Includes the value of recurring savings from the December 2009 Deficit Reduction Plan.

<sup>3</sup> State fiscal year basis. ARRA funding temporarily reduces spending from State Operating Funds.

<sup>4</sup> Department of Health Medicaid spending only, excludes other State agency spending. ARRA funding temporarily reduces spending from State Operating Funds.

<sup>5</sup> 2009-10 affected by \$300 million payment deferral from 2008-09.

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

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

## EXPLANATION OF GAP-CLOSING PLAN

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

### 2010-11 Enacted Budget Actions

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

### Spending Control

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

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

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<sup>9</sup> Legislation, other than appropriation bills, submitted as part of the budget.

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

<sup>1</sup> Excludes savings from December 2009 DRP. Net of new funding initiatives. Includes the impact of Governor's vetoes.

<sup>2</sup> Estimated debt service savings from reducing planned capital spending financed with debt.

## Local Assistance

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

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

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

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

## Impact of Vetoes

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

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

<b>SUMMARY OF 2010-11 BUDGET VETOES</b>				
<b>SAVINGS/(COSTS)</b>				
<b>(millions of dollars)</b>				
	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>Savings/(Costs) from Vetoes</b>	<b>533</b>	<b>(554)</b>	<b>(760)</b>	<b>(553)</b>
School Aid	<u>419</u>	<u>(652)</u>	<u>(833)</u>	<u>(625)</u>
Legislative Restoration	419	170	0	0
Foundation Aid Phase-In Delay	0	(688)	(774)	(592)
All Other	0	(134)	(59)	(33)
Higher Education	<u>107</u>	<u>89</u>	<u>64</u>	<u>63</u>
SUNY/CUNY Community College Base Aid	56	76	76	76
HESC TAP Awards for Two-year Degree Programs	10	(5)	(13)	(13)
HESC TAP \$75 Award Reduction	17	7	0	0
HESC TAP Academic Standards	6	2	0	0
HESC TAP for Non-SED Programs	13	18	18	18
HESC Scholarships and Loan Forgiveness	0	(5)	(8)	(9)
HESC TAP Award Schedules	5	(1)	(5)	(5)
HESC TAP Default Parity	0	(3)	(4)	(4)
Health Care	4	5	5	5
Arts	2	2	2	2
Housing	1	1	1	1
Capital Projects/Debt Service	0	1	1	1

## FMAP Contingency Spending Reductions

The 2010-11 Enacted Budget mandates a uniform reduction to local assistance payments beginning September 16, 2010 in an amount up to the level of the shortfall between the actual amount of the six-month enhanced FMAP extension and the amount assumed in the Updated Financial Plan. Payments for public assistance, debt service, court judgments, and certain other purposes are exempt from the uniform reductions. The following table summarizes the change from the initial Financial Plan estimates of a six-month extension and the current estimate following the extension approved by Congress in August 2010.



<b>FEDERAL ENHANCED FMAP 6-MONTH EXTENSION (STATE SHARE)</b>			
<b>SUMMARY OF ESTIMATED FINANCIAL PLAN IMPACT -- SAVINGS/(COSTS)</b>			
<b>(millions of dollars)</b>			
	<b>2010-11</b>	<b>2011-12</b>	<b>Two-Year</b>
	<b>Jan - Mar</b>	<b>Apr - Jun</b>	<b>Total</b>
Estimated FMAP Extension (Apr 2010)	1,085	1,060	2,145
Approved Federal Extension (Aug 2010)	804	603	1,407
Difference	(281)	(457)	(738)
FMAP Local Assistance Contingency Reductions	281	0	281
<b>IMPACT ON BUDGET SURPLUS/(GAPS)</b>	<b>0</b>	<b>(457)</b>	<b>(457)</b>

The State continues to receive ARRA funds. This aid can be classified into two categories: (1) direct aid that provides a Financial Plan benefit by paying for costs that must otherwise be paid with State resources and (2) pass-through aid that funds specific initiatives and by law must pass through the State's Financial Plan. The following table summarizes total ARRA spending in the State Financial Plan from 2008-09 through 2011-12, the last fiscal year in which substantial ARRA funding is expected.

<b>SUMMARY OF ESTIMATED FEDERAL ARRA SPENDING BY FISCAL YEAR</b>				
<b>(millions of dollars)</b>				
	<b>2008-09*</b>	<b>2009-10*</b>	<b>2010-11</b>	<b>2011-12</b>
<b>TOTAL DIRECT STATE AID</b>	<b>1,299</b>	<b>4,227</b>	<b>5,908</b>	<b>712</b>
<b>Enhanced Federal FMAP (State Benefit)</b>	<b>1,299</b>	<b>3,572</b>	<b>4,054</b>	<b>203</b>
DOH Medicaid	1,092	3,040	3,425	107
Mental Hygiene Medicaid	207	532	629	96
<b>State Fiscal Stabilization Relief</b>		<b>655</b>	<b>1,854</b>	<b>509</b>
School Aid		546	1,331	509
Higher Education		103	166	0
Special/Other Education		6	335	0
All Other		0	22	0
<b>TOTAL PASS-THROUGH AID</b>	<b>440</b>	<b>2,291</b>	<b>4,647</b>	<b>2,332</b>
Enhanced FMAP (Local Share - Subject to reconcil.)	440	1,122	1,738	793
Education		334	860	879
Human Services		237	768	0
Transportation		205	450	320
Housing		61	131	120
Labor		121	111	0
Higher Education		91	102	0
Environment		39	209	200
Health Care		41	144	0
Criminal Justice/Public Safety		8	55	20
General Government/Other		32	79	0

\*Estimated year-end results.

In 2010-11, DOB estimates that ARRA provides a direct benefit of approximately \$4 billion through enhanced FMAP and \$1.9 billion in aid for elementary and secondary, higher education and housing through SFSF, some of which applies to the 2009-10 school year, for expenses that would otherwise need to be paid for with State resources or eliminated.<sup>10</sup>

### State Operations

The cost of operating State government includes (a) salaries, (b) pensions and other fringe benefits, and (c) non-personal service expenses, including utilities, rents, medical supplies, and other expenses.<sup>11</sup> State Operating Funds spending for these purposes is expected to total approximately \$19.8 billion, a decrease of \$186 million from 2009-10. After actions, personal service and non-personal service expenses are projected to decline by nearly \$800 million. This is partially offset by growth in fringe benefit costs of \$603 million.

The Enacted Budget includes \$1.5 billion in savings from efficiency measures in State agencies, targeted workforce savings, and controls to slow the growth in fringe benefit costs.

- **Statewide Agency Operating Reductions (\$1.2 billion):** Actions include across-the-board reductions in agency operating budgets, targeted personnel management initiatives, and statewide programs to leverage the State's purchasing power in energy, supplies, and materials. Personal service savings are expected from a combination of ERI savings, attrition and other measures. The Governor has rescinded, for the second consecutive year, the general salary increase for the State's non-unionized "management/confidential" employees (\$28 million in 2010-11).
- **Pension Amortization/Fringe Benefits (\$287 million):** Local governments and the State face substantial pension contribution increases over the next six years due to investment losses experienced by the Common Retirement Fund. The budget affords local governments and the State the option to amortize a portion of their pension costs beginning in 2010-11. Specifically, pension contribution costs in excess of the amortization thresholds, which are 9.5 percent for ERS and 17.5 percent for PFRS, may be amortized. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease by no more than one percentage point for each year. Repayment of any amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. The assumed interest rate is 5 percent. For planning purposes, the Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The amounts assumed to be amortized over the Financial Plan period total \$242 million in 2010-11, \$504 million in 2011-12, \$825 million in 2012-13, \$1.1 billion in 2013-14, and \$1.2 billion in 2014-15. This amortization is expected to result in savings (compared to the unamortized costs), then result in substantially higher costs over the following 10 years as the amortized amounts are repaid. In addition, employees and retirees are now required to pay a portion of Medicare Part B health premiums and the State is authorized to self-insure all or parts of the New York State Health Insurance Plan.

As of March 31, 2010, the State had approximately 195,792 full-time equivalent annual salaried employees funded from all funds including some part-time and temporary employees but excluding seasonal, legislative and judicial employees. The workforce is now 15 percent smaller than it was 20 years ago, when it peaked at 230,600 positions. The State expects to end the 2010-11 fiscal year with a total 191,997 filled positions, after implementation of workforce savings initiatives, which include

<sup>10</sup> This is separate from, and should not be confused with, Federal pass-through spending under ARRA that provides no gap-closing benefit.

<sup>11</sup> The Financial Plan tables presentation includes three separate Financial Plan categories: Personal Service, Non-Personal Service and General State Charges (Fringe Benefits).

workforce changes of certain youth facilities, agency consolidations, early retirement incentives, and the continuation of statewide hiring controls. The State workforce subject to Executive control is expected to total 128,165 full time equivalent positions at the end of 2010-11, a reduction of approximately 3,576 from 2009-10 levels.

The gap-closing plan reduces planned capital projects spending financed with State-supported debt by \$1.6 billion over a five-year period, beginning in 2010-11. The reductions are expected to provide over \$130 million in annual debt service savings when fully implemented. The capital reductions will help the State maintain sufficient debt capacity.<sup>12</sup> The plan also includes \$100 million in debt management savings from refundings and other measures.

**Revenue Actions**

The Updated Financial Plan includes \$1.0 billion in revenue increases. Tax actions include an increase in the tax on cigarettes and tobacco products, a temporary elimination of the clothing exemption, a temporary cap on the aggregate tax credit claims for business related tax credits at \$2 million per taxpayer per year, and a decrease in the percentage of allowable itemized deductions for taxpayers with income above \$10 million. The following table summarizes the specific actions.

<b>COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11 - REVENUE ACTIONS</b>				
<b>SAVINGS/(COSTS)</b>				
<b>(millions of dollars)</b>				
	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>Revenue Actions</b>	<b>1,034</b>	<b>1,867</b>	<b>1,460</b>	<b>1,204</b>
Tax Actions	<u>893</u>	<u>1,736</u>	<u>1,364</u>	<u>1,133</u>
Eliminate Clothing Exemption	330	210	0	0
Cigarette/Tobacco Products Tax	290	318	312	307
Temporarily Cap Business Tax Credit Claims	100	970	970	870
Charitable Contributions	100	135	160	160
Sales Tax Vendor Credit	23	23	23	23
Private Label Credit Cards	17	23	23	23
Bank Bad Debt Deductions	15	15	15	15
Clarify Room Remarketers Must Collect Sales Tax	10	20	20	20
Sales Tax Add-back	0	20	20	20
Informational Returns for Credit/Debit Cards	0	0	35	83
Film Credit	0	0	(168)	(292)
Empire Zone Replacement Program	0	0	(50)	(100)
Other Tax Actions	8	2	4	4
Abandoned Property	100	95	60	50
Civil Court Filing Fees	19	34	34	34
All Other Revenue Actions	22	2	2	(13)
<b>Tax Audits/Recoveries/Enforcement</b>	<b>371</b>	<b>421</b>	<b>421</b>	<b>421</b>

Tax credits extended to the film industry and a restructured Empire Zone program result in additional costs to the Updated Financial Plan, beginning in 2012-13.

<sup>12</sup> Under the Debt Reform Act of 2000, State-supported debt outstanding issued after April 1, 2000 is limited to 4 percent of personal income, starting in 2010-11.

**Non-Recurring Resources**

The Enacted Budget relies on \$660 million in non-recurring resources in 2010-11. The largest item in this category is the use of the TANF Emergency Contingency Fund to pay for expenses that would otherwise be incurred by the General Fund in 2010-11. The Emergency Contingency Fund is a one-time ARRA authorization. Accordingly, it is not expected to be available in future years. The following table itemizes the non-recurring actions.

<b>COMBINED GENERAL FUND/HCRA GAP-CLOSING PLAN FOR 2010-11 NON-RECURRING RESOURCES SAVINGS/(COSTS) (millions of dollars)</b>	
	<u>2010-11</u>
<b>Non-Recurring Resources</b>	<b>660</b>
Federal TANF Resources	261
Physician Excess Medical Malpractice Payment (Timing)	127
Additional New York County District Attorney Recoveries	50
Additional Department of Law Recoveries	35
School Aid Overpayment Recoveries	32
NYSHELPS Program Adjustment	19
Eliminate New Technology Seed Fund	15
Available Fund Balances/Resources	121

Other non-recurring resources include altering the timing of a planned payment under the Physician's Excess Medical Malpractice program; additional recoveries from both the New York County District Attorney and the Department of Law; and recovering excess aid payments made to school districts in prior years.

**2009-10 Deficit Reduction Plan**

DOB estimates that the DRP approved on December 2, 2009 will generate recurring savings in the range of \$700 million to \$875 million in fiscal years 2010-11 through 2013-14. The following table summarizes the DRP.

<b>2009-10 DEFICIT REDUCTION PLAN SUMMARY SAVINGS/(COSTS) (millions of dollars)</b>				
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
<b>Total Deficit Reduction Plan Savings</b>	<b>692</b>	<b>811</b>	<b>876</b>	<b>854</b>
<b>Agency Operational Reductions</b>	<b>360</b>	<b>385</b>	<b>385</b>	<b>385</b>
<b>Legislative Actions <sup>1</sup></b>	<b>332</b>	<b>426</b>	<b>491</b>	<b>469</b>
Health Care	177	161	201	201
Mental Hygiene	57	55	53	32
Education/Arts	39	42	43	43
Higher Education Aid	36	36	36	36
Local Government Assistance	32	32	32	32
Tier V Pension	6	20	40	60
All Other	(15)	80	86	65

<sup>1</sup> Includes spending reductions in other State Funds that reduce General Fund costs through transfers from the accounts where savings are realized.

## Projected Closing Balances

The State ended 2009-10 with a General Fund balance of \$2.3 billion, including \$1.2 billion in the rainy day reserves and \$906 million resulting from the deferral of certain payments from 2009-10 into 2010-11. The latter amount was disbursed when the deferred payments were made in the first quarter of 2010-11.

After gap-closing actions, the year-end balance is expected to total \$1.4 billion in 2010-11, an annual decrease of \$917 million. The State's principal reserve funds are expected to remain unchanged, but the reserve created in 2009-10 would be utilized in its entirety. In addition, the balance in the Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor is expected to decline by \$11 million from 2009-10. This is the result of \$154 million in deposits authorized in prior years and scheduled for 2010-11, offset by \$165 million in projected spending in 2010-11. The estimate for spending from the Community Projects Fund is based on historical patterns and may be lower in 2010-11 as a result of the Governor's vetoes of member-item reappropriations. Lower than planned spending would increase the fund balance in the Community Projects Fund. The following table summarizes the projected balances in the General Fund.

<b>GENERAL FUND CLOSING BALANCE</b> (millions of dollars)					
	<u>2009-10</u> <u>Results</u>	<u>Planned</u> <u>Deposit</u>	<u>Planned</u> <u>Uses</u>	<u>2010-11</u> <u>Estimated</u>	<u>Change</u>
<b>Projected Year-End Fund Balance</b>	<b>2,302</b>	<b>154</b>	<b>(1,071)</b>	<b>1,385</b>	<b>(917)</b>
Tax Stabilization Reserve Fund	1,031	0	0	1,031	0
Rainy Day Reserve Fund	175	0	0	175	0
Contingency Reserve Fund	21	0	0	21	0
Community Projects Fund	96	154	(165)	85	(11)
Reserved for Debt Reduction	73	0	0	73	0
Reserved for Payment Deferrals	906	0	(906)	0	(906)

## 2010-11 Disbursements Forecast

The following table displays estimated annual spending growth from 2009-10 to 2010-11, on an adjusted basis. DOB has made adjustments to the actual and planned disbursements to account for the impact of (a) paying the \$2.06 billion end-of-year school aid payment scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute and (b) the timing of \$2.0 billion in Federal ARRA "pass through" spending expected in 2009-10. The latter has no impact on the State's efforts to balance the budget but instead represents Federal stimulus money that must pass through the State's Financial Plan. Approximately \$2 billion in Federal pass-through funding that was initially expected to be disbursed in 2009-10, is now expected to be disbursed in future years. Examples of pass-through spending include Title 1 education grants to school districts, neighborhood stabilization grants, and transportation aid.

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

Adjusted State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total \$79.0 billion in 2010-11. Adjusted All Funds spending, which includes capital spending and Federal aid in addition to State Operating Funds, is projected to total \$133.8 billion in 2010-11. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agency) in Special Revenue Funds have been adjusted downward in all fiscal years based on typical spending patterns and the observed variance between estimated and actual results.

ADJUSTED STATE OPERATING FUNDS <sup>1</sup> SPENDING PROJECTIONS MAJOR SOURCES OF ANNUAL CHANGE (millions of dollars)			
	2009-10	2010-11	Change
<b>Major Functions (Annual Change)</b>			
Health Care:			
Medicaid	11,479	11,675	196
Public Health	2,404	2,523	119
K-12 Education:			
School Aid (State Fiscal Year)	20,374	19,942	(432)
All Other Education Aid	1,693	1,663	(30)
STAR	3,414	3,300	(114)
Higher Education	8,447	8,092	(355)
Social Services:			
Temporary and Disability Assistance	1,360	1,222	(138)
Children and Family Services	2,006	2,148	142
Mental Hygiene	4,360	4,537	177
Transportation	3,941	4,433	492
General State Charges <sup>2</sup>	3,594	4,128	534
Debt Service	4,961	5,516	555
<b>All Other (Annual Change)</b>			
Local Government Aid	1,080	791	(289)
Department of Insurance	658	463	(195)
Statewide Agency Operating Reductions <sup>3</sup>	0	(500)	(500)
All Other	9,163	9,065	(98)
<b>Total Adjusted State Operating Funds Spending</b>	<b>78,934</b>	<b>78,998</b>	<b>64</b>

<sup>1</sup> Includes General Fund, State Special Revenue and Debt Service Funds.  
<sup>2</sup> General Fund only. Fringe benefits are allocated to agency budgets outside of the General Fund.  
<sup>3</sup> Reductions will be allocated by agency in the Mid-Year Financial Plan, following approval of early retirement and other savings plans.

## 2010-11 Financial Plan and OutYear Projections

This section presents the State's multi-year projections for receipts and disbursements based on the 2010-11 Enacted Budget. State Law requires the Governor to submit a balanced plan of receipts and disbursements on a cash-basis for the General Fund. However, approximately 40 percent of total State spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, school aid, higher education, transportation and mental hygiene. Thus, the multi-year projections and growth rates are presented on both a General Fund and State Operating Funds basis.

The multi-year forecast reflects the impact of the 2010-11 Enacted Budget and updated assumptions concerning economic performance, revenue collections, spending patterns, and projections for the current-services costs of program activities.

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

### Budget Gaps

In the General Fund, the projected budget gaps total approximately \$8.2 billion in 2011-12, \$13.5 billion in 2012-13, and \$15.6 billion in 2013-14. The net operating deficits in State Operating Funds are projected at \$8.2 billion in 2011-12, \$13.1 billion in 2012-13, and \$15.1 billion in 2013-14.

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

The growth in the gaps between 2010-11 and 2011-12 is caused in large part by the expiration of Federal stimulus funding for Medicaid and education, which is expected to result in approximately \$5.1 billion in costs reverting to the General Fund, starting in 2011-12. The annual growth in the gap is also affected by the sunset, at the end of calendar year 2011, of the temporary PIT increase enacted in 2009-10, which is expected to reduce 2011-12 receipts by approximately \$1 billion from 2010-11 levels.

### Spending

General Fund spending is projected to grow at an average annual rate of 9.0 percent from 2009-10 through 2013-14 (as adjusted). Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting an expected return to a lower Federal matching rate for Medicaid expenditures after June 30, 2011 which will increase the share of Medicaid costs that must be financed by State resources, and the expected loss of temporary Federal aid for education. Excluding these stimulus-related effects, which temporarily suppress General Fund costs in 2010-11 and the first quarter of 2011-12, General Fund spending grows at approximately 6.8 percent on a compound annual basis.

State Operating Funds spending is projected to grow at an average annual rate of 7.0 percent through 2013-14 (as adjusted). For both the General Fund and State Operating Funds, spending growth is driven by Medicaid, education, pension costs, employee and retiree health benefits, and child welfare programs.

Outyear spending projections do not incorporate any estimate of potential new actions to control spending in future years; any potential continuation of Federal stimulus aid beyond the first quarter of 2011-12; and any costs for future collective bargaining agreements beyond the April 1, 2011 expiration of the current four-year contracts for most unions. In addition, the forecast does not include any additional health care costs or savings that may materialize from the implementation of national health care reform at the Federal level of government.

## **Receipts**

General Fund receipts are projected to grow at an average annual rate of 3.8 percent from 2009-10 through 2013-14. Overall, State tax receipts growth in the three fiscal years following 2010-11 is expected to range from 1.7 percent to 6.2 percent. This is consistent with a projected return to modest economic growth in the New York economy in the second half of 2010. Receipts growth is affected by the tax changes approved in the Enacted Budget, as well as, in prior fiscal years, and tax compliance and anti-fraud efforts. These factors are expected to continue to enhance expected receipt growth through 2013-14. See “2010-11 All Funds Financial Plan” herein for a complete summary.

The following tables summarize the General Fund and State Operating Funds multi-year projections, adjusted for the school aid deferral from 2009-10 to 2010-11.



## General Fund

OUTYEAR GENERAL FUND PROJECTIONS (ADJUSTED)										
(millions of dollars)										
	2010-11	2011-12	Annual \$ Change	Annual % Change	2012-13	Annual \$ Change	Annual % Change	2013-14	Annual \$ Change	Annual % Change
<b>Receipts</b>										
Taxes (After Debt Service)	50,329	53,488	3,159	6.3%	54,028	540	1.0%	56,962	2,934	5.4%
Personal Income Tax	32,168	34,492	2,324	7.2%	34,167	(325)	-0.9%	36,085	1,918	5.6%
User Taxes and Fees	11,128	11,318	190	1.7%	11,694	376	3.3%	12,277	583	5.0%
Business Taxes	5,714	6,335	621	10.9%	6,674	339	5.4%	6,977	303	4.5%
Other Taxes	1,319	1,343	24	1.8%	1,493	150	11.2%	1,623	130	8.7%
Miscellaneous Receipts/Federal Grants	2,957	2,919	(38)	-1.3%	2,884	(35)	-1.2%	2,832	(52)	-1.8%
Other Transfers	1,390	1,400	10	0.7%	1,137	(263)	-18.8%	1,146	9	0.8%
<b>Total Receipts</b>	<b>54,676</b>	<b>57,807</b>	<b>3,131</b>	<b>5.7%</b>	<b>58,049</b>	<b>242</b>	<b>0.4%</b>	<b>60,940</b>	<b>2,891</b>	<b>5.0%</b>
<b>Disbursements</b>										
Grants to Local Governments:	<b>35,448</b>	<b>45,557</b>	<b>10,109</b>	<b>28.5%</b>	<b>50,003</b>	<b>4,446</b>	<b>9.8%</b>	<b>53,950</b>	<b>3,947</b>	<b>7.9%</b>
School Aid	16,849	19,838	2,989	17.7%	22,186	2,348	11.8%	24,438	2,252	10.2%
Medicaid (incl. administration)	7,069	12,439	5,370	76.0%	13,805	1,366	11.0%	15,048	1,243	9.0%
Higher Education	2,495	2,760	265	10.6%	2,873	113	4.1%	2,961	88	3.1%
Mental Hygiene	2,233	2,375	142	6.4%	2,519	144	6.1%	2,658	139	5.5%
Children and Family Services	1,864	2,057	193	10.4%	2,262	205	10.0%	2,488	226	10.0%
Other Education Aid	1,496	1,840	344	23.0%	1,925	85	4.6%	1,977	52	2.7%
Temporary and Disability Assistance	1,153	1,505	352	30.5%	1,632	127	8.4%	1,682	50	3.1%
All Other	2,289	2,743	454	19.8%	2,801	58	2.1%	2,698	(103)	-3.7%
State Operations:	<b>8,025</b>	<b>8,601</b>	<b>576</b>	<b>7.2%</b>	<b>8,886</b>	<b>285</b>	<b>3.3%</b>	<b>9,019</b>	<b>133</b>	<b>1.5%</b>
Personal Service	6,285	6,692	407	6.5%	6,891	199	3.0%	6,904	13	0.2%
Non-Personal Service	1,740	1,909	169	9.7%	1,995	86	4.5%	2,115	120	6.0%
General State Charges	<b>4,128</b>	<b>4,482</b>	<b>354</b>	<b>8.6%</b>	<b>4,687</b>	<b>205</b>	<b>4.6%</b>	<b>5,080</b>	<b>393</b>	<b>8.4%</b>
Pensions	1,467	1,620	153	10.4%	1,842	222	13.7%	2,118	276	15.0%
Health Insurance (Active Employees)	1,826	1,992	166	9.1%	2,171	179	9.0%	2,119	(52)	-2.4%
Health Insurance (Retired Employees)	1,195	1,322	127	10.6%	1,422	100	7.6%	1,536	114	8.0%
Fringe Benefit Escrow	(2,319)	(2,534)	(215)	9.3%	(2,731)	(197)	7.8%	(2,817)	(86)	3.1%
All Other	1,959	2,082	123	6.3%	1,983	(99)	-4.8%	2,124	141	7.1%
Transfers to Other Funds:	<b>5,932</b>	<b>7,392</b>	<b>1,460</b>	<b>24.6%</b>	<b>8,005</b>	<b>613</b>	<b>8.3%</b>	<b>8,479</b>	<b>474</b>	<b>5.9%</b>
State Share Medicaid	2,450	3,022	572	23.3%	3,120	98	3.2%	3,083	(37)	-1.2%
Debt Service	1,642	1,766	124	7.6%	1,755	(11)	-0.6%	1,686	(69)	-3.9%
Capital Projects	1,096	1,368	272	24.8%	1,524	156	11.4%	1,687	163	10.7%
All Other	744	1,236	492	66.1%	1,606	370	29.9%	2,023	417	26.0%
<b>Total Disbursements</b>	<b>53,533</b>	<b>66,032</b>	<b>12,499</b>	<b>23.3%</b>	<b>71,581</b>	<b>5,549</b>	<b>8.4%</b>	<b>76,528</b>	<b>4,947</b>	<b>6.9%</b>
<b>Change in Reserves</b>	<b>(917)</b>	<b>(48)</b>			<b>(71)</b>			<b>(25)</b>		
<b>School Aid Deferral</b>	<b>(2,060)</b>	<b>0</b>			<b>0</b>			<b>0</b>		
<b>Budget Surplus/(Gap) Estimate</b>	<b>0</b>	<b>(8,177)</b>			<b>(13,461)</b>			<b>(15,563)</b>		

## State Operating Funds

STATE OPERATING FUNDS PROJECTIONS (ADJUSTED)								
(millions of dollars)								
	2010-11	2011-12	Annual \$ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
<b>Receipts:</b>								
Taxes	60,484	64,231	3,747	6.2%	65,311	1.7%	68,698	5.2%
Personal Income Tax	36,897	39,579	2,682	7.3%	39,609	0.1%	41,827	5.6%
User Taxes and Fees	13,697	13,965	268	2.0%	14,369	2.9%	14,948	4.0%
Business Taxes	7,090	7,793	703	9.9%	8,209	5.3%	8,590	4.6%
Other Taxes	2,800	2,894	94	3.4%	3,124	7.9%	3,333	6.7%
Miscellaneous Receipts/Federal Grants	18,831	18,822	(9)	0.0%	19,237	2.2%	19,483	1.3%
<b>Total Receipts</b>	<b>79,315</b>	<b>83,053</b>	<b>3,738</b>	<b>4.7%</b>	<b>84,548</b>	<b>1.8%</b>	<b>88,181</b>	<b>4.3%</b>
<b>Disbursements:</b>								
Grants to Local Governments:	53,633	63,889	10,256	19.1%	69,264	8.4%	73,861	6.6%
School Aid	19,942	22,586	2,644	13.3%	25,144	11.3%	27,469	9.2%
Medicaid (incl. administration)	11,628	16,958	5,330	45.8%	18,612	9.8%	20,057	7.8%
STAR	3,300	3,418	118	3.6%	3,584	4.9%	3,772	5.2%
Higher Education	2,517	2,782	265	10.5%	2,895	4.1%	2,983	3.0%
Other Education Aid	1,511	1,854	343	22.7%	1,939	4.6%	1,990	2.6%
Mental Hygiene	3,474	3,757	283	8.1%	3,993	6.3%	4,234	6.0%
Public Health/Insurance/Aging	2,315	2,453	138	6.0%	2,580	5.2%	2,589	0.3%
Social Services	3,018	3,564	546	18.1%	3,895	9.3%	4,172	7.1%
Local Government Assistance	791	1,066	275	34.8%	1,077	1.0%	1,077	0.0%
All Other	5,137	5,451	314	6.1%	5,545	1.7%	5,518	-0.5%
State Operations:	14,642	15,697	1,055	7.2%	16,195	3.2%	16,355	1.0%
Personal Service	10,307	11,197	890	8.6%	11,488	2.6%	11,534	0.4%
Non-Personal Service	4,335	4,500	165	3.8%	4,707	4.6%	4,821	2.4%
General State Charges	5,205	5,759	554	10.6%	6,145	6.7%	6,616	7.7%
Pensions	1,467	1,620	153	10.4%	1,842	13.7%	2,118	15.0%
Health Insurance (Active Employees)	1,826	1,992	166	9.1%	2,171	9.0%	2,119	-2.4%
Health Insurance (Retired Employees)	1,195	1,322	127	10.6%	1,422	7.6%	1,536	8.0%
All Other	717	825	108	15.1%	710	-13.9%	843	18.7%
Debt Service	5,516	6,035	519	9.4%	6,357	5.3%	6,503	2.3%
Capital Projects	2	2	0	0.0%	2	0.0%	2	0.0%
<b>Total Disbursements</b>	<b>78,998</b>	<b>91,382</b>	<b>12,384</b>	<b>15.7%</b>	<b>97,963</b>	<b>7.2%</b>	<b>103,337</b>	<b>5.5%</b>
<b>Net Other Financing Sources/(Uses)</b>	<b>663</b>	<b>175</b>			<b>291</b>		<b>100</b>	
<b>School Aid Deferral</b>	<b>(2,060)</b>	<b>0</b>			<b>0</b>		<b>0</b>	
<b>Net Operating Surplus/(Deficit)<sup>1</sup></b>	<b>(1,080)</b>	<b>(8,154)</b>			<b>(13,124)</b>		<b>(15,056)</b>	

<sup>1</sup> Financed with the use of existing fund balances in 2010-11. See Financial Plan Tables.

The annual spending changes are affected by the expiration of Federal stimulus funding for Medicaid and education, which is expected to result in approximately \$5.2 billion in costs reverting to the State, starting in 2011-12. The 2010-11 disbursements for school aid are further affected by the deferral of \$2.1 billion in planned spending for 2009-10 to 2010-11. The table below displays the impact of the direct Federal aid as it applies to major programs (by adjusting the State spending to show the current service annual change without the benefit of ARRA), which temporarily lowered State costs. All amounts are shown on a State fiscal year basis.

<b>STATE OPERATING FUNDS SPENDING PROJECTIONS</b>				
<b>MAJOR PROGRAM AREAS ADJUSTED FOR IMPACT OF ARRA DIRECT FEDERAL AID</b>				
<b>(millions of dollars)</b>				
	<u>2010-11</u>	<u>2011-12</u>	<u>Annual \$</u> <u>Change</u>	<u>Annual %</u> <u>Change</u>
State Operating Funds (Adjusted):	84,884	92,094	7,210	8.5%
Reported State Operating Funds With ARRA	78,998	91,382	12,384	15.7%
Plus: Federal ARRA	5,886	712	(5,174)	-87.9%
School Aid (Adjusted)	<u>21,273</u>	<u>23,095</u>	<u>1,822</u>	<u>8.6%</u>
Reported School Aid With ARRA	19,942	22,586	2,644	13.3%
Plus: Federal ARRA (State Fiscal Stabilization)	1,331	509	(822)	-61.8%
DOH Medicaid (Adjusted)	<u>15,053</u>	<u>17,065</u>	<u>2,012</u>	<u>13.4%</u>
Reported Medicaid With ARRA	11,628	16,958	5,330	45.8%
Plus: Federal ARRA (Enhanced FMAP)	3,425	107	(3,318)	-96.9%
Higher Education (Adjusted)	<u>2,683</u>	<u>2,782</u>	<u>99</u>	<u>3.7%</u>
Reported Higher Education With ARRA	2,517	2,782	265	10.5%
Plus: Federal ARRA (State Fiscal Stabilization)	166	0	(166)	-100.0%
Other Education Aid (Adjusted)	<u>1,846</u>	<u>1,854</u>	<u>8</u>	<u>0.4%</u>
Reported Other Education Aid With ARRA	1,511	1,854	343	22.7%
Plus: Federal ARRA (State Fiscal Stabilization)	335	0	(335)	-100.0%
Personal Service (Adjusted)	<u>10,936</u>	<u>11,293</u>	<u>357</u>	<u>3.3%</u>
Personal Service With ARRA	10,307	11,197	890	8.6%
Plus: Federal ARRA (Enhanced FMAP - Mental Hygie	629	96	(533)	-84.7%

## Grants to Local Governments

### Medicaid (Department of Health)

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

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (millions of dollars)								
	2010-11	2011-12	Annual \$ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
<b>State Operating Funds (Before FMAP)</b>	<b>15,053</b>	<b>17,065</b>	<b>2,012</b>	<b>13.4%</b>	<b>18,358</b>	<b>7.6%</b>	<b>20,057</b>	<b>9.3%</b>
<b>Enhanced FMAP -- State Share<sup>1</sup></b>	<b>(3,425)</b>	<b>(107)</b>	<b>3,318</b>	<b>-96.9%</b>	<b>254</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>State Operating Funds (After FMAP)</b>	<b>11,628</b>	<b>16,958</b>	<b>5,330</b>	<b>45.8%</b>	<b>18,612</b>	<b>9.8%</b>	<b>20,057</b>	<b>7.8%</b>
<b>Other State Funds Support</b>	<b>(4,559)</b>	<b>(4,519)</b>	<b>40</b>	<b>-0.9%</b>	<b>(4,807)</b>	<b>6.4%</b>	<b>(5,009)</b>	<b>4.2%</b>
HCRA Financing	(2,938)	(2,981)	(43)	1.5%	(3,269)	9.7%	(3,471)	6.2%
Provider Assessment Revenue	(750)	(750)	0	0.0%	(750)	0.0%	(750)	0.0%
Indigent Care Revenue	(871)	(788)	83	-9.5%	(788)	0.0%	(788)	0.0%
<b>Total General Fund</b>	<b>7,069</b>	<b>12,439</b>	<b>5,370</b>	<b>76.0%</b>	<b>13,805</b>	<b>11.0%</b>	<b>15,048</b>	<b>9.0%</b>

<sup>1</sup> Excludes Medicaid spending in other State agencies, including enhanced FMAP for other state agencies.

Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services, and higher levels of utilization, as well as the expiration of the temporarily enhanced levels of Federal aid. The average number of Medicaid recipients is expected to grow to 4.54 million in 2010-11, an increase of 10.3 percent from the estimated 2009-10 caseload of 4.12 million.

The expiration of the enhanced FMAP share substantially increases State-funded spending for Medicaid in 2011-12. However, even after adjusting for the impact of enhanced FMAP, State spending for Medicaid is expected to grow significantly over the multi-year Financial Plan, increasing at an average annual rate of 11.1 percent, from \$15.1 billion in 2010-11 to \$20.1 billion in 2013-14. Overall Medicaid growth results, in part, from the combination of projected increases in service utilization, and medical care cost inflation that affects nearly all categories of service (e.g., hospitals, nursing homes), as well as rising enrollment levels.

Other factors contributing to Medicaid spending growth include additional costs of approximately \$331 million annually attributable to the State cap on local government Medicaid cost increases and the takeover of local FHP costs. Also, the payment of an extra weekly cycle to providers adds an estimated \$400 million in 2011-12.

## School Aid

School aid spending includes foundation aid; UPK expansion; and expense-based aids such as building aid, transportation aid, and special education. School aid spending is supported by the General Fund and lottery revenues (including VLTs). On a school-year basis, school aid is projected to grow from \$20.6 billion in 2010-11 to \$28.1 billion in 2013-14, an average annual rate of approximately 11 percent.

MULTI-YEAR SCHOOL AID PROJECTIONS - SCHOOL-YEAR BASIS (millions of dollars)								
	<u>2010-11</u>	<u>2011-12</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>	<u>2012-13</u>	<u>Annual % Change</u>	<u>2013-14</u>	<u>Annual % Change</u>
Foundation Aid/Academic Achievement Grant	14,894	15,889	995	6.7%	17,390	9.4%	19,073	9.7%
Universal Pre-kindergarten	378	378	0	0.0%	462	22.2%	564	22.1%
Expense-Based Aids <sup>1</sup>	5,890	6,390	500	8.5%	6,940	8.6%	7,520	8.4%
Other Aid Categories/Initiatives	807	863	56	6.9%	908	5.2%	953	5.0%
Deficit Reduction Assessment	(1,412)	0	1,412	-100.0%	0	0.0%	0	0.0%
<b>Total School Aid</b>	<b><u>20,557</u></b>	<b><u>23,520</u></b>	<b><u>2,963</u></b>	<b><u>14.4%</u></b>	<b><u>25,700</u></b>	<b><u>9.3%</u></b>	<b><u>28,110</u></b>	<b><u>9.4%</u></b>

<sup>1</sup> Includes building, transportation, high cost and private special education, and BOCES.

Growth in 2011-12 is primarily due to increases in expense-based aid and the phase-in of foundation aid over a seven-year period. Growth in 2012-13 projected and beyond is primarily due to increases in foundation aid; UPK expansion; and contractual increases in expense-based aids such as building aid and transportation aid.

On a State fiscal-year basis, school aid spending is projected to grow by \$2.6 billion in 2011-12, \$2.6 billion in 2012-13, and \$2.3 billion in 2013-14.

Over the multi-year Financial Plan period, revenues available to finance school aid from core lottery sales are expected to increase nominally. Revenues from VLTs are expected to grow, augmented by the anticipated opening of a VLT facility at Aqueduct by April 2012.

The Financial Plan currently assumes a one-time franchise payment of \$380 million from the sale of VLT development rights at Aqueduct in 2010-11.

## Mental Hygiene

Mental hygiene spending is projected to grow on average by \$250 million annually to total \$4.2 billion in 2013-14. Sources of growth include: increases in the projected State share of Medicaid costs; projected expansion of the various mental hygiene service systems, including increases primarily associated with the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline, as well as additional funds for supported housing beds and associated support services pursuant to a Federal district court decision; and several chemical dependence treatment and prevention initiatives in OASAS, including treatment costs associated with recent reforms to Rockefeller drug laws.

## Social Services

Children and Family Services spending is expected to grow by approximately \$200 million annually through 2013-14 primarily driven by growth in local claims-based programs, including child welfare. TADA spending is projected to increase by \$529 million from \$1.2 billion in 2010-11 to \$1.7 billion by 2013-14, due to the loss of one-time TANF Emergency Contingency Fund grants that were used to support public assistance costs and the projected increase in the public assistance caseload. Based on the

latest economic forecast and updated program data, the total public assistance caseload has increased in all years from 2010-11 to 2013-14 in the Enacted Budget compared to the Executive Budget.

**State Operations**

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

STATE OPERATING FUNDS - STATE OPERATIONS (millions of dollars)							
	<u>2010-11</u>	<u>2011-12</u>	<u>Annual \$ Change</u>	<u>2012-13</u>	<u>Annual \$ Change</u>	<u>2013-14</u>	<u>Annual \$ Change</u>
<b>Personal Service</b>	<b>10,307</b>	<b>11,197</b>	<b>890</b>	<b>11,488</b>	<b>291</b>	<b>11,534</b>	<b>46</b>
State University	3,124	3,155	31	3,189	34	3,214	25
Correctional Services	1,922	1,939	17	1,957	18	1,951	(6)
Judiciary	1,537	1,838	301	1,846	8	1,847	1
State Police	601	601	0	601	0	601	0
Mental Hygiene	548	993	445	1,062	69	1,072	10
Tax and Finance	349	349	0	350	1	353	3
Public Health	261	264	3	266	2	267	1
Environmental Conservation	189	186	(3)	187	1	187	0
Children and Family Services	179	200	21	219	19	216	(3)
Legislature	165	168	3	172	4	175	3
Statewide Agency Operations Savings	(250)	(125)	125	0	125	0	0
All Other	1,682	1,629	(53)	1,639	10	1,651	12
<b>Non-Personal Service</b>	<b>4,335</b>	<b>4,500</b>	<b>165</b>	<b>4,707</b>	<b>207</b>	<b>4,821</b>	<b>114</b>
State University	1,693	1,687	(6)	1,740	53	1,795	55
Correctional Services	552	589	37	624	35	666	42
Judiciary	366	366	0	373	7	373	0
Public Health	261	260	(1)	257	(3)	259	2
Mental Hygiene	217	243	26	293	50	302	9
Lottery	145	148	3	147	(1)	150	3
Children and Family Services	102	114	12	120	6	124	4
Tax and Finance	96	96	0	96	0	98	2
Debt Service	92	92	0	92	0	92	0
Insurance	82	87	5	87	0	87	0
Statewide Agency Operations Savings	(250)	(250)	0	(250)	0	(250)	0
All Other	979	1,068	89	1,128	60	1,125	(3)

**Personal Service**

Personal service spending includes wages and compensations for overtime, holiday and temporary services. It does not include fringe benefits that are accounted for under General State Charges. Personal service spending increases reflect the impact of settled labor contracts, salary adjustments for performance advances, longevity payments and promotions. Growth in personal service is affected by the expiration of enhanced FMAP, which temporarily reduced the State-share costs of operating the mental hygiene system.

## **Non-Personal Service**

Non-personal service spending represents the costs of operations other than employee wages and benefits. It includes utilities, rent, equipment, supplies and materials, telecommunications, information technology, travel, training, medical supplies, prescription drugs, and certain contractual obligations. Spending is expected to grow by an average of 4 percent annually through 2013-14, and is concentrated in agencies with large operational facility-based budgets.

Significant cost increases are expected for food, prescription drugs, and energy costs in State facilities (including prisons, youth facilities, and mental hygiene facilities), costs reflected of developing the new Statewide Financial System and targeted initiatives, including increasing staff to youth ratios and improving mental health services for youth residing in State-operated juvenile justice facilities.

## **General State Charges**

GSCs account for the costs of fringe benefits provided to State employee and retirees of the Executive, Legislative and Judicial branches, as well as for certain fixed costs. GSCs are projected to grow at an average annual rate of 8.3 percent from 2010-11 through 2013-14. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees.

The State's 2010-11 ERS pension contribution rate as a percentage of salary is expected to grow from 12.1 percent in 2010-11 to 23.5 percent in 2013-14. The Police and Fire Retirement System pension contribution rate is expected to be 18.3 percent in 2010-11, and is projected to grow to 31.4 percent by 2013-14. In addition to savings expected from the new tier of pension benefits enacted in December 2009, the Enacted Budget authorizes the State and local governments to amortize a portion of future costs. After these savings actions, pension costs grow from \$1.6 billion in 2011-12 to \$2.1 billion by 2013-14.

Spending for employee and retiree health insurance costs is expected to grow at a consistently high rate through 2013-14, with annual growth reflecting estimated annual premium increases of roughly 7 percent.

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

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

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

OUTYEAR DISBURSEMENT PROJECTIONS - GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)							
	2010-11	2011-12	Annual Change	2012-13	Annual Change	2013-14	Annual Change
<b>Transfers to Other Funds:</b>	<b>5,932</b>	<b>7,392</b>	<b>1,460</b>	<b>8,005</b>	<b>613</b>	<b>8,479</b>	<b>474</b>
Medicaid State Share	2,450	3,022	572	3,120	98	3,083	(37)
Debt Service	1,642	1,766	124	1,755	(11)	1,686	(69)
Capital Projects	1,096	1,368	272	1,524	156	1,687	163
Dedicated Highway and Bridge Trust Fund	699	804	105	910	106	1,001	91
All Other Capital	397	564	167	614	50	686	72
All Other Transfers	744	1,236	492	1,606	370	2,023	417
Mental Hygiene	49	534	485	884	350	1,287	403
Medicaid Payments for State Facility Patients	216	216	0	216	0	216	0
Judiciary Funds	153	156	3	157	1	163	6
Banking Services	66	66	0	66	0	66	0
Indigent Legal Services	40	40	0	40	0	40	0
SUNY- Hospital Operations	33	0	(33)	0	0	0	0
Department of Transportation (MTA Tax)	24	25	1	25	0	25	0
Alcoholic Beverage Control	19	20	1	18	(2)	18	0
Mass Transportation Operating Assistance	19	19	0	19	0	19	0
Public Trans Systems	19	19	0	19	0	19	0
Correctional Industries	14	14	0	14	0	14	0
DCJS - Crimes Against Revenues Account	10	16	6	16	0	16	0
Statewide Financial System	9	45	36	55	10	60	5
All Other	73	66	(7)	77	11	80	3

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

### Dedicated Highway and Bridge Trust Fund

A significant portion of the capital and operating expenses of DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds. The subsidy is projected at \$804 million for 2011-12, \$910 million for 2012-13, and \$1.0 billion in 2013-14, with continued growth thereafter.

### 2010-11 All Funds Financial Plan Forecast

This section describes the State's Financial Plan projections for receipts and disbursements based on the 2010-11 Enacted Budget. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The Updated Financial Plan spending projections summarize the annual growth in current-services spending and the impact of the 2010-11 Enacted Budget on the State's major areas of spending. Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, State Operating Funds, Capital Projects Funds, and Federal Operating Funds, thus providing the most comprehensive view of the financial operations of the State.



## 2010-11 Receipts Forecast

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

### Overview of the Revenue Situation

- The unsteady recovery of the national and New York State economies is expected to translate into receipts growth for the first time in two years. DOB anticipates that the wage growth that began early in 2010 coupled with positive corporate earnings and a projected rebound in employment later in the year should lead to positive receipts growth in 2010-11.
- After five consecutive years of growth averaging 9.5 percent per year, base receipts slipped by 3 percent in 2008-09 and plunged another 12.3 percent in 2009-10, as the result of the recession which began in 2008.
- The nascent recovery is expected to result in base receipts growth of 2.2 percent in 2010-11 and further improvement in 2011-12 after employment growth returns in earnest. The 2007-08 base receipts All Funds tax receipts peak is not expected to be reached again until 2011-12.
- The return of corporate profits in general, and the financial sector profits so vital to New York's economy in particular, are expected to result in both increases in finance and insurance sector bonuses and stepped up business tax receipts growth in 2010-11 and 2011-12.
- The forecast assumes a shift in taxable capital gains realizations from tax year 2011 into tax year 2010 (resulting in increased 2010-11 receipts) as a result of the expected sunset of preferential Federal tax rates on capital gains on December 31, 2010. If Federal action results in complete or partial continuation of lower rates for all or a portion of taxpayers, these gains will be realized over the long run, not in 2010-11.
- Absent the impact of high income provisions enacted in 2009 and 2010, estimated PIT liability plunged 16.6 percent in 2009 and is projected to increase 11.8 in 2010. The 2009 fall was the result of the continuing overall impact of the recession, and in particular, the impact on the real estate and financial sectors. The high growth rate in 2010 is due, in part, to the expected movement of wages and capital gains realizations from 2011 or later into 2010 to take advantage of expiring lower Federal tax rates. Positive wage and income growth that began in early 2010 and the employment growth anticipated to follow later in the year will also play a role.
- After a vigorous retreat during 2008-09 and 2009-10, consumer spending on taxable goods and services should improve somewhat during 2010-11, driven by increasing disposable income, employment, and a pickup in vehicle sales after a long drought. Despite this improvement, the pre-recession sales tax collections peak will not be reached until 2011-12.
- The bulk of the \$4.1 billion (7.2 percent) increase in All Funds tax receipts from 2009-10 to 2010-11 is the result of the full-year impact of the 2009 and 2010 high income personal income tax provisions (\$2.1 billion) and other actions taken in the 2010-11 Enacted Budget (\$1.3 billion).

All Funds receipts are projected to total \$134.3 billion, an increase of \$7.5 billion over 2009-10 results. The table below summarizes the receipts projections for 2010-11 and 2011-12.

TOTAL RECEIPTS (millions of dollars)							
	2009-10 Results	2010-11 Estimated	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
<b>General Fund</b>	<b>52,556</b>	<b>54,676</b>	<b>2,120</b>	<b>4.0%</b>	<b>57,807</b>	<b>3,131</b>	<b>5.7%</b>
Taxes	36,997	39,931	2,934	7.9%	42,564	2,633	6.6%
Miscellaneous Receipts	3,888	2,897	(991)	-25.5%	2,859	(38)	-1.3%
Federal Grants	71	60	(11)	-15.5%	60	0	0.0%
Transfers	11,600	11,788	188	1.6%	12,324	536	4.5%
<b>State Funds</b>	<b>81,141</b>	<b>84,783</b>	<b>3,642</b>	<b>4.5%</b>	<b>88,784</b>	<b>4,001</b>	<b>4.7%</b>
Taxes	57,668	61,796	4,128	7.2%	65,573	3,777	6.1%
Miscellaneous Receipts	23,389	22,870	(519)	-2.2%	23,091	221	1.0%
Federal Grants	84	117	33	39.3%	120	3	2.6%
<b>All Funds</b>	<b>126,748</b>	<b>134,296</b>	<b>7,548</b>	<b>6.0%</b>	<b>133,706</b>	<b>(590)</b>	<b>-0.4%</b>
Taxes	57,668	61,796	4,128	7.2%	65,573	3,777	6.1%
Miscellaneous Receipts	23,557	23,014	(543)	-2.3%	23,229	215	0.9%
Federal Grants	45,523	49,486	3,963	8.7%	44,904	(4,582)	-9.3%

Base growth in tax receipts of 2.2 percent is estimated for fiscal year 2010-11, after adjusting for law changes, and should improve further in 2011-12. These projected increases in overall base growth in tax receipts are dependent on many factors:

- Anticipated improvements in overall economic activity, especially in New York City and surrounding counties;
- Improving profitability and compensation gains among financial services companies;
- Continued recovery in the overall real estate market, particularly the residential market; and
- Increases in consumer spending as a result of wage and employment gains.

## Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)							
	2009-10 Results	2010-11 Enacted	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
<b>General Fund<sup>1</sup></b>	<b>22,654</b>	<b>24,373</b>	<b>1,719</b>	<b>7.6%</b>	<b>26,265</b>	<b>1,892</b>	<b>7.8%</b>
Gross Collections	41,393	45,086	3,693	8.9%	47,329	2,243	5.0%
Refunds/Offsets	(6,642)	(8,189)	(1,547)	23.3%	(7,752)	437	-5.3%
STAR	(3,409)	(3,299)	110	-3.2%	(3,417)	(118)	3.6%
RBTF	(8,688)	(9,225)	(537)	6.2%	(9,895)	(670)	7.3%
<b>State/All Funds</b>	<b>34,751</b>	<b>36,897</b>	<b>2,146</b>	<b>6.2%</b>	<b>39,577</b>	<b>2,680</b>	<b>7.3%</b>
Gross Collections	41,393	45,086	3,693	8.9%	47,329	2,243	5.0%
Refunds	(6,642)	(8,189)	(1,547)	23.3%	(7,752)	437	-5.3%

<sup>1</sup> Excludes Transfers.

All Funds PIT receipts, which reflect gross payments minus refunds, are estimated at \$36.9 billion for 2010-11, a \$2.1 billion or 6.2 percent increase from the prior year. This is primarily attributable to increases in withholding of \$1.9 billion and current estimated payments of \$1.3 billion. These increases are due to the gradual improvement in the economy and full-year compliance with the temporary rate increase enacted in 2009. The growth in the estimated tax is also partly driven by an expected "spin up" in capital gain realizations in 2010 in anticipation of higher Federal capital gains tax rates after tax year 2010. Receipts from delinquencies are projected to increase \$61 million (5.5 percent) over the prior year and final returns are projected to increase by \$151 million (8.3 percent). The increase in gross receipts is partially offset by higher refunds of \$1.5 billion. This increase reflects the shift of \$500 million in tax year 2009 refunds from the first calendar quarter of 2010 to April 2010 for cash management purposes, plus a one-time decline in 2009-10 refunds associated with an accounting adjustment to the State-city offset. Prior year refunds received in 2010-11 for tax year 2009, which increased by \$516 million to \$5,502 million as a result of the recent economic downturn, also contributed to higher refunds. The following table summarizes, by component, actual receipts for 2009-10 and forecast amounts through 2013-14.

## User Taxes and Fees

USER TAXES AND FEES (millions of dollars)							
	2009-10 Results	2010-11 Enacted	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
<b>General Fund<sup>1,2</sup></b>	<b>8,087</b>	<b>8,810</b>	<b>723</b>	<b>8.9%</b>	<b>8,975</b>	<b>165</b>	<b>1.9%</b>
Sales Tax	7,405	8,083	678	9.2%	8,220	137	1.7%
Cigarette and Tobacco Taxes	456	499	43	9.4%	522	23	4.6%
Alcoholic Beverage Taxes	226	228	2	0.9%	233	5	2.2%
<b>State/All Funds</b>	<b>12,852</b>	<b>14,285</b>	<b>1,433</b>	<b>11.2%</b>	<b>14,567</b>	<b>282</b>	<b>2.0%</b>
Sales Tax	10,529	11,475	946	9.0%	11,685	210	1.8%
Cigarette and Tobacco Taxes	1,364	1,765	401	29.4%	1,821	56	3.2%
Motor Fuel	507	503	(4)	-0.8%	505	2	0.4%
Highway Use Tax	137	134	(3)	-2.2%	140	6	4.5%
Alcoholic Beverage Taxes	226	228	2	0.9%	233	5	2.2%
Taxicab Surcharge	13	85	72	553.8%	85	0	0.0%
Auto Rental Tax	76	95	19	25.0%	98	3	3.2%

<sup>1</sup> Excludes Transfers.

<sup>2</sup> Receipts from motor vehicle fees and alcohol beverage control license fees are now reflected under miscellaneous receipts.

All Funds user taxes and fees receipts for 2010-11 are estimated to be approximately \$14.3 billion, an increase of \$1.4 billion or 11.2 percent from 2009-10. Sales tax receipts are expected to increase by \$946 million from the prior year due to a base growth increase of 6.7 percent. Due to law changes, sales tax receipts are estimated to increase by \$366 million. The vast majority of the revenue (\$330 million) will come from the elimination of the clothing and footwear tax exemption in 2010-11. Non-sales tax user taxes and fees are estimated to increase by \$487 million from 2009-10, mainly due to an increase in the cigarette tax by \$1.60 and the full enactment of the taxicab surcharge.

General Fund user taxes and fees receipts are expected to total \$8.8 billion in 2010-11, an increase of \$723 million or 8.9 percent from 2009-10. The increase largely reflects an increase in sales tax receipts (\$678 million) and cigarette tax collections (\$43 million).

All Funds user taxes and fees receipts for 2011-12 are projected to be \$14.6 billion, an increase of \$282 million, or 2.0 percent from 2010-11. This increase largely reflects cigarette tax law changes. General Fund user taxes and fees receipts are projected to total \$9.0 billion in 2011-12, an increase of \$165 million, or 1.9 percent from 2010-11.

### Business Taxes

BUSINESS TAXES (millions of dollars)							
	2009-10 Results	2010-11 Enacted	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
<b>General Fund</b>	<b>5,371</b>	<b>5,714</b>	<b>343</b>	<b>6.4%</b>	<b>6,335</b>	<b>621</b>	<b>10.9%</b>
Corporate Franchise Tax	2,145	2,886	741	34.5%	3,172	286	9.9%
Corporation & Utilities Tax	722	685	(37)	-5.1%	743	58	8.5%
Insurance Tax	1,331	1,278	(53)	-4.0%	1,335	57	4.5%
Bank Tax	1,173	865	(308)	-26.3%	1,085	220	25.4%
<b>State/All Funds</b>	<b>7,459</b>	<b>7,692</b>	<b>233</b>	<b>3.1%</b>	<b>8,414</b>	<b>722</b>	<b>9.4%</b>
Corporate Franchise Tax	2,511	3,307	796	31.7%	3,624	317	9.6%
Corporation & Utilities Tax	954	902	(52)	-5.5%	966	64	7.1%
Insurance Tax	1,491	1,410	(81)	-5.4%	1,470	60	4.3%
Bank Tax	1,399	1,023	(376)	-26.9%	1,269	246	24.0%
Petroleum Business Tax	1,104	1,050	(54)	-4.9%	1,085	35	3.3%

All Funds business tax receipts for 2010-11 are estimated at \$7.7 billion, an increase of \$233 million, or 3.1 percent from the prior year. The estimates reflect an increase of \$109 million resulting from tax law changes. The deferral of certain tax credits (\$100 million) and conforming the State bank tax's bad debt provisions to the Federal provisions (\$15 million) are the major tax law changes. Absent these provisions, All Funds business tax receipts are expected to increase by \$124 million or 1.7 percent.

The annual increase in the corporate franchise tax of \$796 million is partially offset by year-to-year decreases in the other business taxes. U.S. corporate profits are expected to increase 24.5 percent in calendar year 2010, contributing to growth of 27.9 percent in year-over-year corporate franchise tax receipts, adjusted for tax law changes. Corporation and utilities and insurance tax receipts are expected to decline modestly as trend liability growth rates in these relatively stable taxes do not surpass the acceleration of cash payments on 2010 liability into the 2009-10 fiscal year that resulted from the increase in the mandatory pre-payment from 30 percent to 40 percent.

All Funds business tax receipts for 2011-12 of \$8.4 billion are projected to increase \$722 million, or 9.4 percent over the prior year reflecting rebound-induced growth rates of 9.6 percent and 24.0 percent in corporate franchise tax and bank tax receipts, respectively. Fiscal Year 2011-12 receipts include \$423 million in tax law changes, virtually all attributable to the tax credit deferral provisions included in the Enacted Budget. Growth adjusted for tax law changes is estimated to be 5.4 percent.

General Fund business tax receipts for 2010-11 of \$5.7 billion are estimated to increase by \$343 million, or 6.4 percent above 2009-10 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

General Fund business tax receipts for 2011-12 of \$6.3 billion are projected to increase \$621 million, or 10.9 percent from the prior year. Corporate franchise tax and bank tax receipts are projected to increase 9.9 percent and 25.4 percent, respectively, as the income-based taxes continue to recover.

## Other Taxes

OTHER TAXES (millions of dollars)							
	2009-10 Results	2010-11 Enacted	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
<b>General Fund<sup>1</sup></b>	<b>885</b>	<b>1,034</b>	<b>149</b>	<b>16.8%</b>	<b>989</b>	<b>(45)</b>	<b>-4.4%</b>
Estate Tax	864	1,015	151	17.5%	970	(45)	-4.4%
Gift Tax	2	0	(2)	-100.0%	0	0	0.0%
Real Property Gains Tax	(1)	0	1	-100.0%	0	0	0.0%
Pari-Mutuel Taxes	19	18	(1)	-5.3%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
<b>State/All Funds</b>	<b>1,378</b>	<b>1,554</b>	<b>176</b>	<b>12.8%</b>	<b>1,570</b>	<b>16</b>	<b>1.0%</b>
Estate Tax	864	1,015	151	17.5%	970	(45)	-4.4%
Gift Tax	2	0	(2)	-100.0%	0	0	0.0%
Real Property Gains Tax	(1)	0	1	-100.0%	0	0	0.0%
Real Estate Transfer Tax	493	520	27	5.5%	581	61	11.7%
Pari-Mutuel Taxes	19	18	(1)	-5.3%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

<sup>1</sup> Excludes Transfers.

All Funds other tax receipts for 2010-11 are estimated to be approximately \$1.6 billion, up \$176 million or 12.8 percent from 2009-10 receipts, reflecting growth of 5.5 percent in the real estate transfer tax receipts and 17.5 percent in the estate tax as a result of improved conditions in the equities, real estate and credit markets, combined with strong year-to-date payments from the settlement of large estates.

General Fund other tax receipts are expected to be slightly over \$1.0 billion in fiscal year 2010-11, an increase of \$149 million or 16.8 percent from 2009-10, due to the growth in the estate tax, partially offset by a 5.3 percent decline in the pari-mutuel tax due to the impact of reduced handle.

All Funds other tax receipts for 2011-12 are projected to be nearly \$1.6 billion, up \$16 million or 1.0 percent from 2010-11, reflecting modest growth in the real estate transfer tax, partially offset by a decline in estate tax receipts. General Fund other tax receipts are expected to total \$989 million in fiscal year 2011-12, the result of a decrease of \$45 million in estate tax receipts as increases in household net worth are more than offset by a return to a more normal level of settlements of large estates.

## Miscellaneous Receipts and Federal Grants

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS							
(millions of dollars)							
	2009-10	2010-11	Annual \$	Annual %	2011-12	Annual \$	Annual %
	Results	Enacted	Change	Change	Projected	Change	Change
<b>General Fund</b>	<b>3,959</b>	<b>2,957</b>	<b>(1,002)</b>	<b>-25.3%</b>	<b>2,919</b>	<b>(38)</b>	<b>-1.3%</b>
Miscellaneous Receipts <sup>1</sup>	3,888	2,897	(991)	-25.5%	2,859	(38)	-1.3%
Federal Grants	71	60	(11)	-15.5%	60	0	0.0%
<b>State Funds</b>	<b>23,473</b>	<b>22,987</b>	<b>(486)</b>	<b>-2.1%</b>	<b>23,211</b>	<b>224</b>	<b>1.0%</b>
Miscellaneous Receipts <sup>1</sup>	23,389	22,870	(519)	-2.2%	23,091	221	1.0%
Federal Grants	84	117	33	39.3%	120	3	2.6%
<b>All Funds</b>	<b>69,080</b>	<b>72,500</b>	<b>3,420</b>	<b>5.0%</b>	<b>68,133</b>	<b>(4,367)</b>	<b>-6.0%</b>
Miscellaneous Receipts <sup>1</sup>	23,557	23,014	(543)	-2.3%	23,229	215	0.9%
Federal Grants	45,523	49,486	3,963	8.7%	44,904	(4,582)	-9.3%

<sup>1</sup>Includes receipts from motor vehicle fees and alcohol beverage control license fees, previously reflected as "user taxes and fees."

All Funds miscellaneous receipts include monies received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total \$23 billion in 2010-11, a decrease of \$543 million from 2009-10 results, largely reflecting the impact of non-recurring and accelerated receipts to the State during 2009-10. Sources of receipts during 2009-10, which will not recur or will recur in lesser amounts, include 18-A public utility assessments (\$653 million), New York Power Authority contributions (\$158 million), Regional Greenhouse Gas Initiative proceeds (\$90 million), and Battery Park City Authority resources (\$68 million). The total annual decline in miscellaneous receipts also reflects lower bond proceeds available for mental hygiene facility capital improvement (\$101 million), lower HCRA receipts (\$123 million) and lower receipts from refunds, credits and reimbursements (\$101 million). These annual declines were partly offset by growth in other areas, primarily to SUNY revenue growth from expansions at the three SUNY teaching hospitals, enrollment growth, and greater bond proceeds available for SUNY capital projects (\$530 million), and increased lottery fund receipts (\$380 million) which reflect the one-time receipt of the franchise fee for rights to develop a VLT facility at Aqueduct.

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing is often unpredictable. All Funds Federal grants are projected to total \$49.5 billion in 2010-11, an increase of \$4.0 billion from 2009-10 results driven by receipt of Federal ARRA monies.

General Fund miscellaneous receipts collections are estimated to be nearly \$3.0 billion, down just over \$1.0 billion from 2009-10 results. This decrease is primarily due to the loss of a one-time payment from the Power for Jobs Program received in 2009-10 and the timing of an 18-A assessment payment.

All Funds miscellaneous receipts are projected to total \$23.2 billion in 2011-12, an increase of \$215 million from the current year, largely driven by growth in HCRA receipts (\$296 million), growth in bond proceeds generated for mental hygiene facility capital improvements (\$151 million) and growth in SUNY income from tuition, fees, patient revenues and other income (\$88 million). The projected annual growth in these sources of miscellaneous receipts is partly offset by the non-recurrence of revenues received during 2010-11 for the VLT franchise fee payment (\$380 million).

All Funds Federal grants are projected to total \$44.9 billion in 2011-12, a decrease of \$4.6 billion from the current year, reflecting a decrease in Federal ARRA funding.

General Fund miscellaneous receipts for 2011-12 are projected to decline by \$38 million from the current year, and primarily reflect the loss of certain one-time sweeps and payments expected in 2010-11. These reductions are partially offset by an upward revision to abandoned property receipts.

### **Enacted Budget Revenue Actions**

To preserve essential services while closing an \$8.2 billion budget gap for the 2010-11 fiscal year, the Enacted Budget and separately enacted legislation authorize a number of revenue actions.

On a General Fund basis, actions in the Enacted Budget and separately enacted legislation will together increase tax or other revenue by a total of \$937 million (\$1.4 billion All Funds) in 2010-11.

### **Increased Taxes or Fee Liability**

(General Fund: \$562 million, All Funds: \$835.1 million in 2010-11)

- **Tax Actions.** The Enacted Budget contains seven tax actions that will produce \$747 million in 2010-11 All Funds revenue.
- **Loophole Closing Actions.** The Enacted Budget contains five actions that close loopholes and ensure that tax burdens are fairly distributed. These actions are expected to produce \$44.0 million in additional revenue on an All Funds basis in the 2010-11 fiscal year.
- **New or Increased Fees.** The Enacted Budget contains new and increased legal fees as well as waste fees. These fees are expected to produce \$44.1 million in revenue on an All Funds basis in the 2010-11 fiscal year.

### **Other Actions**

(General Fund: \$395 million, All Funds: \$560 million in 2010-11)

- **Tax Enforcement Actions.** The Enacted Budget contains four actions that will improve tax audit and compliance activities. These actions are expected to produce \$372 million in additional tax revenue on an All Funds basis in the 2010-11 fiscal year. A significant portion (\$150 million) of this revenue will be generated by cigarette tax enforcement on sales by Native American tribes to non-tribal members.
- **Other Revenue Actions.** The Enacted Budget contains five other revenue actions, including expanding Quick Draw and video lottery terminal operations, and changing dormancy periods for certain types of abandoned property among other actions. These five actions are

expected to produce \$152 million in revenue on a General Fund basis and \$202 million on an All Funds basis in the 2010-11 fiscal year.

- **New or Expanded Tax Credits/Exemptions.** The Enacted Budget contains five new or expanded tax credits at a cost of \$15 million on an All Funds basis in the 2010-11 fiscal year.
- **Technical Corrections and Extenders.** The Enacted Budget contains two extenders that will maintain both the pari-mutuel tax and major provisions of the bank tax, and temporary GLB provisions and five technical corrections that will amend previously enacted items. These five actions preserve current revenue or tax benefits.
- **New or Expanded Fines.** The Enacted Budget contains two fines that help protect the State’s wetlands and mineral resources. These fines are expected to produce \$1 million in revenue on an All Funds basis during the 2010-11 fiscal year.

**Tax Actions**

<b>ENACTED BUDGET REVENUE ACTIONS/AGREEMENT</b>				
<b>(millions of dollars)</b>				
	<b>2010-11</b>		<b>2011-12</b>	
	<b>General Fund</b>	<b>All Funds</b>	<b>General Fund</b>	<b>All Funds</b>
<b>TAX ACTIONS</b>				
Temporarily Reduce Sales Tax Clothing Exemption	330.0	330.0	210.0	210.0
Itemized Deduction Limitation	100.0	100.0	135.0	135.0
Other Tobacco Products Increase	30.0	30.0	48.0	48.0
Repeal Vendor Credit for Monthly Filers	17.0	17.0	23.0	23.0
Apply Sales Tax to Hotel Reseller Markup	10.0	10.0	20.0	20.0
Cigarette Tax Increase	-	260.0	-	272.0
Add Back Federal Sales Tax Deduction	-	-	20.0	20.0
<b>TOTAL TAX AND ASSESSMENT ACTIONS</b>	<b>487.0</b>	<b>747.0</b>	<b>456.0</b>	<b>728.0</b>

- **Temporarily Reduce Sales Tax Clothing Exemption.** Eliminates State sales and compensating use tax exemptions for clothing and footwear sold for less than \$110 per item for the period October 1, 2010 through March 31, 2011; exempts clothing and footwear sold for less than \$55 per item for the period April 1, 2011 through March 31, 2012; and restores the original exemption of \$110 on April 1, 2012.
- **Itemized Deduction Limitation.** Decreases the percentage of allowable remaining itemized deductions from 50 percent to 25 percent for taxpayers with New York adjusted gross income of \$10 million or more for tax years 2010 through 2012.
- **Other Tobacco Products Increase.** Increases the tobacco products tax to 75 percent of the wholesale price from 46 percent; increases the tax on snuff to \$2.00 per ounce from \$0.96 per ounce; and creates a new category under the tobacco products tax imposing a tax on "little cigars" at a rate equivalent to the cigarette tax rate.
- **Repeal Vendor Credit for Monthly Filers.** Repeals the vendor credit for monthly sales tax filers. Quarterly and annual filers will continue to receive the credit.
- **Apply Sales Tax to Hotel Reseller Markup.** Clarifies that room remarketers are required to collect sales and New York City occupancy taxes.



- Increase Cigarette Excise Tax by \$1.60 per Pack. Increases the State cigarette excise tax from \$2.75 per pack to \$4.35 per pack.
- Add Back Federal Sales Tax Deduction. Requires itemizing taxpayers who elect to deduct sales tax instead of income tax for Federal purposes to reduce their New York itemized deductions by the amount of sales tax deducted for Federal purposes.

### Loophole Closing Actions

<b>LOOPHOLE CLOSING ACTIONS</b> (millions of dollars)				
	<b>2010-11</b>		<b>2011-12</b>	
	<b>General Fund</b>	<b>All Funds</b>	<b>General Fund</b>	<b>All Funds</b>
S Corp Gains and Installment Inc. as Taxable for Non-Res.	29.0	29.0	14.0	14.0
Conform to Federal Bad Debt Provisions	15.0	15.0	15.0	15.0
Define Flow-Through Entities as Taxpayers for Certain Credits	-	-	12.0	12.0
Treat Compensation for Past Service as Taxable for Non-Res.	-	-	25.0	29.0
Make REITs/RICs Loophole Closer Permanent	-	-	-	-
<b>TOTAL LOOPHOLE CLOSING ACTIONS</b>	<b>44.0</b>	<b>44.0</b>	<b>66.0</b>	<b>70.0</b>

- **Treat S Corp Gains and Installment Income as Taxable for Non-Residents.** Eliminates three related tax loopholes that allow non-residents to avoid taxation by converting underlying S Corporation assets to stock or receiving installment income after termination of S Corporation nexus to New York. Previously, gains on stock and such installment income were considered intangible income and were therefore not subject to tax for non-residents.
- **Conform to Federal Bad Debt Provisions.** Conforms the State bank tax deduction for bad debts to the calculations provided for in the Internal Revenue Code for Federal tax purposes.
- **Define Flow-Through Entities as Taxpayers for QETC and Biofuel Credit Claims.** Eliminates the ability of individual shareholders in flow-through entities (i.e. partnerships, LLCs, and S Corporations) to each claim up to the statutory cap for a taxpayer when claiming the Biofuel and QETC facilities, operations and training credits. The cap will apply to the entity, just as it does for C Corporations.
- **Treat Compensation for Past Services as Taxable for Non-Residents.** Eliminates a tax loophole that permitted a non-resident to receive income – without paying New York taxes – for past services (e.g. termination pay) conducted during a period when their employer had a New York nexus. Such income had been nontaxable.
- **Make REITs/RICs Loophole Closer Permanent.** Makes permanent the provisions that address the closely-held Real Estate Investment trusts and Regulated Investment Companies loophole, which would have otherwise expired on December 31, 2010.

## New or Increased Fees

NEW OR INCREASED FEES (millions of dollars)				
	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Increased Legal Fees	31.0	41.0	42.0	56.0
Hazardous Waste Fees	-	2.1	-	2.1
E-Waste Fee	-	1.0	-	0.5
<b>TOTAL NEW OR INCREASED FEES</b>	<b>31.0</b>	<b>44.1</b>	<b>42.0</b>	<b>58.6</b>

- **Legal Fees.** Establishes new and increased fees to fund civil legal services, indigent defense, and costs of court operations. A new \$95 fee will be paid by plaintiffs (banks and credit card companies) in consumer credit cases. A new \$500 “credentialing” fee will be paid by persons who sit for the bar examination and were educated outside the country. A new \$190 fee will be charged at the time the index fee is paid in a foreclosure action. The criminal history search fee, which is paid when the Office of Court Administration performs background checks, will be raised from \$55 to \$65. The biennial bar registration fee will be raised from \$350 to \$375.
- **Hazardous Waste Fees.** Amends Environmental Conservation Law to consolidate two separate sliding-scale fees paid by hazardous waste generators into a single fee of \$130 per ton.
- **E-Waste Fee.** Establishes a statewide electronic equipment reuse and recycling program. It will require manufacturers to accept for recycling or reuse electronic waste for which it is the manufacturer from consumers in the State and accept one piece of electronic waste if offered by a consumer, with the purchase of a piece of equipment of the same type beginning April 1, 2011. It will establish registration requirements for manufacturers of covered electronic equipment sold in the State, and require each manufacturer of covered electronic equipment to register with DEC by January 1, 2011, and pay a \$5,000 registration fee; and require any person who becomes a manufacturer after January 1, 2011, to register with DEC before selling or offering for sale covered electronic equipment in the State.

## Tax Enforcement Actions

ENFORCEMENT ACTIONS (millions of dollars)				
	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Improve Audit and Compliance	221.0	221.0	221.0	221.0
Native American Tax Enforcement	36.0	150.0	48.0	200.0
Require Informational Returns for Credit and Debit Cards	-	-	-	-
False Claims Act	1.0	1.0	2.0	2.0
<b>TOTAL ENFORCEMENT ACTIONS</b>	<b>258.0</b>	<b>372.0</b>	<b>271.0</b>	<b>423.0</b>

- **Improve Audit and Compliance.** The Commissioner of Taxation and Finance will increase compliance staff and re-direct department resources to generate \$221 million in additional annual revenue.
- **Native American Tax Enforcement.** Requires all cigarettes sold to Native American nations or tribes and reservation cigarette sellers to bear a tax stamp and allows the

governing body of a Native American nation or tribe two options for tax-exempt sales to its tribal members.

- **Require Informational Returns for Credit and Debit Cards.** Mirrors Federal requirements by requiring certain financial institutions to also file information returns with the State annually regarding amounts of credit/debit card settlements and third-party network transactions.
- **False Claims Act.** Removes the exemption for tax fraud from the State False Claims Act, allowing citizens to bring legal action against tax cheats and share in the proceeds of the case if the action is successful.

### Other Revenue Actions

<b>OTHER REVENUE ACTIONS</b> (millions of dollars)				
	<b>2010-11</b>		<b>2011-12</b>	
	<b>General Fund</b>	<b>All Funds</b>	<b>General Fund</b>	<b>All Funds</b>
Tax Credit Deferral	100.0	100.0	970.0	970.0
Change Abandoned Property Dormancy Periods	35.0	35.0	45.0	45.0
Repeal Private Label Credit Card Law	17.0	17.0	23.0	23.0
VLT Provisions	-	30.0	-	55.0
Quick Draw Provisions	-	20.0	-	31.0
<b>TOTAL OTHER REVENUE ACTIONS</b>	<b>152.0</b>	<b>202.0</b>	<b>1,038.0</b>	<b>1,124.0</b>

- **Tax Credit Deferral.** Allows \$2 million in aggregate credit at the taxpayer level for tax years 2010, 2011, and 2012. The total amount of credits deferred under this proposal will be paid back to taxpayers over tax years 2013, 2014, and 2015. This provision affects personal income and corporate income taxpayers. The credits impacted are business-related credits. Personal income tax credits such as the child credit and EITC are excluded.
- **Change Abandoned Property Dormancy Periods.** Reduces the dormancy period for receipts from unclaimed goods from five to three years and non-bank money orders seven to five years.
- **Repeal Private Label Credit Card Law.** Repeals Tax Law §1132(e-1), which allowed private label credit card lenders, as well as vendors who use private label credit card lenders to finance their credit card sales, to claim a sales tax credit or refund on accounts financed by or assigned to the lender that are written or charged off as uncollectible.
- **Extend VLT Hours of Operation.** Increases the authorized hours of operation of VLTs from sixteen to 20 hours a day but no later than 4 AM, reduces the commission rate paid to vendor tracks by one percent, and eliminates the sunset of the VLT program.
- **Quick Draw Hours and Sunset.** Eliminates the restriction on the number of hours that the Division of the Lottery can operate the Quick Draw lottery game and makes the Lottery's authorization to operate the game permanent.

## New or Expanded Tax Credits

NEW OR EXPANDED TAX CREDITS/EXEMPTIONS (millions of dollars)				
	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Narrow Affiliate Nexus Provisions	(5.0)	(5.0)	(5.0)	(5.0)
Expand the Low-Income Housing Tax Credit Program	(4.0)	(4.0)	(4.0)	(4.0)
Historic Properties Tax Credits	(3.0)	(3.0)	(5.0)	(5.0)
Livery Vehicle Sales Tax Exemption	(3.0)	(3.0)	(3.0)	(3.0)
Extend and Expand Film Tax Credit	-	-	-	-
Excelsior Jobs Program	-	-	-	-
<b>TOTAL NEW OR EXPANDED TAX CREDITS/EXEMPTIONS</b>	<b>(15.0)</b>	<b>(15.0)</b>	<b>(17.0)</b>	<b>(17.0)</b>

- **Narrow Affiliate Nexus Provision.** The affiliate nexus provision contained within the 2009-10 Enacted Budget is amended by narrowing the definition of a sales tax vendor by providing that certain in-State activities of an affiliate do not make the seller a vendor.
- **Expand the Low-Income Housing Tax Credit Program.** The Commissioner of the Division of Housing and Community Renewal is authorized to allocate an additional \$4 million in aggregate credit awards to taxpayers that develop qualifying housing projects for low-income New Yorkers. Credits are given in equal installments for a ten-year period. As such, the total amount of credits that will be awarded from this new authorization will be \$40 million.
- **Historic Properties Tax Credits.** Allows banks and insurance companies to claim the nonresidential tax credit and sunsets the higher residential and non-residential caps enacted in 2009 on December 31, 2014.
- **Livery Vehicle Sales Tax Exemption.** This provision exempts transportation delivered by livery vehicles that both originates and terminates in New York City from the State and New York City sales taxes.
- **Extend and Expand Film Tax Credit.** Provides an additional film tax credit allocation of \$420 million per year for tax years 2010 through 2014, \$7 million of which is dedicated to a new post-production credit. This measure also imposes various reforms to enhance the State's return on investment. They include requirements that the recipient: conduct at least 10 percent of shooting days at a qualified facility; include an end-credit acknowledging financial support from New York State or provide a New York promotional video as part of the film or DVD release in the secondary market; ensure only purchases of taxable property and services from registered sales tax vendors are eligible in the credit calculation; ensure at least 75 percent of post-production costs are incurred in New York in order to be considered a qualified cost.
- **Create Excelsior Jobs Program.** Establishes a new economic development program to provide incentives based on job creation, investment, and research and development expenditures in New York State. The new program maximizes the return on State investment by capping both total program and individual project costs, allowing only targeted industries to participate, and requiring substantial job and investment thresholds to be met and maintained prior to any project claiming benefits.

## Technical Corrections and Extenders

These provisions have no fiscal impact over the Financial Plan period.

- **Extend Major Provisions of the Bank Tax and Temporary GLB Provisions.** Extends for one year bank tax reform provisions from 1985 and 1987, as well as provisions that were intended to temporarily address regulatory changes from the Federal Gramm-Leach-Bliley Act.
- **Extend the Pari-Mutuel Tax.** Extends lower Pari-Mutuel tax rates for one year. Also extends by one year the rules governing the simulcasting of out-of-state races and the authorization for account wagering.
- **Make Technical Corrections to the 2009-10 Enacted Budget Empire Zones Program Changes.** Clarifies that the Legislature intended to decertify certain businesses retroactively to the 2008 tax year, clarifies reporting provisions, and allows qualified investment projects to claim the investment tax credit and employee incentive tax credit after June 30, 2010.
- **Make Technical Corrections to the 2009-10 Enforcement Provisions.** Restores nonfiling as a class E felony, changes mail response requirements for taxpayer reconciliation conferences, corrects typographical error (changes "article one" to "one article"), defines contribution of aircraft from a nonresident to new subsidiary as a retail sale (and therefore taxable), and restores requirement that IDAs file a report when they appoint an agent to manage a project.
- **Amend the Tax on Medallion Taxicab Trip.** Amends the tax on medallion taxicab rides in MCTD by requiring the medallion owner to collect and remit the 50 cent per ride tax.
- **Real Estate Investment Trusts Technical Amendments.** Clarifies that certain publicly traded REITs with fractional ownership shares in non-related United States REITs are not subject to provisions relating to "closely-held" REITs that were enacted in 2008-09.
- **Estate Tax Unified Credit Technical Amendment.** Preserves the \$1 million State unified credit for 2010 despite the expiration of the Federal estate tax.

## New or Increased Fines

<b>NEW OR INCREASED FINES</b> (millions of dollars)				
	<b>2010-11</b>		<b>2011-12</b>	
	<b>General Fund</b>	<b>All Funds</b>	<b>General Fund</b>	<b>All Funds</b>
Freshwater Wetlands Fines	-	0.7	-	0.7
Mineral Resources Fines	-	0.3	-	0.3
<b>TOTAL NEW OR INCREASED FINES</b>	-	<b>1.0</b>	-	<b>1.0</b>

- **Freshwater Wetlands Fines.** Makes modest increases in fines and penalties, both civil and criminal, for violations of law applicable to wetlands.
- **Mineral Resources Fines.** Makes modest increases in fines and penalties, both civil and criminal, for violations of law applicable to mineral resources.

## 2010-11 Financial Plan Disbursements Forecast

The table below displays estimated annual spending growth from 2009-10 to 2010-11, on an adjusted basis. DOB has made adjustments to the actual and planned disbursements to account for the impact of (a) paying the \$2.06 billion end-of-year school aid payment scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute and (b) the timing of \$2.0 billion in Federal ARRA "pass through" spending expected in 2009-10. The latter has no impact on the State's efforts to balance the budget but instead represents Federal stimulus money that must pass through the State's Financial Plan. Approximately \$2 billion in pass-through funding, that was expected to be disbursed in 2009-10, is now expected to be disbursed in future years. See Financial Plan tables for 2009-10 actual results and 2010-11 estimates.

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

Adjusted State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total \$79.0 billion in 2010-11. Adjusted All Funds spending, which includes capital spending and Federal aid in addition to State Operating Funds, is projected to total \$133.8 billion in 2010-11. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agency) in Special Revenue Funds have been adjusted downward in all fiscal years based on typical spending patterns and the observed variance between estimated and actual results.

<b>ADJUSTED STATE OPERATING FUNDS <sup>1</sup> SPENDING PROJECTIONS</b>			
<b>MAJOR SOURCES OF ANNUAL CHANGE</b>			
<b>(millions of dollars)</b>			
	<u>2009-10</u>	<u>2010-11</u>	<u>Change</u>
<b>Major Functions (Annual Change)</b>			
Health Care:			
Medicaid	11,479	11,675	196
Public Health	2,404	2,523	119
K-12 Education:			
School Aid (State Fiscal Year)	20,374	19,942	(432)
All Other Education Aid	1,693	1,663	(30)
STAR	3,414	3,300	(114)
Higher Education	8,447	8,092	(355)
Social Services:			
Temporary and Disability Assistance	1,360	1,222	(138)
Children and Family Services	2,006	2,148	142
Mental Hygiene	4,360	4,537	177
Transportation	3,941	4,433	492
General State Charges <sup>2</sup>	3,594	4,128	534
Debt Service	4,961	5,516	555
<b>All Other (Annual Change)</b>			
Local Government Aid	1,080	791	(289)
Department of Insurance	658	463	(195)
Statewide Agency Operating Reductions <sup>3</sup>	0	(500)	(500)
All Other	9,163	9,065	(65)
<b>Total Adjusted State Operating Funds Spending</b>	<b>78,934</b>	<b>78,998</b>	<b>97</b>
<sup>1</sup> Includes General Fund, State Special Revenue and Debt Service Funds.			
<sup>2</sup> General Fund only. Fringe benefits are allocated to agency budgets outside of the General Fund.			
<sup>3</sup> Reductions will be allocated by agency in the Mid-Year Financial Plan, following approval of early retirement and other savings plans.			

## Selected Program Measures and Assumptions

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

<b>FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES</b>					
	<b>Results</b>	<b>Forecast</b>			
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>Medicaid</b>					
Medicaid Coverage	4,115,363	4,538,817	4,580,270	4,265,869	3,910,295
Family Health Plus Coverage	386,629	388,643	396,816	404,988	413,161
Child Health Plus Coverage	387,292	397,178	406,778	416,378	425,978
Medicaid Inflation	1.7%	0.9%	3.3%	3.1%	3.2%
Medicaid Utilization	2.5%	1.4%	4.9%	4.5%	4.7%
State Takeover of County/NYC Costs (\$000)	<u>\$1,677</u>	<u>\$2,039</u>	<u>\$2,524</u>	<u>\$3,006</u>	<u>\$3,527</u>
- Family Health Plus	\$374	\$405	\$436	\$467	\$475
- Medicaid	\$1,303	\$1,634	\$2,088	\$2,539	\$3,052
<b>Education</b>					
School Aid (School Year) (\$000)	\$21,687	\$20,557	\$23,520	\$25,700	\$28,110
K-12 Enrollment	2,730,000	2,730,000	2,730,000	2,730,000	2,730,000
Public Higher Education Enrollment (FTEs)	567,725	586,385	591,101	585,068	589,675
Tuition Assistance Program Recipients	318,455	322,632	323,632	324,132	324,132
<b>Welfare</b>					
Family Assistance Caseload	386,603	397,263	409,253	417,387	423,733
Single Adult/No Children Caseload	154,401	159,037	165,182	170,765	177,045
<b>Mental Hygiene</b>					
Total: Mental Hygiene Community Beds	<u>82,629</u>	<u>85,334</u>	<u>87,106</u>	<u>89,295</u>	<u>91,328</u>
- OMH Community Beds	34,262	35,780	36,610	37,889	38,952
- OPWDD Community Beds	35,859	36,840	37,747	38,521	39,357
- OASAS Community Beds	12,508	12,714	12,749	12,885	13,019
Prison Population (Corrections)	58,600	57,600	57,000	56,800	56,800



<b>FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS</b>					
	<b>Results</b>	<b>Forecast</b>			
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Negotiated Salary Increases <sup>1</sup>	3.0%	4.0%	TBD	TBD	TBD
State Workforce <sup>2</sup>	131,741	128,165	128,749	TBD	TBD
ERS Pension Contribution Rate: <sup>3</sup>					
Before Amortization	7.5%	12.1%	16.1%	20.3%	23.5%
After Amortization	7.5%	9.5%	10.5%	11.5%	12.5%
PFRS Pension Contribution Rate:					
Before Amortization	15.3%	18.3%	23.4%	27.7%	31.4%
After Amortization	15.3%	17.5%	18.5%	19.5%	20.5%
Employee/Retiree Health Insurance Growth Rates	4.8%	4.6%	9.3%	9.2%	9.2%
PS/Fringe as % of Receipts (All Funds Basis)	14.8%	14.2%	15.0%	15.6%	15.4%

<sup>1</sup> Reflects current collective bargaining agreements with settled unions. The Governor withheld Management/Confidential salary increases in 2009-10 and 2010-11. Does not reflect potential impact of negotiated workforce savings.

<sup>2</sup> Subject to Executive Control.

<sup>3</sup> As Percent of Salary.

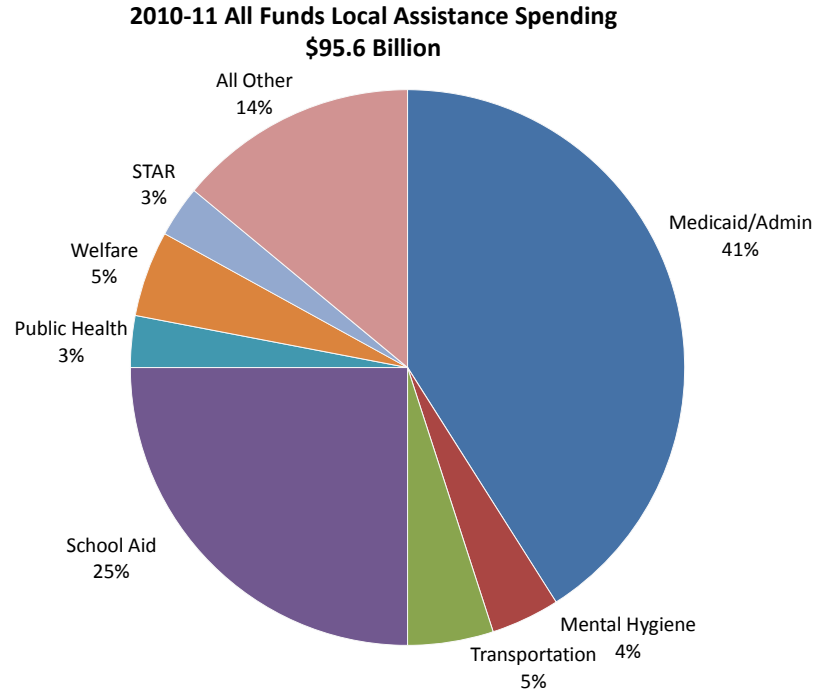
<b>FORECAST OF SELECTED PROGRAM MEASURES AFFECTING DEBT</b>					
	<b>Results</b>	<b>Forecast</b>			
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>State Debt</b>					
Debt Outstanding	\$54,694	\$56,877	\$58,413	\$58,751	\$58,487
Debt Issuances	6,082	5,365	5,368	4,372	3,899
Debt Capacity under Debt Outstanding Cap	6,663	4,547	2,460	2,343	2,769
Debt Service as % of Receipts	4.4%	4.5%	5.0%	5.2%	5.1%
Interest on Variable Rate Debt	2.5%	2.3%	3.3%	3.4%	3.7%
Interest on Fixed Rate 30-Year Bonds	4.9%	5.3%	6.3%	6.3%	6.3%

The spending forecast for each of the State's Financial Plan categories follows.

## Grants to Local Governments

Grants to Local Governments (Local Assistance) include payments to local governments, school districts, health care providers, and other local entities, as well as certain financial assistance to, or on behalf of, individuals, families, and nonprofit organizations. Local Assistance comprises 72 percent of All Funds spending.

In 2010-11, adjusted All Funds spending for local assistance is proposed to total \$95.6 billion. Total spending is comprised of State aid to medical assistance providers and public health programs (\$42.4 billion); State aid for education, including school districts, universities, and tuition assistance (\$33.2 billion); temporary and disability assistance (\$4.7 billion); mental hygiene programs (\$4.0 billion); transportation (\$5.1 billion); children and family services (\$3.0 billion); and local government assistance (\$791 million). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.



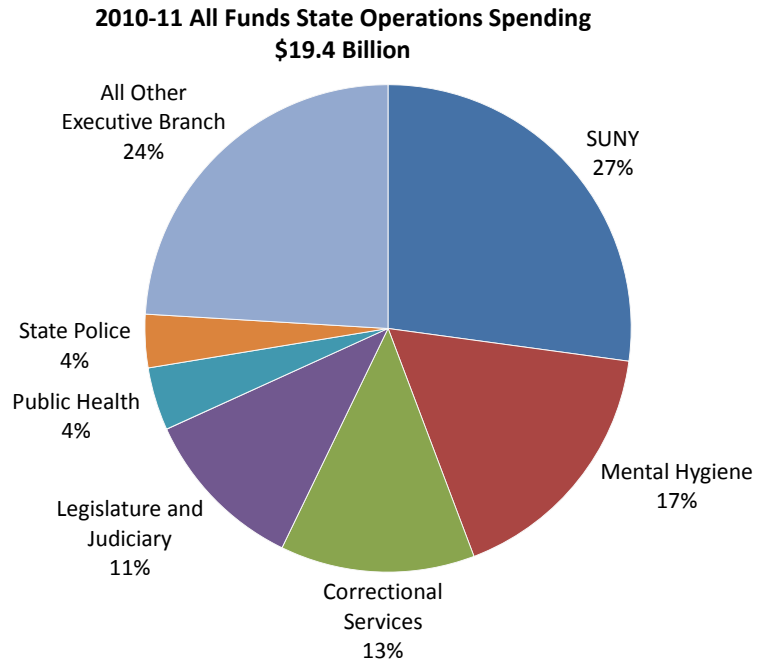
<b>LOCAL ASSISTANCE SPENDING PROJECTIONS (ADJUSTED)</b> (millions of dollars)				
	<b>2009-10 Results</b>	<b>2010-11 Enacted</b>	<b>Annual Change</b>	<b>Percent Change</b>
<b>General Fund</b>	<b>36,294</b>	<b>35,448</b>	<b>(846)</b>	<b>-2.3%</b>
Other State Support	17,644	18,185	541	3.1%
<b>State Operating Funds</b>	<b>53,938</b>	<b>53,633</b>	<b>(305)</b>	<b>-0.6%</b>
Capital Projects Funds	1,440	1,292	(148)	-10.3%
Federal Operating Funds	37,750	40,699	2,949	7.8%
<b>All Funds</b>	<b>93,128</b>	<b>95,624</b>	<b>2,496</b>	<b>2.7%</b>

The table below highlights enacted local assistance annual spending changes from 2009-10 to 2010-11 by major program and/or agency.

<b>LOCAL ASSISTANCE SPENDING PROJECTIONS (ADJUSTED)</b>			
<b>MAJOR SOURCES OF ANNUAL CHANGE</b>			
<b>(millions of dollars)</b>			
	<u>General Fund</u>	<u>State Operating Funds</u>	<u>All Funds</u>
<b>2009-10 Results</b>	<b>36,294</b>	<b>53,938</b>	<b>93,128</b>
School Aid	(699)	(432)	609
Medicaid (including Admin)	280	171	1,204
Transportation	36	480	642
Other Education Aid	(23)	(23)	600
Local Government Assistance	(289)	(289)	(289)
City University	(305)	(305)	(285)
Mental Hygiene	82	277	237
Insurance	(57)	(201)	(201)
Children and Families	116	116	191
Temporary and Disability Assistance	(151)	(151)	(181)
STAR	0	(114)	(114)
Public Health	98	82	(58)
All Other	66	84	141
<b>2010-11 Enacted</b>	<b>35,448</b>	<b>53,633</b>	<b>95,624</b>
Annual Dollar Change	(846)	(305)	2,496
Annual Percent Change	-2.3%	-0.6%	2.7%

## State Operations

State Operations spending is for personal service and non-personal service costs. Personal service costs, which account for approximately two-thirds of State Operations spending, include salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. The cost of fringe benefits (e.g., pensions, health insurance) for active and retired employees is accounted for separately in GSCs. Non-personal service costs, which account for the remaining one-third of State Operations, represent other operating costs of State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology, and professional business services), supplies and materials, equipment, telephone service and employee travel.



State Operations spending, which is projected to total \$19.4 billion in 2010-11, finances the costs of Executive agencies (\$17.2 billion) and the Legislature and Judiciary (\$2.1 billion). The largest agencies in dollar terms and staffing levels include SUNY (\$5.2 billion; 41,815 FTEs), Mental Hygiene (\$3.3 billion; 39,036 FTEs), Correctional Services (\$2.5 billion; 30,366 FTEs), DOH (\$809 million; 5,476 FTEs), and State Police (\$683 million; 5,530 FTEs).

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

The State workforce subject to Executive Control, which excludes the Legislature, Judiciary, Comptroller's Office, Law, SUNY, CUNY, SUNY Construction Fund, Roswell Park, State Insurance Fund, and the Foundation for Science, Technology, and Innovation, is projected to total 128,165 FTEs in 2010-11, a decrease of 3,576 from the actual 2009-10 levels. Statewide decreases are expected due to the retirement incentive program; individual agencies are further reducing workforce as follows: Transportation (353 FTEs) from attritions and reducing maintenance and snow/ice control workforce; State Police (174 FTEs) primarily due to attritions of civilians and troopers; Environmental Conservation as the result of hard hiring freeze and attritions (169 FTEs); and State Education attributable to attritions (61 FTEs). These decreases are offset by the increases in Tax and Finance (359 FTEs) due to the initiative of hiring more auditors to augment the State auditing and fraud reduction efforts and Mental

Hygiene (347 FTEs) primarily from increased staff needs as the result of the Deinstitutionalization Plan and related bed development.

<b>STATE OPERATIONS SPENDING PROJECTIONS</b>				
<b>(millions of dollars)</b>				
	<b>2009-10 Results</b>	<b>2010-11 Enacted</b>	<b>Annual Change</b>	<b>Percent Change</b>
<b>General Fund</b>	<b>5,571</b>	<b>5,868</b>	<b>297</b>	<b>5.3%</b>
Other State Support	9,819	8,774	(1,045)	-10.6%
<b>State Operating Funds</b>	<b>15,390</b>	<b>14,642</b>	<b>(748)</b>	<b>-4.9%</b>
Capital Projects Funds	0	0	0	N/A
Federal Operating Funds	4,042	4,544	502	12.4%
<b>Total All Funds</b>	<b>19,432</b>	<b>19,186</b>	<b>(246)</b>	<b>-1.3%</b>

All Funds State Operations spending by category, based upon historical spending trends, is allocated among employee regular salaries (66 percent), overtime payments (2 percent), contractual services (21 percent), supplies and materials (5 percent), equipment (2 percent), employee travel (1 percent), and other operational costs (3 percent).

<b>STATE OPERATIONS SPENDING PROJECTIONS</b>			
<b>MAJOR SOURCES OF ANNUAL CHANGE - STATE OPERATING FUNDS</b>			
<b>(millions of dollars)</b>			
	<b>Personal Service</b>	<b>Non-Personal Service</b>	<b>State Operations</b>
<b>2009-10 Results</b>	<b>10,874</b>	<b>4,516</b>	<b>15,390</b>
Retroactive Salary Payments	(298)	0	(298)
Statewide Agency State Operations Savings	(250)	(250)	(500)
All Other	(19)	69	50
<b>2010-11 Enacted</b>	<b>10,307</b>	<b>4,335</b>	<b>14,642</b>
Annual Dollar Change	(567)	(181)	(748)
Annual Percent Change	-5.2%	-4.0%	-4.9%

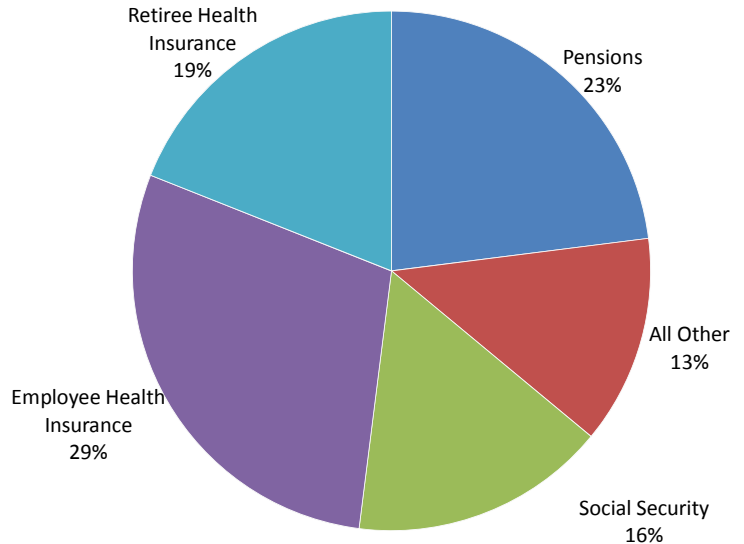
The State Operating Funds spending decrease of \$748 million (4.9 percent) is primarily driven by planned statewide reductions in agency operations through the use of an early retirement incentive, continuing hiring controls, abolition of vacant positions; efficiency from shared service and consolidation arrangements; contingency controls on non-personal spending; one-time retroactive salary payments associated with the NYSCOPBA, PBA, BCI and Council 82 contracts that were paid in 2009-10 (\$320 million); workforce and reductions in mental hygiene (\$114 million); potential spending for potential collective bargaining agreements with unsettled unions (\$229 million) continues to be included in the spending forecast.

## General State Charges

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

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

**General State Charges – \$6.3 Billion  
2010-11 All Funds Spending**



<b>GENERAL STATE CHARGES SPENDING PROJECTIONS</b> (millions of dollars)				
	<b>2009-10 Results</b>	<b>2010-11 Enacted</b>	<b>Annual Change</b>	<b>Percent Change</b>
General Fund	3,594	4,128	534	14.9%
Other State Support	1,040	1,077	37	3.6%
<b>State Operating Funds</b>	<b>4,634</b>	<b>5,205</b>	<b>571</b>	<b>12.3%</b>
Capital Projects Funds	0	0	0	0.0%
Federal Operating Funds	1,099	1,132	33	3.0%
<b>Total All Funds</b>	<b>5,733</b>	<b>6,337</b>	<b>604</b>	<b>10.5%</b>

All Funds spending on GSCs is expected to total \$6.3 billion in 2010-11, and includes health insurance spending for employees (\$1.8 billion) and retirees (\$1.2 billion), pensions (\$1.5 billion) and Social Security (\$1 billion). The annual changes are described in more detail below.

**Current-Services**

GENERAL STATE CHARGES SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2009-10 TO 2010-11 (millions of dollars)						
	General Fund	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
<b>2009-10 Results</b>	<b>3,594</b>	<b>1,040</b>	<b>4,634</b>	<b>0</b>	<b>1,099</b>	<b>5,733</b>
<b>Current Services:</b>	<b>835</b>	<b>37</b>	<b>872</b>	<b>0</b>	<b>24</b>	<b>896</b>
Employee and Retiree Health Insurance	385	0	385	0	0	385
Pension Contribution	552	0	552	0	0	552
Employer Social Security	29	0	29	0	0	29
Workers' Compensation	16	0	16	0	0	16
Fringe Benefit Escrow Payments	(83)	0	(83)	0	24	(59)
Taxes on State Owned Land	(15)	0	(15)	0	0	(15)
All Other	(49)	37	(12)	0	0	(12)
<b>Enacted Savings:</b>	<b>(301)</b>	<b>0</b>	<b>(301)</b>	<b>0</b>	<b>9</b>	<b>(292)</b>
Amortize Pension Costs	(242)	0	(242)	0	0	(242)
Option to Self Insure NYSHIP	(15)	0	(15)	0	0	(15)
Medicare Part B Cost Sharing	(30)	0	(30)	0	0	(30)
Other	(14)	0	(14)	0	9	(5)
<b>2010-11 Enacted</b>	<b>4,128</b>	<b>1,077</b>	<b>5,205</b>	<b>0</b>	<b>1,132</b>	<b>6,337</b>
Annual Change	534	37	571	0	33	604

**Employee and Retiree Health Insurance:** Spending for employee and retiree health insurance is projected to increase by \$385 million due to increase in premium charges.

**Pension Contribution:** As a result of the recent economic downturn and investment losses in 2008-09, pension costs in 2010-11 and beyond are expected to increase significantly. To mitigate long-term pension cost increases, legislation was enacted to create a new pension tier (Tier 5). Among other things, it requires newly hired employees to contribute 3 percent of their salary to the pension system for the duration of their employment. Previously this requirement was only in place for an employee’s first ten years of service. More importantly, it raises the minimum age to retire without penalty to 62. New employees will also be required to work for ten years before becoming eligible to receive pension benefits upon retirement.

**Employer Social Security:** The employer contribution is expected to increase by \$29 million in 2010-11, largely due to salary increases.

**Workers’ Compensation:** The increase in expected spending is based on updated workers’ compensation claims and utilization experience.

**Fringe Benefit Escrow Payments:** This reflects an anticipated increase in collections as a result of an increase in the fringe benefit rate.

**Taxes on State Owned Lands:** This decrease is caused by timing adjustments that artificially inflated 2009-10 costs.

**All Other:** Primarily attributable to the Judiciary’s contribution to the Judicial Supplemental Support Fund, along with decreases for litigation, including judgments against the State.

**2010-11 Enacted Savings**

**Amortize State Pension Costs:** Local governments and the State face substantial pension contribution increases over the next six years due to investment losses experienced by the Common Retirement Fund. The budget affords local governments and the State the option to amortize a portion of their pension costs beginning in 2010-11. Specifically, pension contribution costs in excess of the amortization thresholds, which are 9.5 percent for ERS and 17.5 percent for PFRS, may be amortized. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease by no more than one percentage point for each year. Repayment of the amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. For planning purposes, the Financial Plan assumes that the State will authorize pension costs consistent with the provisions of the authorizing legislation. In addition, employees and retirees are now required to pay a portion of Medicare Part B premiums and the State is authorized to self-insure all or parts of the New York State Health Insurance Plan.

**Option to Self Insure NYSHIP:** Savings generated by the State to self insure all or parts of NYSHIP. The elimination of insurance carrier risk charges, State and local taxes, and insurance assessments would produce savings for NYSHIP.

**Medicare Part B Premiums:** The state currently pays 100 percent of the Medicare Part B premium for employees and retirees. Savings would be generated by requiring employees and retirees to pay 10 percent of Medicare Part B premiums for individual coverage and 25 percent for dependent coverage. Currently, the monthly Medicare Part B base level premium is \$96.

**Debt Service**

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

<b>DEBT SERVICE SPENDING PROJECTIONS</b>				
<b>(millions of dollars)</b>				
	<b>2009-10 Results</b>	<b>2010-11 Enacted</b>	<b>Annual Change</b>	<b>Percent Change</b>
<b>General Fund</b>	<b>1,844</b>	<b>1,642</b>	<b>(202)</b>	<b>-11.0%</b>
Other State Support	3,117	3,874	757	24.3%
<b>State Operating Funds</b>	<b>4,961</b>	<b>5,516</b>	<b>555</b>	<b>11.2%</b>
<b>Total All Funds</b>	<b>4,961</b>	<b>5,516</b>	<b>555</b>	<b>11.2%</b>



All Funds debt service is projected at \$5.5 billion in 2010-11, of which \$1.6 billion is paid from the General Fund through transfers and \$3.9 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State’s revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

<b>DEBT SERVICE</b>					
<b>SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2009-10 TO 2010-11</b>					
<b>(millions of dollars)</b>					
	<b>General Fund</b>	<b>Other State Funds</b>	<b>Total State Operating Funds</b>	<b>Capital Projects Funds</b>	<b>Total All Funds</b>
<b>2009-10 Results</b>	<b>1,844</b>	<b>3,117</b>	<b>4,961</b>	<b>0</b>	<b>4,961</b>
Current Services:	(153)	769	616	0	616
Savings:	(49)	(12)	(61)	0	(61)
<b>2010-11 Proposed</b>	<b>1,642</b>	<b>3,874</b>	<b>5,516</b>	<b>0</b>	<b>5,516</b>
Annual Change	(202)	757	555	0	555

**Current-Services**

Growth in debt service primarily supports ongoing capital spending. The increased spending reflects additional bond issues to support ongoing capital commitments for transportation (\$377 million), economic development and housing (\$196 million), and other program areas (\$139 million). The annual increase for transportation debt service includes the impact of a 2005 restructuring of Dedicated Highway and Bridge bonds, which provided short-term relief for program needs, with higher annual debt service costs thereafter, beginning in 2010-11. In addition, a \$96 million decrease in education-related debt service reflects the prepayment of \$155 million of certain debt service in 2009-10. Variable interest rates are projected at 2.3 percent for 2010-11.

**2010-11 Savings**

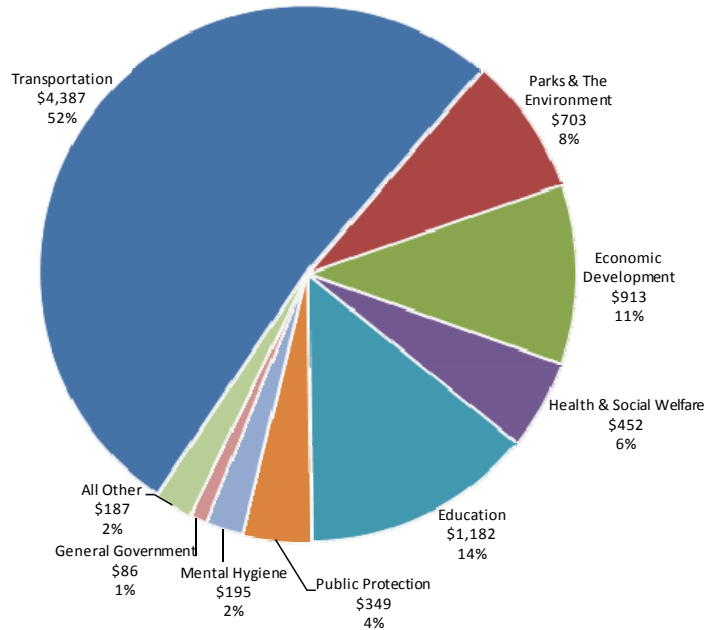
The 2010-11 Enacted Budget includes \$100 million in additional debt service savings, of which approximately \$40 million has been realized to date. Debt management actions may include, but are not limited to: maximizing refunding opportunities, including through consolidated service contract refundings; the continued use of Build America Bonds; further efficiencies from PIT issuer flexibility; and selling a minimum 25 percent of bonds on a competitive basis, market conditions permitting.

## Capital Projects

The following section briefly summarizes activity in Capital Projects Funds. A complete explanation of the State's capital programs is contained in the "Five-Year Capital Program and Financing Plan."

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

**2010-11 All Funds Capital Spending by Function  
(millions of dollars)**



<b>CAPITAL PROJECTS SPENDING PROJECTIONS (millions of dollars)</b>				
	<b>2009-10 Results</b>	<b>2010-11 Enacted</b>	<b>Annual Change</b>	<b>Percent Change</b>
<b>General Fund</b>	<b>565</b>	<b>1,096</b>	<b>530</b>	<b>93.8%</b>
Other State Support	4,595	4,980	385	8.4%
<b>State Funds</b>	<b>5,160</b>	<b>6,075</b>	<b>915</b>	<b>17.7%</b>
Federal Funds	1,952	2,379	428	21.9%
<b>All Funds</b>	<b>7,112</b>	<b>8,455</b>	<b>1,343</b>	<b>18.9%</b>

All Funds capital spending is projected at \$8.4 billion in 2010-11. Transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (52 percent) of this total. The balance of projected spending will support capital investments in the areas of education (14 percent), economic development (11 percent), parks and environment (8 percent), and mental hygiene and public protection (6 percent). The remainder of projected capital projects spending is spread across health and social welfare, general government and other areas (8 percent).

## **2010-11 Recommended Savings**

The Capital Reduction Program included in the 2010-11 Enacted Budget will result in savings of \$1.6 billion over five years. This initiative maintains investments in infrastructure while deferring or eliminating lower-priority projects. Savings in 2010-11 are projected to total \$119 million.

## **Other Financing Sources/(Uses)**

Every year, the State authorizes the transfer of resources among funds and accounts.

The most significant General Fund transfers to other funds in 2010-11 are for the State share of Medicaid (\$2.5 billion), general debt service (\$1.6 billion), and capital projects (\$1.1 billion, including \$392 million for PAYGO projects and a \$699 million subsidy to the DHBTF). Judiciary funding includes moneys transferred to the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data Processing Fund (\$153 million). General Fund transfers to other funds payments for patients residing in State-operated health, mental hygiene and SUNY facilities (\$216 million), SUNY hospital subsidy payments (\$33 million), and supplemental resources for banking (\$66 million).

In Special Revenue Funds, transfers to other funds are made to the Debt Service Funds representing the Federal share of Medicaid payments for patients residing in State-operated health and mental hygiene facilities and community homes, and patients at SUNY hospitals (\$3.9 billion), a transfer from HCRA to the Capital Projects Fund to finance anticipated non-bondable spending for HEAL NY (\$197 million) and transfer of moneys from several Special Revenue accounts in excess of spending requirements (\$1.5 billion).

Capital Projects funds transfers are also made to the General Debt Service Fund from the DHBTF (\$1.4 billion), and from the Hazardous Waste Remedial Fund (\$27 million) to the General Fund.

Debt Service Fund transfers to the General Fund include tax receipts in excess of debt service requirements for general obligation, LGAC and PIT revenue bonds (\$10.4 billion). Transfers to Special Revenue Funds represent receipts in excess of lease/purchase obligations that are used to finance a portion of the operating expenses for DOH, mental hygiene, and SUNY (\$4.2 billion).

## 2010-11 Operating Results Through July 2010

<b>GENERAL FUND PRELIMINARY RESULTS: APRIL THROUGH JULY 2010</b>		
<b>(millions of dollars)</b>		
	<b>Preliminary Results</b>	<b>Increase/ (Decrease) from Prior Year</b>
<b>Opening Balance (April 1, 2010)</b>	<b>2,302</b>	<b>354</b>
<b>Receipts</b>	<b>16,110</b>	<b>362</b>
Personal Income Tax*	10,119	230
User Taxes and Fees*	3,615	219
Business Taxes	1,057	(218)
Other Taxes*	571	229
Non-Tax Revenue	748	(98)
<b>Disbursements</b>	<b>17,822</b>	<b>1,138</b>
School Aid	6,973	1,678
Medicaid (including admin)	2,903	783
All Other Education	72	(322)
Children and Family Services	105	(303)
All Other Local	2,065	(638)
Personal Service	2,267	(64)
Non-Personal Service	573	(139)
General State Charges	750	(129)
Transfers To Other Funds	2,114	272
<b>Change in Operations</b>	<b>(1,712)</b>	<b>(776)</b>
<b>Closing Balance (July 31, 2010)</b>	<b>590</b>	<b>(422)</b>
* Includes transfers from other funds after debt service.		
Source: DOB.		

Through July 2010, General Fund receipts, including transfer from other funds, were \$362 million or 2.3 percent higher than the same period in 2009. Net tax collections are higher by \$460 million. Non-tax revenue was lower primarily due to the timing of transfers from other funds as a result of the delay in enacting the 2010-11 budget.

Through July 2010, General Fund disbursements, including transfers to other funds, were \$1.1 billion, or 6.7 percent higher than the 2009 period. The payment in June 2010 of \$2.1 billion in school aid planned for March 2010 accounted for the increase. Excluding the impact of this cash management action, local assistance spending through July 2010 was down by over \$1 billion. Higher Medicaid spending results from a decline in HCRA offsets and an additional weekly cycle for this period in 2010-11. This growth was offset by lower authorized spending in Higher Education, Special Education, Children and Family Services, and non-personal service during the period when interim appropriations were in place.

**All Funds**

<b>PRELIMINARY SPENDING RESULTS: APRIL THROUGH JULY 2010</b> <b>(millions of dollars)</b>		
	<b>Preliminary Results</b>	<b>Increase/ (Decrease) from Prior Year</b>
<b>State Operating Funds</b>	<b>22,751</b>	<b>211</b>
General Fund (excl. transfers)	15,708	867
Other State Funds	5,944	(693)
Debt Service Funds	1,099	37
<b>All Governmental Funds</b>	<b>39,415</b>	<b>1,727</b>
State Operating Funds	22,751	211
Capital Projects Funds	2,154	29
Federal Operating Funds	14,510	1,487
Source: DOB.		

State Operating Funds spending was \$22.8 billion, or \$211 million higher than the same period last year. Besides the General Fund spending variances described above, decreased Other State Funds spending is primarily attributable to timing related changes in HCRA programs and lower STAR spending on New York City resident personal income tax relief.

The Federal Operating spending increases over the prior year are concentrated in Medicaid and education driven by Federal ARRA spending.

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

	<u>2009-2010 Year-End</u>	<u>2010-2011 Enacted</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>
<b>Opening fund balance</b>	<u>1,948</u>	<u>2,302</u>	<u>354</u>	<u>18.2%</u>
<b>Receipts:</b>				
Taxes:				
Personal income tax	22,655	24,373	1,718	7.6%
User taxes and fees	8,086	8,810	724	9.0%
Business taxes	5,371	5,714	343	6.4%
Other taxes	885	1,034	149	16.8%
Miscellaneous receipts	3,888	2,897	(991)	-25.5%
Federal grants	71	60	(11)	-15.5%
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,641	7,795	154	2.0%
Sales tax in excess of LGAC debt service	2,123	2,318	195	9.2%
Real estate taxes in excess of CW/CA debt service	182	285	103	56.6%
All other transfers	1,654	1,390	(264)	-16.0%
<b>Total receipts</b>	<u>52,556</u>	<u>54,676</u>	<u>2,120</u>	<u>4.0%</u>
<b>Disbursements:</b>				
Grants to local governments	34,234	37,508	3,274	9.6%
State operations:				
Personal service	6,610	6,285	(325)	-4.9%
Non-personal service	1,977	1,740	(237)	-12.0%
General State charges	3,594	4,128	534	14.9%
Transfers to other funds:				
Debt service	1,844	1,642	(202)	-11.0%
Capital projects	565	1,096	531	94.0%
State Share Medicaid	2,401	2,450	49	2.0%
Other purposes	977	744	(233)	-23.8%
<b>Total disbursements</b>	<u>52,202</u>	<u>55,593</u>	<u>3,391</u>	<u>6.5%</u>
<b>Change in fund balance</b>	<u>354</u>	<u>(917)</u>	<u>(1,271)</u>	<u>-359.0%</u>
<b>Closing fund balance</b>	<u>2,302</u>	<u>1,385</u>	<u>(917)</u>	<u>-39.8%</u>
<b>Reserves</b>				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	96	85	(11)	
Reserved for Debt Reduction	73	73	0	
Reserve for Fiscal Uncertainties	906	0	(906)	

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Source: NYS DOB

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

	<u>2010-2011 Enacted</u>	<u>2011-2012 Projected</u>	<u>2012-2013 Projected</u>	<u>2013-2014 Projected</u>
<b>Receipts:</b>				
Taxes:				
Personal income tax	24,373	26,265	26,106	27,581
User taxes and fees	8,810	8,975	9,255	9,687
Business taxes	5,714	6,335	6,674	6,977
Other taxes	1,034	989	1,029	1,084
Miscellaneous receipts	2,897	2,859	2,824	2,772
Federal grants	60	60	60	60
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,795	8,227	8,061	8,504
Sales tax in excess of LGAC debt service	2,318	2,343	2,439	2,590
Real estate taxes in excess of CW/CA debt service	285	354	464	539
All other transfers	1,390	1,400	1,137	1,146
<b>Total receipts</b>	<u>54,676</u>	<u>57,807</u>	<u>58,049</u>	<u>60,940</u>
<b>Disbursements:</b>				
Grants to local governments	37,508	45,557	50,003	53,950
State operations:				
Personal service	6,285	6,692	6,891	6,904
Non-personal service	1,740	1,909	1,995	2,115
General State charges	4,128	4,482	4,687	5,080
Transfers to other funds:				
Debt service	1,642	1,766	1,755	1,686
Capital projects	1,096	1,368	1,524	1,687
State Share Medicaid	2,450	3,022	3,120	3,083
Other purposes	744	1,236	1,606	2,023
<b>Total disbursements</b>	<u>55,593</u>	<u>66,032</u>	<u>71,581</u>	<u>76,528</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(11)</u>	<u>(48)</u>	<u>(71)</u>	<u>(25)</u>
<b>Deposit to/(use of) Reserve for Fiscal Uncertainties</b>	<u>(906)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>HCRA Operating Surplus/(Gap)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cash Surplus/(Gap)</b>	<u>0</u>	<u>(8,177)</u>	<u>(13,461)</u>	<u>(15,563)</u>

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Source: NYS DOB

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

	<u>2010-2011 Enacted</u>	<u>2011-2012 Projected</u>	<u>2012-2013 Projected</u>	<u>2013-2014 Projected</u>
<b>Taxes:</b>				
Withholdings	31,301	32,302	32,756	34,835
Estimated Payments	10,651	11,525	11,478	11,810
Final Payments	1,973	2,303	2,106	2,154
Other Payments	1,161	1,199	1,239	1,316
<b>Gross Collections</b>	<u>45,086</u>	<u>47,329</u>	<u>47,579</u>	<u>50,115</u>
State/City Offset	(298)	(298)	(298)	(298)
Refunds	(7,891)	(7,454)	(7,694)	(8,012)
<b>Reported Tax Collections</b>	<u>36,897</u>	<u>39,577</u>	<u>39,587</u>	<u>41,805</u>
STAR (dedicated deposits)	(3,299)	(3,417)	(3,584)	(3,772)
RBTF (dedicated transfers)	(9,225)	(9,895)	(9,897)	(10,452)
<b>Personal income tax</b>	<u>24,373</u>	<u>26,265</u>	<u>26,106</u>	<u>27,581</u>
Sales and use tax	10,775	10,960	11,336	11,916
Cigarette and tobacco taxes	499	522	515	508
Motor fuel tax	0	0	0	0
Alcoholic beverage control license fees	228	233	238	242
Highway Use tax	0	0	0	0
Auto rental tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
<b>Gross Utility Taxes and fees</b>	<u>11,502</u>	<u>11,715</u>	<u>12,089</u>	<u>12,666</u>
LGAC Sales Tax (dedicated transfers)	(2,692)	(2,740)	(2,834)	(2,979)
<b>User Taxes and fees</b>	<u>8,810</u>	<u>8,975</u>	<u>9,255</u>	<u>9,687</u>
Corporation franchise tax	2,886	3,172	3,334	3,488
Corporation and utilities tax	685	743	766	790
Insurance taxes	1,278	1,335	1,393	1,454
Bank tax	865	1,085	1,181	1,245
Petroleum business tax	0	0	0	0
<b>Business taxes</b>	<u>5,714</u>	<u>6,335</u>	<u>6,674</u>	<u>6,977</u>
Estate tax	1,015	970	1,010	1,065
Real estate transfer tax	520	581	686	754
Gift tax	0	0	0	0
Real property gains tax	0	0	0	0
Pari-mutuel taxes	18	18	18	18
Other taxes	1	1	1	1
<b>Gross Other taxes</b>	<u>1,554</u>	<u>1,570</u>	<u>1,715</u>	<u>1,838</u>
Real estate transfer tax (dedicated)	(520)	(581)	(686)	(754)
<b>Other taxes</b>	<u>1,034</u>	<u>989</u>	<u>1,029</u>	<u>1,084</u>
<b>Payroll tax</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Taxes</b>	<u>39,931</u>	<u>42,564</u>	<u>43,064</u>	<u>45,329</u>
Licenses, fees, etc.	667	587	583	569
Abandoned property	650	645	610	600
Motor vehicle fees	42	54	31	(41)
ABC License Fee	46	49	51	50
Reimbursements	222	222	222	222
Investment income	20	20	40	60
Other transactions	1,250	1,282	1,287	1,312
<b>Miscellaneous receipts</b>	<u>2,897</u>	<u>2,859</u>	<u>2,824</u>	<u>2,772</u>
<b>Federal grants</b>	<u>60</u>	<u>60</u>	<u>60</u>	<u>60</u>
<b>Total</b>	<u>42,888</u>	<u>45,483</u>	<u>45,948</u>	<u>48,161</u>

Source: NYS DOB



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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
<b>Opening fund balance</b>	2,302	1,957	410	4,669
<b>Receipts:</b>				
Taxes	39,931	8,233	12,320	60,484
Miscellaneous receipts	2,897	15,033	790	18,720
Federal grants	60	1	50	111
<b>Total receipts</b>	<u>42,888</u>	<u>23,267</u>	<u>13,160</u>	<u>79,315</u>
<b>Disbursements:</b>				
Grants to local governments	37,508	18,185	0	55,693
State operations:				
Personal service	6,285	4,022	0	10,307
Non-personal service	1,740	2,503	92	4,335
General State charges	4,128	1,077	0	5,205
Debt service	0	0	5,516	5,516
Capital projects	0	2	0	2
<b>Total disbursements</b>	<u>49,661</u>	<u>25,789</u>	<u>5,608</u>	<u>81,058</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	11,788	3,923	7,050	22,761
Transfers to other funds	(5,932)	(1,542)	(14,624)	(22,098)
Bond and note proceeds	0	0	0	0
<b>Net other financing sources (uses)</b>	<u>5,856</u>	<u>2,381</u>	<u>(7,574)</u>	<u>663</u>
<b>Change in fund balance</b>	<u>(917)</u>	<u>(141)</u>	<u>(22)</u>	<u>(1,080)</u>
<b>Closing fund balance</b>	<u>1,385</u>	<u>1,816</u>	<u>388</u>	<u>3,589</u>

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Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
<b>Opening fund balance</b>	n/ap	1,816	388	2,204
<b>Receipts:</b>				
Taxes	42,564	8,569	13,098	64,231
Miscellaneous receipts	2,859	15,039	809	18,707
Federal grants	60	1	54	115
<b>Total receipts</b>	<u>45,483</u>	<u>23,609</u>	<u>13,961</u>	<u>83,053</u>
<b>Disbursements:</b>				
Grants to local governments	45,557	18,332	0	63,889
State operations:				
Personal service	6,692	4,505	0	11,197
Non-personal service	1,909	2,499	92	4,500
General State charges	4,482	1,277	0	5,759
Debt service	0	0	6,035	6,035
Capital projects	0	2	0	2
<b>Total disbursements</b>	<u>58,640</u>	<u>26,615</u>	<u>6,127</u>	<u>91,382</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	12,324	4,633	6,734	23,691
Transfers to other funds	(7,392)	(1,540)	(14,584)	(23,516)
Bond and note proceeds	0	0	0	0
<b>Net other financing sources (uses)</b>	<u>4,932</u>	<u>3,093</u>	<u>(7,850)</u>	<u>175</u>
<b>Deposit to/(use of) Reserves</b>	<u>(48)</u>	<u>0</u>	<u>0</u>	<u>(48)</u>
<b>Change in fund balance</b>	<u>(8,177)</u>	<u>87</u>	<u>(16)</u>	<u>(8,106)</u>
<b>Closing fund balance</b>	<u>(8,177)</u>	<u>1,903</u>	<u>372</u>	<u>(5,902)</u>

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Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
<b>Opening fund balance</b>	n/ap	1,903	372	2,275
<b>Receipts:</b>				
Taxes	43,064	8,926	13,321	65,311
Miscellaneous receipts	2,824	15,465	833	19,122
Federal grants	60	1	54	115
<b>Total receipts</b>	<u>45,948</u>	<u>24,392</u>	<u>14,208</u>	<u>84,548</u>
<b>Disbursements:</b>				
Grants to local governments	50,003	19,261	0	69,264
State operations:				
Personal service	6,891	4,597	0	11,488
Non-personal service	1,995	2,620	92	4,707
General State charges	4,687	1,458	0	6,145
Debt service	0	0	6,357	6,357
Capital projects	0	2	0	2
<b>Total disbursements</b>	<u>63,576</u>	<u>27,938</u>	<u>6,449</u>	<u>97,963</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	12,101	4,987	6,706	23,794
Transfers to other funds	(8,005)	(987)	(14,511)	(23,503)
Bond and note proceeds	0	0	0	0
<b>Net other financing sources (uses)</b>	<u>4,096</u>	<u>4,000</u>	<u>(7,805)</u>	<u>291</u>
<b>Deposit to/(use of) Reserves</b>	<u>(71)</u>	<u>0</u>	<u>0</u>	<u>(71)</u>
<b>Change in fund balance</b>	<u>(13,461)</u>	<u>454</u>	<u>(46)</u>	<u>(13,053)</u>
<b>Closing fund balance</b>	<u>(13,461)</u>	<u>2,357</u>	<u>326</u>	<u>(10,778)</u>

Source: NYS DOB

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	n/ap	2,357	326	2,683
<b>Receipts:</b>				
Taxes	45,329	9,281	14,088	68,698
Miscellaneous receipts	2,772	15,741	855	19,368
Federal grants	60	1	54	115
<b>Total receipts</b>	<u>48,161</u>	<u>25,023</u>	<u>14,997</u>	<u>88,181</u>
<b>Disbursements:</b>				
Grants to local governments	53,950	19,911	0	73,861
State operations:				
Personal service	6,904	4,630	0	11,534
Non-personal service	2,115	2,614	92	4,821
General State charges	5,080	1,536	0	6,616
Debt service	0	0	6,503	6,503
Capital projects	0	2	0	2
<b>Total disbursements</b>	<u>68,049</u>	<u>28,693</u>	<u>6,595</u>	<u>103,337</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	12,779	5,176	6,634	24,589
Transfers to other funds	(8,479)	(923)	(15,087)	(24,489)
Bond and note proceeds	0	0	0	0
<b>Net other financing sources (uses)</b>	<u>4,300</u>	<u>4,253</u>	<u>(8,453)</u>	<u>100</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(25)</u>	<u>0</u>	<u>0</u>	<u>(25)</u>
<b>Change in fund balance</b>	<u>(15,563)</u>	<u>583</u>	<u>(51)</u>	<u>(15,031)</u>
<b>Closing fund balance</b>	<u>(15,563)</u>	<u>2,940</u>	<u>275</u>	<u>(12,348)</u>

Source: NYS DOB

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	<u>2,302</u>	<u>2,400</u>	<u>(253)</u>	<u>410</u>	<u>4,859</u>
<b>Receipts:</b>					
Taxes	39,931	8,233	1,312	12,320	61,796
Miscellaneous receipts	2,897	15,177	4,150	790	23,014
Federal grants	60	46,925	2,451	50	49,486
<b>Total receipts</b>	<u>42,888</u>	<u>70,335</u>	<u>7,913</u>	<u>13,160</u>	<u>134,296</u>
<b>Disbursements:</b>					
Grants to local governments	37,508	58,884	1,292	0	97,684
State operations:					
Personal service	6,285	6,762	0	0	13,047
Non-personal service	1,740	4,307	0	92	6,139
General State charges	4,128	2,209	0	0	6,337
Debt service	0	0	0	5,516	5,516
Capital projects	0	2	7,162	0	7,164
<b>Total disbursements</b>	<u>49,661</u>	<u>72,164</u>	<u>8,454</u>	<u>5,608</u>	<u>135,887</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	11,788	7,273	1,361	7,050	27,472
Transfers to other funds	(5,932)	(5,506)	(1,429)	(14,624)	(27,491)
Bond and note proceeds	0	0	578	0	578
<b>Net other financing sources (uses)</b>	<u>5,856</u>	<u>1,767</u>	<u>510</u>	<u>(7,574)</u>	<u>559</u>
<b>Change in fund balance</b>	<u>(917)</u>	<u>(62)</u>	<u>(31)</u>	<u>(22)</u>	<u>(1,032)</u>
<b>Closing fund balance</b>	<u>1,385</u>	<u>2,338</u>	<u>(284)</u>	<u>388</u>	<u>3,827</u>

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Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
<b>Opening fund balance</b>	n/ap	2,338	(284)	388	2,442
<b>Receipts:</b>					
Taxes	42,564	8,569	1,342	13,098	65,573
Miscellaneous receipts	2,859	15,177	4,384	809	23,229
Federal grants	60	42,483	2,307	54	44,904
<b>Total receipts</b>	<u>45,483</u>	<u>66,229</u>	<u>8,033</u>	<u>13,961</u>	<u>133,706</u>
<b>Disbursements:</b>					
Grants to local governments	45,557	55,293	1,463	0	102,313
State operations:					
Personal service	6,692	6,803	0	0	13,495
Non-personal service	1,909	4,084	0	92	6,085
General State charges	4,482	2,382	0	0	6,864
Debt service	0	0	0	6,035	6,035
Capital projects	0	2	7,452	0	7,454
<b>Total disbursements</b>	<u>58,640</u>	<u>68,564</u>	<u>8,915</u>	<u>6,127</u>	<u>142,246</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,324	7,788	1,823	6,734	28,669
Transfers to other funds	(7,392)	(5,227)	(1,471)	(14,584)	(28,674)
Bond and note proceeds	0	0	488	0	488
<b>Net other financing sources</b>	<u>4,932</u>	<u>2,561</u>	<u>840</u>	<u>(7,850)</u>	<u>483</u>
<b>Deposit to/(use of) Reserves</b>	<u>(48)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(48)</u>
<b>Change in fund balance</b>	<u>(8,177)</u>	<u>226</u>	<u>(42)</u>	<u>(16)</u>	<u>(8,009)</u>
<b>Closing fund balance</b>	<u>(8,177)</u>	<u>2,564</u>	<u>(326)</u>	<u>372</u>	<u>(5,567)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
<b>Opening fund balance</b>	n/ap	2,564	(326)	372	2,610
<b>Receipts:</b>					
Taxes	43,064	8,926	1,353	13,321	66,664
Miscellaneous receipts	2,824	15,604	3,667	833	22,928
Federal grants	60	41,153	1,881	54	43,148
<b>Total receipts</b>	<u>45,948</u>	<u>65,683</u>	<u>6,901</u>	<u>14,208</u>	<u>132,740</u>
<b>Disbursements:</b>					
Grants to local governments	50,003	55,074	1,252	0	106,329
State operations:					
Personal service	6,891	6,847	0	0	13,738
Non-personal service	1,995	4,162	0	92	6,249
General State charges	4,687	2,658	0	0	7,345
Debt service	0	0	0	6,357	6,357
Capital projects	0	2	6,278	0	6,280
<b>Total disbursements</b>	<u>63,576</u>	<u>68,743</u>	<u>7,530</u>	<u>6,449</u>	<u>146,298</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,101	8,141	1,666	6,706	28,614
Transfers to other funds	(8,005)	(4,564)	(1,507)	(14,511)	(28,587)
Bond and note proceeds	0	0	425	0	425
<b>Net other financing sources (uses)</b>	<u>4,096</u>	<u>3,577</u>	<u>584</u>	<u>(7,805)</u>	<u>452</u>
<b>Deposit to/(use of) Reserves</b>	<u>(71)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(71)</u>
<b>Change in fund balance</b>	<u>(13,461)</u>	<u>517</u>	<u>(45)</u>	<u>(46)</u>	<u>(13,035)</u>
<b>Closing fund balance</b>	<u>(13,461)</u>	<u>3,081</u>	<u>(371)</u>	<u>326</u>	<u>(10,425)</u>

Source: NYS DOB

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	n/ap	3,081	(371)	326	3,036
<b>Receipts:</b>					
Taxes	45,329	9,281	1,356	14,088	70,054
Miscellaneous receipts	2,772	15,878	3,450	855	22,955
Federal grants	60	42,827	1,864	54	44,805
<b>Total receipts</b>	<u>48,161</u>	<u>67,986</u>	<u>6,670</u>	<u>14,997</u>	<u>137,814</u>
<b>Disbursements:</b>					
Grants to local governments	53,950	57,467	1,226	0	112,643
State operations:					
Personal service	6,904	6,883	0	0	13,787
Non-personal service	2,115	4,174	0	92	6,381
General State charges	5,080	2,819	0	0	7,899
Debt service	0	0	0	6,503	6,503
Capital projects	0	2	5,981	0	5,983
<b>Total disbursements</b>	<u>68,049</u>	<u>71,345</u>	<u>7,207</u>	<u>6,595</u>	<u>153,196</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,779	8,430	1,741	6,634	29,584
Transfers to other funds	(8,479)	(4,426)	(1,552)	(15,087)	(29,544)
Bond and note proceeds	0	0	341	0	341
<b>Net other financing sources (uses)</b>	<u>4,300</u>	<u>4,004</u>	<u>530</u>	<u>(8,453)</u>	<u>381</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(25)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(25)</u>
<b>Change in fund balance</b>	<u>(15,563)</u>	<u>645</u>	<u>(7)</u>	<u>(51)</u>	<u>(14,976)</u>
<b>Closing fund balance</b>	<u>(15,563)</u>	<u>3,726</u>	<u>(378)</u>	<u>275</u>	<u>(11,940)</u>

Source: NYS DOB



CASHFLOW  
GENERAL FUND  
2010-2011  
(dollars in millions)

	2010 April Actuals	May Actuals	June Actuals	July Actuals	August Projected	September Projected	October Projected	November Projected	December Projected	2011 January Projected	February Projected	March Projected	Total
<b>OPENING BALANCE</b>	2,302	4,274	1,648	(87)	590	(28)	2,476	1,888	1,442	1,197	6,220	6,851	2,302
<b>RECEIPTS:</b>													
Personal Income Tax	3,069	783	2,164	1,575	1,623	2,716	1,582	1,279	587	5,329	2,011	1,655	24,373
User Taxes and Fees	669	589	858	666	664	944	694	684	899	744	637	762	8,810
Business Taxes	60	2	915	80	102	1,153	104	95	1,297	65	115	1,726	5,714
Other Taxes	93	83	103	155	76	76	75	75	75	75	75	73	1,034
Total Taxes	3,891	1,457	4,040	2,476	2,465	4,889	2,455	2,133	2,858	6,213	2,838	4,216	39,931
Licenses, Fees, etc.	47	56	55	77	50	40	55	50	50	45	65	77	667
Abandoned Property	0	(4)	77	3	20	62	16	120	40	70	60	186	650
ABC License Fee	9	1	6	4	4	5	4	3	3	3	4	0	46
Motor vehicle fees	0	0	0	0	0	0	0	0	0	0	0	0	42
Reimbursements	7	13	35	13	33	33	10	11	36	6	11	34	222
Investment Income	1	0	0	1	(1)	4	(3)	5	1	2	4	6	20
Other Transactions	26	33	80	41	65	383	54	49	99	73	77	270	1,250
Total Miscellaneous Receipts	90	99	253	139	151	527	136	238	229	199	221	615	2,897
Federal Grants	1	13	0	0	0	14	0	0	14	0	(1)	19	60
PTI in Excess of Revenue Bond Debt Service	1,022	108	887	509	230	999	392	142	1,078	1,315	288	825	7,795
Sales Tax in Excess of LGAC Debt Service	180	100	350	202	299	226	209	203	270	224	3	52	2,318
Real Estate Taxes in Excess of CW/CA Debt Service	32	34	33	39	19	19	19	19	19	19	19	14	285
All Other	4	1	62	87	26	31	32	35	122	156	164	670	1,390
Total Transfers from Other Funds	1,238	243	1,332	837	574	1,275	652	399	1,489	1,714	474	1,561	11,785
<b>TOTAL RECEIPTS</b>	5,220	1,812	5,625	3,452	3,190	6,705	3,243	2,770	4,590	8,126	3,532	6,411	54,676
<b>DISBURSEMENTS:</b>													
School Aid	491	2,615	3,767	100	516	1,236	506	959	1,561	302	526	6,330	18,909
Higher Education	16	16	379	198	243	81	372	45	250	45	345	510	2,495
All Other Education	17	15	17	24	412	101	415	197	67	84	66	81	1,496
Medicaid - DOH	1,085	633	668	516	633	233	584	722	398	588	785	224	7,069
Public Health	40	30	122	16	91	133	27	39	125	28	25	113	789
Mental Hygiene	10	5	362	50	132	417	121	17	392	128	150	450	2,234
Children and Families	9	15	14	66	350	302	134	77	228	161	84	423	1,863
Temporary & Disability Assistance	61	140	61	62	135	134	86	87	122	87	28	151	1,154
Transportation	0	0	0	11	9	19	0	25	9	0	26	1	100
Unrestricted Aid	3	12	274	1	6	93	11	2	215	2	2	170	791
All Other	19	16	189	(27)	39	44	(50)	15	2	32	19	310	608
Total Local Assistance Grants	1,751	3,497	5,853	1,017	2,566	2,793	2,206	2,180	3,363	1,457	2,056	8,763	37,508
Personal Service	514	547	586	619	467	661	331	425	543	385	348	859	6,285
Non-Personal Service	143	108	151	171	197	171	138	131	147	159	109	115	1,740
Total State Operations	657	655	737	790	664	832	469	556	690	544	457	974	8,025
General State Charges	122	30	485	112	292	331	192	170	401	277	110	1,606	4,128
Debt Service	414	38	3	470	(4)	(122)	603	0	(1)	430	(15)	(174)	1,642
Capital Projects	14	21	4	121	41	116	12	77	47	117	97	422	1,096
State Share Medicaid	180	162	244	185	187	208	248	179	280	227	210	140	2,450
Other Purposes	110	35	34	80	55	43	101	54	49	51	(14)	146	744
Total Transfers to Other Funds	718	256	285	856	286	245	964	310	375	825	278	534	5,933
<b>TOTAL DISBURSEMENTS</b>	3,248	4,438	7,360	2,775	3,808	4,201	3,243	3,216	4,835	3,103	2,901	11,877	55,593
Excess/(Deficiency) of Receipts over Disbursements	1,972	(2,626)	(1,735)	677	(618)	2,504	(588)	(446)	(245)	5,023	631	(5,466)	(917)
<b>CLOSING BALANCE</b>	4,274	1,648	(87)	590	(28)	2,476	1,888	1,442	1,197	6,220	6,851	1,385	1,385

Source: NYS DOB

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

	2009-2010 Year-End	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>					
Agriculture and Markets, Department of	109,449	109,328	120,189	118,068	106,907
Alcoholic Beverage Control	17,012	19,892	20,776	20,294	20,911
Banking Department	87,166	87,865	87,211	89,047	89,647
Developmental Authority North	36	200	162	162	162
Consumer Protection Board	2,295	2,946	2,926	2,741	2,783
Economic Development Capital Programs	18,306	2,500	2,500	2,500	2,500
Economic Development, Department of	76,889	71,358	66,831	67,702	82,387
Energy Research and Development Authority	29,380	34,935	31,158	29,658	31,178
Insurance Department	657,937	463,437	481,233	486,080	486,080
Empire State Development Corporation	606,568	772,848	860,671	431,301	382,996
Olympic Regional Development Authority	7,966	5,064	5,274	5,274	5,401
Public Service, Department of	77,313	78,738	83,729	88,620	91,901
Racing and Wagering Board, State	22,575	21,833	22,044	23,007	23,453
Science, Technology and Innovation, Foundation for	29,083	31,376	29,181	26,796	23,356
Strategic Investment	8,827	10,000	4,000	5,000	5,000
<b>Functional Total</b>	<b>1,750,802</b>	<b>1,712,320</b>	<b>1,817,885</b>	<b>1,396,250</b>	<b>1,354,662</b>
<b>PARKS AND THE ENVIRONMENT</b>					
Adirondack Park Agency	5,292	5,470	5,019	5,021	5,021
Environmental Conservation, Department of	864,001	1,042,606	1,021,569	817,173	787,873
Environmental Facilities Corporation	10,025	9,370	9,552	9,736	9,736
Hudson River Park Trust	11,977	10,000	0	0	0
Parks, Recreation and Historic Preservation, Office of	305,485	240,442	227,951	229,618	229,594
<b>Functional Total</b>	<b>1,196,780</b>	<b>1,307,888</b>	<b>1,264,091</b>	<b>1,061,548</b>	<b>1,032,224</b>
<b>TRANSPORTATION</b>					
Motor Vehicles, Department of	320,230	336,621	347,882	360,754	367,603
Thruway Authority	1,403	1,800	1,800	1,800	1,800
Metropolitan Transportation Authority	184,681	217,100	194,500	183,600	183,600
Transportation, Department of	7,376,584	8,341,474	8,306,937	8,196,273	8,248,166
<b>Functional Total</b>	<b>7,882,898</b>	<b>8,896,995</b>	<b>8,851,119</b>	<b>8,742,427</b>	<b>8,801,169</b>
<b>HEALTH</b>					
Aging, Office for the	229,966	227,821	224,739	224,739	224,739
Health, Department of	42,156,549	43,728,010	47,352,064	49,027,667	52,109,920
Medical Assistance	37,025,209	38,091,219	41,341,155	43,229,713	46,375,013
Medicaid Administration	939,296	1,102,500	1,147,500	1,193,500	1,193,500
Public Health	4,192,044	4,534,291	4,863,409	4,604,454	4,541,407
Health - Medicaid Assistance	0	0	0	0	0
Medicaid Inspector General, Office of	64,868	76,563	91,660	93,500	94,430
Stem Cell and Innovation	17,676	52,616	73,071	123,149	63,673
<b>Functional Total</b>	<b>42,469,059</b>	<b>44,085,010</b>	<b>47,741,534</b>	<b>49,469,055</b>	<b>52,492,762</b>
<b>SOCIAL WELFARE</b>					
Children and Family Services, Office of	3,189,020	3,431,576	3,497,590	3,728,859	3,952,980
OCFS	3,139,542	3,298,033	3,364,133	3,591,504	3,811,720
OCFS - Medicaid	49,478	133,543	133,457	137,355	141,260
Human Rights, Division of	728,721	703,650	606,814	603,128	595,107
Labor, Department of	417,003	464,833	405,261	275,451	292,533
Housing and Community Renewal, Division of	16,862	16,016	14,627	14,629	14,715
National Commission Services	2,167	2,076	2,088	2,109	2,109
Prevention of Domestic Violence, Office for	-	-	-	-	-

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

	2009-2010 Year-End	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Temporary and Disability Assistance, Office of <i>Welfare Assistance</i>	5,275,993	5,114,199	5,224,158	5,242,687	5,284,441
<i>Welfare Administration</i>	3,857,439	3,702,854	3,820,732	3,821,396	3,859,652
<i>All Other</i>	51,263	0	0	0	0
Welfare Inspector General, Office of	1,367,291	1,411,345	1,403,426	1,421,291	1,424,789
Workers' Compensation Board	727	1,432	1,456	1,472	1,492
<b>Functional Total</b>	190,135	209,333	204,137	212,073	218,844
	9,840,928	9,962,805	9,976,189	10,101,072	10,383,170
<b>MENTAL HYGIENE</b>					
Mental Health, Office of	3,121,486	3,432,824	3,720,387	3,952,381	4,128,403
<i>OMH</i>	1,423,971	1,582,848	1,736,557	1,859,680	1,958,324
<i>OMH - Medicaid</i>	1,697,515	1,849,976	1,983,830	2,092,701	2,170,079
Mental Hygiene, Department of	175	0	0	0	0
People with Developmental Disabilities, Office for	4,397,581	4,504,769	4,720,747	4,960,595	5,172,871
<i>OPWDD</i>	522,032	580,445	596,821	620,162	642,162
<i>OPWDD - Medicaid</i>	3,875,549	3,924,324	4,123,926	4,340,433	4,530,709
Alcoholism and Substance Abuse Services, Office of	550,090	595,301	733,836	775,610	790,368
<i>OASAS</i>	456,695	486,237	619,472	657,321	669,322
<i>OASAS - Medicaid</i>	93,395	109,064	114,364	118,289	121,046
Developmental Disabilities Planning Council	3,397	4,200	4,200	4,200	4,200
Quality of Care for the Mentally Disabled, Commission on	15,508	15,784	17,780	18,158	18,631
<b>Functional Total</b>	8,088,237	8,552,878	9,196,950	9,710,944	10,114,473
<b>PUBLIC PROTECTION/CRIMINAL JUSTICE</b>					
Capital Defenders Office	21	0	0	0	0
Correction, Commission of	2,628	2,893	2,932	2,984	3,016
Correctional Services, Department of	2,909,312	2,758,247	2,849,122	2,911,887	2,953,670
Criminal Justice Services, Division of	241,767	356,401	325,892	308,669	309,359
Office of Victim Services	67,342	67,830	65,394	65,749	65,935
Statewide Financial System	0	31,930	41,359	50,943	51,043
Homeland Security and Emergency Services	296,589	325,709	610,532	617,974	580,503
Homeland Security	800	35,298	32,733	30,225	30,227
Office of Indigent Legal Services	0	75,000	80,000	80,000	80,000
Investigation, Temporary State Commission of	395	0	0	0	0
Judicial Commissions	5,145	5,492	5,595	5,669	5,749
Military and Naval Affairs, Division of	276,622	213,125	180,463	181,311	180,068
Parole, Division of	188,383	183,169	185,275	189,268	191,813
Probation and Correctional Alternatives, Division of	74,852	0	0	0	1,468
State Emergency Management Office	0	0	0	0	0
State Police, Division of	776,340	736,584	741,685	718,691	718,523
Wireless Network	6,672	1,586	1,586	1,586	1,586
<b>Functional Total</b>	4,846,868	4,793,264	5,122,568	5,164,956	5,172,960

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

	2009-2010 Year-End	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
<b>HIGHER EDUCATION</b>					
City University of New York	1,655,773	1,397,211	1,470,906	1,564,361	1,654,997
Higher Education Services Corporation	1,022,235	980,520	965,861	993,866	995,691
Higher Education Capital Grants	37,320	28,000	48,000	29,000	0
Higher Education Miscellaneous	378	355	355	355	355
State University Construction Fund	18,595	25,678	26,388	27,830	28,906
State University of New York	6,989,582	7,295,555	7,261,632	7,301,717	7,380,758
<b>Functional Total</b>	<b>9,723,883</b>	<b>9,727,319</b>	<b>9,773,142</b>	<b>9,917,129</b>	<b>10,060,707</b>
<b>LOWER EDUCATION (Pre-K through 12)</b>					
Arts, Council on the	43,436	45,356	40,869	40,925	40,982
Education, Department of	27,725,560	33,001,293	32,969,960	34,559,952	37,184,929
School Aid	21,484,784	26,151,747	26,200,210	27,770,970	30,096,450
School Aid - Medicaid Assistance	63,757	125,820	0	0	0
STAR Property Tax Relief	3,413,542	3,299,570	3,417,620	3,584,167	3,772,475
Special Education Categorical Programs	1,680,004	2,309,388	2,287,745	2,139,936	2,244,916
All Other	1,083,473	1,114,768	1,064,385	1,064,879	1,071,088
<b>Functional Total</b>	<b>27,768,996</b>	<b>33,046,649</b>	<b>33,010,829</b>	<b>34,600,877</b>	<b>37,225,911</b>
<b>GENERAL GOVERNMENT</b>					
Budget, Division of the	40,775	42,502	44,117	45,191	46,121
Civil Service, Department of	21,384	19,164	19,426	19,697	19,989
Deferred Compensation	673	792	820	854	885
Elections, State Board of	50,405	104,148	6,197	36,339	6,464
Employee Relations, Office of	3,204	3,350	3,388	3,427	3,473
Financial Plan Control Board	2,630	3,190	3,392	3,595	3,727
General Services, Office of	197,766	204,400	207,765	221,400	224,166
Inspector General, Office of	6,079	6,178	6,341	6,426	6,513
Labor Management Committee	33,609	59,433	67,826	26,018	26,018
Lottery, Division of	185,777	176,892	180,969	181,459	185,723
Public Employment Relations Board	3,785	4,252	4,020	4,068	4,129
Public Integrity, Commission on	4,209	4,312	4,721	4,901	4,978
Real Property Services, Office of	42,806	0	0	0	0
Regulatory Reform, Governor's Office of	2,449	2,276	2,276	2,276	2,276
State, Department of	176,349	208,567	136,246	138,728	138,703
Tax Appeals, Division of	3,458	3,108	3,108	3,108	3,146
Taxation and Finance, Department of	417,898	477,182	477,991	480,947	487,713
Technology, Office for	23,549	70,166	57,857	85,076	44,599
Lobbying, Temporary State Commission on	0	0	0	0	0
Veterans' Affairs, Division of	16,072	17,487	17,188	17,198	17,331
<b>Functional Total</b>	<b>1,232,877</b>	<b>1,407,399</b>	<b>1,243,648</b>	<b>1,280,708</b>	<b>1,225,954</b>

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

	2009-2010 Year-End	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
<b>ELECTED OFFICIALS</b>					
Legislature	226,089	220,995	225,396	229,885	234,463
Judiciary	2,520,040	2,625,898	2,975,609	2,976,572	2,960,414
Audit and Control, Department of	242,702	182,135	185,420	189,979	192,289
Law, Department of	220,152	213,642	220,407	224,931	228,404
Executive Chamber	17,056	17,328	17,952	18,229	18,487
Lieutenant Governor, Office of the	0	658	1,193	1,208	1,208
<b>Functional Total</b>	<b>3,226,039</b>	<b>3,260,656</b>	<b>3,625,977</b>	<b>3,640,804</b>	<b>3,635,265</b>
<b>LOCAL GOVERNMENT ASSISTANCE</b>					
Aid and Incentives for Municipalities	1,039,488	751,538	1,027,357	1,037,229	1,044,566
Efficiency Incentive Grants Program	3,293	7,450	7,450	7,511	0
Miscellaneous Financial Assistance	8,920	3,920	3,920	3,920	3,920
Municipalities with VLT Facilities	26,489	25,801	25,801	25,801	25,801
Small Government Assistance	2,089	2,088	2,088	2,088	2,088
<b>Functional Total</b>	<b>1,080,279</b>	<b>790,797</b>	<b>1,066,616</b>	<b>1,076,549</b>	<b>1,076,375</b>
<b>ALL OTHER CATEGORIES</b>					
Long-Term Debt Service	5,012,102	5,607,388	6,127,092	6,448,886	6,595,358
Capital Projects	0	0	0	0	0
General State Charges	2,920,603	3,381,165	3,687,552	3,908,098	4,301,333
Miscellaneous	(162,872)	(642,815)	(258,161)	(222,965)	(278,170)
<b>Functional Total</b>	<b>7,769,833</b>	<b>8,345,738</b>	<b>9,556,483</b>	<b>10,134,019</b>	<b>10,618,521</b>
<b>TOTAL ALL FUNDS SPENDING</b>	<b>126,877,479</b>	<b>135,889,718</b>	<b>142,247,031</b>	<b>146,296,338</b>	<b>153,194,153</b>

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

Source: NYS DOB

## GAAP-Basis Financial Plans/GASB Statement 45

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

In 2009-10, the General Fund GAAP Financial Plan shows total revenues of \$44.9 billion, total expenditures of \$54.1 billion, and net other financing sources of \$8.7 billion, resulting in an operating deficit of \$594 million and an accumulated deficit of \$3.5 billion. These results are due primarily to the cash deficit and the impact of economic conditions on revenue accruals, primarily PIT.

In 2010-11, the General Fund GAAP Financial Plan shows total revenues of \$46.9 billion, total expenditures of \$55.4 billion, and net other financing sources of \$9.3 billion, resulting in an operating surplus of \$774 million, which reduces the projected accumulated deficit to \$2.8 billion. These results reflect the impact of the Enacted Budget gap-closing actions, and the carry-forward of the cash deficit into 2010-11.

The State has used an independent actuarial consulting firm to calculate retiree health care liabilities. The analysis calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2010 at \$55.9 billion (\$46.3 billion for the State and \$9.6 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method.

GASB rules indicate this liability may be amortized over a 30-year period; therefore, only the annual amortized liability above the current PAYGO costs is recognized in the financial statements. The 2009-10 liability totaled \$3.3 billion (\$2.7 billion for the State and \$0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, amortized based on a level percent of salary. This was \$2.1 billion (\$1.7 billion for the State and \$0.4 billion for SUNY) above the payments for retiree costs made by the State in 2009-10. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2009-10 by \$2.1 billion.

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

<b>FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS</b> (millions of dollars)			
<b>Health Insurance</b>			
<b>Active</b>			
<b>Year</b>	<b>Employees</b>	<b>Retirees</b>	<b>Total State</b>
<b>2007-08 (Actual)</b>	1,390	1,182	2,572
<b>2008-09 (Actual)</b>	1,639	1,068	2,707
<b>2009-10 (Actual)</b>	1,542	1,139	2,681
<b>2010-11 (Projected)</b>	1,826	1,195	3,021
<b>2011-12 (Projected)</b>	1,992	1,322	3,314
<b>2012-13 (Projected)</b>	2,171	1,422	3,593
<b>2013-14 (Projected)</b>	2,119	1,536	3,655

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

## Special Considerations

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

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

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

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

An additional risk to the State Financial Plan arises from the potential impact of certain litigation and of federal disallowances now pending against the State, which could adversely affect the State's projections of receipts and disbursements. The State Financial Plan assumes no significant litigation or

Federal disallowances or other federal actions that could affect State finances. For more information on litigation pending against the State, see the section entitled "Litigation and Arbitration" in this AIS.

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

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

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

## **State Cash Flow Projections**

State Finance Law authorizes the General Fund to borrow resources temporarily from other available funds in the State's STIP for a period not to exceed four months or to the end of the fiscal year, whichever occurs first. The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller (available balances include money in the State's governmental funds, as well as certain other money).

Through the first four months of 2010-11, the General Fund used this authorization to meet payment obligations in May, June and July. It is expected that the General Fund will rely on this borrowing authority at times during the remainder of the fiscal year.

To date, the State has taken actions to maintain adequate operating margins, and expects to continue to do so as events warrant. The State continues to reserve money to make the debt service payments scheduled for each upcoming quarter that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants.

With cash management actions, the General Fund ended June 2010 with a negative balance of \$87 million. The funds on hand in All Governmental Funds at the end of the month totaled \$3.6 billion. The actual and projected month-end balances for 2010-11 are shown in the table below. The cash-flow projections for receipts and disbursements take into account statutory payment dates, historical receipts and disbursement patterns, and other information. DOB believes the projections are based on reasonable and prudent assumptions, and the State's current cash position is sufficient to meet current liquidity needs. Cash balances are expected to continue to be relatively low, especially in September, November, and December 2010. It is expected that the General Fund on certain days will continue to borrow from STIP. DOB will continue to closely monitor and manage the General Fund cash flow during the fiscal year in an effort to maintain adequate operating balances.



<b>ACTUAL/PROJECTED MONTHLY CASH FLOW BALANCES</b>			
<b>FISCAL YEAR 2010-11</b>			
<b>(millions of dollars)</b>			
	<b>General Fund</b>	<b>Other Funds</b>	<b>All Funds</b>
<b>April*</b>	4,274	3,048	7,322
<b>May*</b>	1,648	3,767	5,415
<b>June *</b>	(87)	3,719	3,632
<b>July*</b>	590	4,354	4,944
<b>August</b>	(28)	4,949	4,921
<b>September</b>	2,476	2,209	4,685
<b>October</b>	1,888	3,015	4,903
<b>November</b>	1,442	3,359	4,801
<b>December</b>	1,197	1,792	2,989
<b>January</b>	6,220	2,886	9,106
<b>February</b>	6,851	3,352	10,203
<b>March</b>	1,385	2,442	3,827

\*Actual

## Federal Funding

In enacting the budget, the State faced the risk that the Federal government would not approve an extension of enhanced FMAP funding, as counted on in the Financial Plan. Accordingly, it enacted a statute that provided for automatic reductions to most local assistance payments to cover any difference between the \$1.1 billion in savings counted on in the Financial Plan from enhanced FMAP and the actual amount, if any, approved by the Federal government. After enactment of the statute, the Federal government approved an extension of enhanced FMAP, but at a level less than assumed in the Financial Plan. Accordingly, the payment reductions to local assistance spending will take effect, as provided by law.

The Financial Plan may be adversely affected by actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. Most recently, the Federal CMS requested additional information pertaining to claims for services provided to individuals in developmental centers operated by the Office for People with Developmental Disabilities. Among other information, CMS requested that the State provide a detailed description of how these daily rates are developed as well as the current upper payment limit demonstration. Although no official audit has commenced and the State believes that the rates paid for these services are done in accordance with the approved state plan and all applicable Federal regulations, any adverse action by CMS relative to these claims could jeopardize a significant amount of Federal Medicaid participation in this program.

## **Labor Settlements**

An additional risk is the cost of potential collective bargaining agreements and salary increases for judges (and possibly other elected officials) that may occur in 2010-11 and beyond for the period covering 2007-08 through 2010-11. The Financial Plan includes the costs of a pattern settlement for all unsettled unions, the largest of which represents costs for fiscal years 2009-10 and 2010-11 for NYSCOPBA. There can be no assurance that actual settlements will not exceed the amounts included in the Financial Plan. Furthermore, the current round of collective bargaining agreements expires at the end of 2010-11. The Financial Plan does not include any costs for potential wage increases beyond that point.

## **Personal Care Audits**

The OIG of the United States Department of Health and Human Services released a June 2009 final audit with regard to Medicaid reimbursement for personal care services in New York City, and released a March 2010 draft audit with regard to Medicaid reimbursement for personal care services in upstate New York. The audits reviewed claims for the period of July 1, 2004 through December 31, 2006. Based upon its review, the OIG is calling for the State to repay an estimated \$395 million in Federal Medicaid because payments were not supported with required medical exams and social and nursing assessments. The New York State Department of Health responded to audit findings on October 8, 2009 challenging the audit findings and the appropriateness of recouping Federal funding. The State's 2010-11 Enacted Budget also included a provision to mitigate the potential financial impact on the State by requiring local governments to contribute towards any repayment of such audits.

## **Other Financial Plan Risks**

The Updated Financial Plan forecast also contains specific transaction risks and other uncertainties including, but not limited to, the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Financial Plan; and the achievement of cost-saving measures including, but not limited to, administrative savings in State agencies, including workforce management initiatives, and the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Updated Financial Plan.

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

**FORM OF OPINION OF BOND COUNSEL**

## FORM OF OPINION OF BOND COUNSEL

[Letterhead of Orrick, Herrington &amp; Sutcliffe LLP]

\_\_\_\_\_, 2010

New York Local Government  
Assistance Corporation  
Albany, New York

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of \$206,020,000 Series 2010B Refunding Bonds (Subordinate Lien) (the “Series 2010B 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 2010B 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 2010B Resolution Authorizing up to \$250,000,000 Subordinate Lien Bonds, adopted October 25, 2010 (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 2010B Subordinate Bonds dated as of the date hereof (the “Comptroller’s Series Certificate”), are herein collectively called the “Resolutions.”

The Series 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B Subordinate Bonds thereunder and to perform the obligations and covenants contained in the Resolutions and the Series 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B Subordinate Bonds, and the execution and delivery of the Series 2010B 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,

**BONDS TO BE REDEEMED**

<u>Series</u>	<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
Series 1993A	\$168,600,000	April 1, 2022	December 1, 2010	100%
Series 1994B	96,500,000	April 1, 2023	December 1, 2010	100%
Total:	<hr/> \$265,100,000			