



<b>\$1,157,335,000</b>	
<b>DORMITORY AUTHORITY OF THE STATE OF NEW YORK</b>	
<b>STATE PERSONAL INCOME TAX</b>	
<b>REVENUE BONDS (GENERAL PURPOSE)</b>	
<b>\$1,075,950,000</b>	<b>\$81,385,000</b>
<b>Series 2014C</b>	<b>Series 2014D</b>
<b>(Tax-Exempt)</b>	<b>(Federally Taxable)</b>
<b>Dated:</b> Date of Delivery	<b>Due:</b> As Shown on the Inside Cover

The Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose), Series 2014C (Tax-Exempt) (the “Series 2014C Bonds”) and the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose), Series 2014D (Federally Taxable) (the “Series 2014D Bonds” and together with the Series 2014C Bonds, the “Series 2014 Bonds”), are special obligations of the Dormitory Authority of the State of New York (“DASNY”). The Series 2014 Bonds are secured by a pledge of certain payments (the “Financing Agreement Payments”) to be made to the Trustee on behalf of DASNY by the State of New York (the “State”) under a Financing Agreement (the “Financing Agreement”) between DASNY and the State, acting by and through the Director of the Division of the Budget (the “Director of the Budget”). Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund (as hereinafter defined) to provide for the payment of the Series 2014 Bonds and all other State Personal Income Tax Revenue Bonds (as hereinafter defined). The Revenue Bond Tax Fund receives a statutory allocation of 25 percent of State personal income tax receipts imposed by Article 22 of the New York State Tax Law (the “New York State Personal Income Tax Receipts”) as more fully described herein.

DASNY is one of five Authorized Issuers (hereinafter defined) that can issue State Personal Income Tax Revenue Bonds. All financing agreements entered into by the State to secure State Personal Income Tax Revenue Bonds shall be executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the State Personal Income Tax.

**The Series 2014 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2014 Bonds be payable out of any funds other than those of DASNY pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2014 Bonds. DASNY has no taxing power.**

The Series 2014 Bonds will be issued as fixed rate obligations, fully registered, in denominations of \$5,000 or any integral multiple thereof. The Series 2014 Bonds will bear interest at the rates and mature at the times shown on the inside cover page hereof. For Series 2014 Bonds maturing on March 15 as shown on the inside cover page, interest is payable on each March 15 and September 15, commencing September 15, 2014. For Series 2014C Bonds maturing on June 15 as shown on the inside cover page, interest is payable on each June 15 and December 15, commencing December 15, 2014.

The Series 2014 Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See “PART 8—BOOK-ENTRY ONLY SYSTEM” herein. So long as Cede & Co., as nominee for DTC, is the registered owner of the Series 2014 Bonds, payments of principal or redemption price of and interest on the Series 2014 Bonds will be made by U.S. Bank National Association, as Trustee and Paying Agent, to Cede & Co.

The Series 2014 Bonds are subject to redemption prior to maturity as more fully described herein.

In the opinions of Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, co-bond counsel to DASNY (collectively, “Co-Bond Counsel”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2014C Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Series 2014C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Co-Bond Counsel also are of the opinion that interest on the Series 2014D Bonds is included in gross income for Federal income tax purposes pursuant to the Code. In addition, Co-Bond Counsel are of the opinion that under existing statutes, interest on the Series 2014 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). See “PART 13—TAX MATTERS” herein regarding certain other tax considerations.

The Series 2014 Bonds are offered, when, as and if issued and delivered to the purchasers, and are subject to approval of legality by Hawkins Delafield & Wood LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, and to certain other conditions. It is expected that the Series 2014 Bonds will be delivered in definitive form in New York, New York on or about July 8, 2014.

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS**

**\$1,075,950,000**

**State Personal Income Tax Revenue Bonds (General Purpose), Series 2014C (Tax-Exempt)**

<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Numbers<sup>†</sup></u>	<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Numbers<sup>†</sup></u>
June 15, 2015	\$ 9,300,000	2.00%	0.13%	64990EQC4	March 15, 2026	\$26,940,000	5.00%	2.85%*	64990EQM2
March 15, 2016	27,455,000	4.00	0.30	64990EPT8	March 15, 2027	28,270,000	5.00	2.96*	64990EQN0
June 15, 2016	10,830,000	4.00	0.35	64990EQD2	March 15, 2028	29,685,000	5.00	3.05*	64990EQP5
March 15, 2017	28,580,000	5.00	0.63	64990EPU5	March 15, 2029	31,185,000	5.00	3.16*	64990EQQ3
June 15, 2017	11,315,000	5.00	0.70	64990EQE0	March 15, 2030	32,740,000	5.00	3.24*	64990EQR1
March 15, 2018	30,000,000	5.00	1.01	64990EPV3	March 15, 2031	34,370,000	5.00	3.31*	64990EQS9
June 15, 2018	11,015,000	5.00	1.08	64990EQF7	March 15, 2032	36,100,000	5.00	3.37*	64990EQT7
March 15, 2019	31,500,000	5.00	1.34	64990EPW1	March 15, 2033	37,900,000	5.00	3.43*	64990EQU4
June 15, 2019	9,975,000	5.00	1.41	64990EQG5	March 15, 2034	39,795,000	5.00	3.48*	64990EQV2
March 15, 2020	31,815,000	5.00	1.67	64990EPX9	March 15, 2035	30,735,000	5.00	3.50*	64990EQW0
June 15, 2020	8,765,000	5.00	1.72	64990EQH3	March 15, 2036	32,275,000	5.00	3.54*	64990EQX8
March 15, 2021	33,395,000	5.00	1.97	64990EPY7	March 15, 2037	33,885,000	5.00	3.58*	64990EQY6
June 15, 2021	7,710,000	5.00	2.01	64990EQJ9	March 15, 2038	35,580,000	5.00	3.62*	64990EQZ3
March 15, 2022	35,085,000	5.00	2.19	64990EPZ4	March 15, 2039	37,360,000	5.00	3.65*	64990ERA7
June 15, 2022	4,480,000	5.00	2.23	64990EQK6	March 15, 2040	39,230,000	5.00	3.67*	64990ERB5
March 15, 2023	36,825,000	5.00	2.40	64990EQA8	March 15, 2041	41,190,000	5.00	3.68*	64990ERC3
March 15, 2024	38,660,000	5.00	2.54	64990EQB6	March 15, 2042	43,250,000	5.00	3.69*	64990ERD1
March 15, 2025	25,655,000	5.00	2.70*	64990EQL4					

\$93,100,000 5.00%\* Term Bond due March 15, 2044 Yield 3.70% CUSIP Number<sup>†</sup> 64990ERE9

**\$81,385,000**

**State Personal Income Tax Revenue Bonds (General Purpose), Series 2014D (Federally Taxable)**

<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Numbers<sup>†</sup></u>	<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Numbers<sup>†</sup></u>
March 15, 2016	\$8,475,000	0.66%	100%	64990ERF6	March 15, 2021	\$9,145,000	2.55%	100%	64990ERL3
March 15, 2017	8,535,000	1.14	100	64990ERG4	March 15, 2022	9,370,000	2.76	100	64990ERM1
March 15, 2018	8,630,000	1.57	100	64990ERH2	March 15, 2023	9,625,000	2.92	100	64990ERN9
March 15, 2019	8,760,000	1.96	100	64990ERJ8	March 15, 2024	9,910,000	3.08	100	64990ERP4
March 15, 2020	8,935,000	2.25	100	64990ERK5					

<sup>†</sup> Copyright, American Bankers Association. CUSIP numbers have been assigned by Standard & Poor's, CUSIP Service Bureau and are provided solely for the convenience of the holders of the Series 2014 Bonds. DASNY is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2014 Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Series 2014 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2014 Bonds.

\* Priced at the stated yield to the March 15, 2024 optional redemption date at a redemption price of 100%.

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 2014 Bonds by any person in any jurisdiction in which it is unlawful for the person to make such offer, solicitation or sale. The information set forth herein has been provided by DASNY, the State and other sources which are believed to be reliable by DASNY and with respect to the information supplied or authorized by the State, is not to be construed as a representation by DASNY. 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 DASNY or the State. 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.

In connection with offers and sales of the Series 2014 Bonds, no action has been taken by DASNY that would permit a public offering of the Series 2014 Bonds, or possession or distribution of any information relating to the pricing of the Series 2014 Bonds, this Official Statement or any other offering or publicity material relating to the Series 2014 Bonds, in any non-U.S. jurisdiction where action for that purpose is required. Accordingly, initial purchasers are obligated to comply with all applicable laws and regulations in force in any non-U.S. jurisdiction in which it purchases, offers or sells the Series 2014 Bonds or possesses or distributes this Official Statement or any other offering or publicity material relating to the Series 2014 Bonds and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Series 2014 Bonds under the laws and regulations in force in any non-U.S. jurisdiction to which it is subject or in which it makes such purchases, offers or sales and DASNY shall have no responsibility therefor.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2014 BONDS, THE PURCHASERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL 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 FORWARD-LOOKING STATEMENTS.

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## PART 1—SUMMARY STATEMENT

*This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2014 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms elsewhere in this Official Statement.*

<p><b>State Personal Income Tax Revenue Bond Financing Program</b></p>	<p>Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the “Enabling Act”), provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds (the “State Personal Income Tax Revenue Bonds”) by establishing the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund”) held separate and apart from all other moneys of the State in the joint custody of the State Commissioner of Taxation and Finance (the “Commissioner”) and the Comptroller of the State (the “State Comptroller”).</p> <p>The Enabling Act authorizes the Dormitory Authority of the State of New York (“DASNY”), the New York State Environmental Facilities Corporation (“EFC”), the New York State Housing Finance Agency, the New York State Thruway Authority (the “Thruway Authority”) and the New York State Urban Development Corporation, doing business as Empire State Development (collectively, the “Authorized Issuers”) to issue State Personal Income Tax Revenue Bonds for certain Authorized Purposes (as hereinafter defined). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Budget pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including DASNY.</p> <p>State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured solely by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; which together constitute the pledged property under the applicable general resolution.</p>
<p><b>Purpose of Issue</b></p>	<p>The Series 2014 Bonds are being issued for the purpose of financing Authorized Purposes, including financing or reimbursing all or a portion of the costs of certain programs and projects within the State and refunding certain outstanding bonds previously issued by DASNY. For a more complete description of the expected application of proceeds of the Series 2014 Bonds, see “PART 6—THE PROJECTS” and “PART 7—THE REFUNDING PLAN.” See “APPENDIX F—SUMMARY OF REFUNDED BONDS” for a list of the bonds to be refunded.</p>

**Sources of Payment and Security for State Personal Income Tax Revenue Bonds— Revenue Bond Tax Fund Receipts**

The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax, which exclude refunds owed to taxpayers (the “New York State Personal Income Tax Receipts”), shall be deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State Personal Income Tax Receipts to the School Tax Relief Fund (the “STAR Fund”). Prior to such date, New York State Personal Income Tax Receipts were also net of STAR Fund deposits.

The State Comptroller is required by the Enabling Act to deposit in the Revenue Bond Tax Fund all of the receipts collected from payroll withholding taxes (the “Withholding Component”) until an amount equal to 25 percent of the estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund Receipts”).

New York State Personal Income Tax Receipts, the Withholding Component and the Revenue Bond Tax Fund Receipts for State Fiscal Years 2012-13 through 2014-15 are as follows:

<u>State Fiscal Year</u>	<u>New York State Personal Income Tax Receipts</u>	<u>Withholding Component</u>	<u>Revenue Bond Tax Fund Receipts</u>
	<i>(\$ in billions)</i>		
2012-13	\$40.2	\$32.0	\$10.1
2013-14	43.0	33.4	10.7
2014-15*	43.7	35.1	10.9

\* As estimated in the FY 2015 Enacted Budget Financial Plan.

The Series 2014 Bonds are special obligations of DASNY, being secured by a pledge of Financing Agreement Payments to be made by the State Comptroller to the Trustee on behalf of DASNY and certain funds held by the Trustee under DASNY’s State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (the “General Resolution”).

The Series 2014 Bonds are issued on a parity with all other Bonds which may be issued under the General Resolution. All State Personal Income Tax Revenue Bonds (of which \$28.8 billion were outstanding as of June 1, 2014) are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State.

Financing agreement payments are made from certain personal income taxes imposed by the State of New York on a statewide basis and deposited, as required by the Enabling Act, to the Revenue Bond Tax Fund. The financing agreement payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. **All payments required by financing agreements entered into by the State are executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject**

<p><b>Sources of Payment and Security for State Personal Income Tax Revenue Bonds— Revenue Bond Tax Fund Receipts</b></p> <p><i>(continued)</i></p>	<p><b>to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.</b></p> <p>The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax. For additional information, see “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS” and “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND.”</p> <p><b>The Series 2014 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2014 Bonds be payable out of any funds other than those of DASNY pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, the premium, if any, or interest on the Series 2014 Bonds. DASNY has no taxing power.</b></p> <p><b>The Series 2014 Bonds are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes authorized to be financed by the application of the proceeds of Series 2014 Bonds.</b></p>
<p><b>Set Aside for Purpose of Making Financing Agreement Payments</b></p>	<p>The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature.</p> <p>The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Revenue Bond Tax Fund Receipts anticipated to be deposited to the Revenue Bond Tax Fund and the amount of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for State Fiscal Year 2014-15.</p> <p>See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS.”</p>

<p><b>Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts</b></p>	<p>If at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all certified financing agreement payments on all State Personal Income Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without appropriation, to immediately transfer amounts from the General Fund of the State (the “General Fund”) to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers.</p>
<p><b>Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts</b></p>	<p>In the event that: (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars (\$6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees, on behalf of each Authorized Issuer, including DASNY.</p> <p>After the required appropriations and financing agreement payments have been made, excess moneys in the Revenue Bond Tax Fund are to be paid over and distributed to the credit of the General Fund. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Moneys Held in the Revenue Bond Tax Fund.”</p>
<p><b>Additional Bonds and Debt Service Coverage</b></p>	<p>The Enabling Act and each of the general resolutions permit the Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to (a) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for particular Authorized Purposes and (b) the additional bonds test described below and included in each general resolution authorizing State Personal Income Tax Revenue Bonds.</p> <p>As provided in the General Resolution, and in each of the general resolutions of the other Authorized Issuers, additional State Personal Income Tax Revenue Bonds may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Revenue Bonds, the additional State Personal Income Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations.</p> <p>In accordance with the additional bonds debt service coverage test described above, Revenue Bond Tax Fund Receipts of approximately \$10.7 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 3.9 times the maximum annual Debt Service for all outstanding State Personal Income Tax Revenue Bonds, including the</p>



<p><b>Additional Bonds and Debt Service Coverage</b> <i>(continued)</i></p>	<p>debt service on the Series 2014 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. While additional State Personal Income Tax Revenue Bonds are expected to be issued by Authorized Issuers as appropriate for Authorized Purposes as noted herein, in no event may any additional State Personal Income Tax Revenue Bonds (other than certain refunding bonds) be issued unless the additional bonds test under the respective general resolution has been satisfied. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Additional Bonds” and “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND—Estimated Debt Service Coverage.”</p> <p>As of June 1, 2014, approximately \$28.8 billion of State Personal Income Tax Revenue Bonds were outstanding.</p>
<p><b>Appropriation by State Legislature</b></p>	<p>The State Legislature is expected to make appropriations annually from amounts on deposit in the Revenue Bond Tax Fund sufficient to pay annual financing agreement payments when due. Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. Such an appropriation has been enacted for State Fiscal Year 2014-15.</p> <p>Pursuant to Article VII Section 16 of the State Constitution, if at any time the State Legislature fails to make an appropriation for State general obligation debt service, the State Comptroller is required to set apart from the first revenues thereafter received, applicable to the General Fund, sums sufficient to pay debt service on such general obligation bonds. In the event that such revenues and other amounts in the General Fund are insufficient to pay State general obligation bondholders, the State may also use amounts on deposit in the Revenue Bond Tax Fund as well as other funds to pay debt service on State general obligation bonds.</p> <p>The Division of the Budget is not aware of any existing circumstances that would cause Revenue Bond Tax Fund Receipts to be used to pay debt service on State general obligation bonds in the future. The Director of the Budget 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 the Authorized Issuers to issue State-supported bonds to raise funds in the public credit markets.</p>
<p><b>Continuing Disclosure</b></p>	<p>In order to assist the initial purchasers of the Series 2014 Bonds in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”), all Authorized Issuers, the State and each applicable trustee, including the Trustee, have entered into a Master Continuing Disclosure Agreement. See “PART 20—CONTINUING DISCLOSURE” and “APPENDIX E – EXECUTED COPY OF MASTER CONTINUING DISCLOSURE AGREEMENT.”</p>

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**DORMITORY AUTHORITY – STATE OF NEW YORK**  
**PAUL T. WILLIAMS, JR. – PRESIDENT**

**515 BROADWAY, ALBANY, N.Y. 12207**  
**ALFONSO L. CARNEY, JR., ESQ. – CHAIR**

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**OFFICIAL STATEMENT**

**Relating to**

**\$1,157,335,000**

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)**

**\$1,075,950,000**  
**Series 2014C**  
**(Tax-Exempt)**

**\$81,385,000**  
**Series 2014D**  
**(Federally Taxable)**

**PART 2—INTRODUCTION**

The purpose of this Official Statement, including the cover page, the inside cover page, the Summary Statement and appendices, is to set forth certain information concerning the State and Dormitory Authority of the State of New York (“DASNY”), a public benefit corporation of the State, in connection with the offering by DASNY of its \$1,075,950,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2014C (Tax-Exempt) (the “Series 2014C Bonds”) and \$81,385,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2014D (Federally Taxable) (the “Series 2014D Bonds”) and together with the Series 2014C Bonds, the “Series 2014 Bonds”). The interest rates, maturity dates, and prices or yields of the Series 2014 Bonds being offered hereby are set forth on the inside cover page of this Official Statement.

This Official Statement also summarizes certain information concerning the provisions of the State Finance Law with respect to the issuance of State Personal Income Tax Revenue Bonds (the “State Personal Income Tax Revenue Bonds”), including the Series 2014 Bonds, and the statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law (“Tax Law”) which, pursuant to Section 171-a of the Tax Law (the “New York State Personal Income Tax Receipts”), are required to be deposited in the Revenue Bond Tax Fund to provide for the payment of State Personal Income Tax Revenue Bonds. Under current law, such New York State Personal Income Tax Receipts exclude refunds owed to taxpayers. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS — The Revenue Bond Tax Fund.”

The State expects that State Personal Income Tax Revenue Bonds together with the State Sales Tax Revenue Bonds will be the primary financing vehicles for financing State-supported programs over the current financial plan period. State Sales Tax Revenue Bonds are authorized to be issued for certain authorized purposes pursuant to Article 5-F and Article 6 (Section 92-h) of the State Finance Law by DASNY, ESD, and the Thruway Authority.

The Series 2014 Bonds are authorized to be issued pursuant to the Enabling Act, and the Dormitory Authority Act, constituting Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended and supplemented (the “Authority Act”), and other provisions of State law. The Enabling Act authorizes the Authorized Issuers to issue State Personal Income Tax Revenue Bonds for certain purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued (the “Authorized Purposes”). The issuance of State-supported Debt is limited in the State Finance Law to the financing of capital works or purposes only, which include the acquisition, construction, demolition or replacement of fixed assets, the major repair or renovation thereof, or the planning or design of the acquisition, construction, demolition, replacement, repair or renovation of fixed assets. The Enabling Act, together with the Authority Act, constitute the “Authorizing Legislation.”

The Series 2014 Bonds are additionally authorized under DASNY’s State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution, adopted by DASNY on April 29, 2009 (the “General Resolution”), as supplemented by DASNY’s Supplemental Resolution 2014-1 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by DASNY on February 12, 2014 and DASNY’s Supplemental Resolution 2014-2 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by DASNY on May 14, 2014 (collectively, the “Series 2014 Supplemental Resolutions”) (such General Resolution, together with the Series 2014 Supplemental Resolutions, being herein, except as the context otherwise indicates, collectively referred to as the “Resolution,” and any bonds issued pursuant to the General Resolution, including the Series 2014 Bonds, being herein referred to as the “Bonds”).

The Series 2014 Bonds, and any additional series of Bonds which have heretofore been issued or may hereafter be issued under the General Resolution, will be equally and ratably secured thereunder. The Series 2014 Bonds and all other State Personal Income Tax Revenue Bonds which have heretofore been issued or may be issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under the applicable general resolution and the investment earnings thereon ((i) and (ii) being collectively referred to herein as the “Pledged Property” with respect to each such Authorized Issuer, including DASNY). The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds adopted by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are required to be equal to the amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including DASNY. Descriptions of the provisions of the Enabling Act contained in this Official Statement are of the Enabling Act as it exists on the date of this Official Statement.

All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State Legislature. As of June 1, 2014 approximately \$28.8 billion of State Personal Income Tax Revenue Bonds were outstanding. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Series 2014 Bonds” and “—Additional Bonds.”

The Series 2014 Bonds are being issued for the purpose of financing Authorized Purposes, including financing or reimbursing all or a portion of the costs of certain programs and projects within the

State and refunding certain outstanding bonds previously issued by DASNY. In addition, proceeds of the Series 2014 Bonds will be used to pay all or part of the cost of issuance of the Series 2014 Bonds. See “PART 2—INTRODUCTION,” “PART 6—THE PROJECTS” and “PART 7—THE REFUNDING PLAN” for a more complete description of the expected application of proceeds of the Series 2014 Bonds. **The Series 2014 Bonds are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes authorized to be financed with proceeds of the Series 2014 Bonds.**

Pursuant to the Authorizing Legislation, DASNY and the State entered into a financing agreement dated as of July 1, 2009 (the “Financing Agreement”). See “APPENDIX C—FINANCING AGREEMENT.”

The revenues, facilities, properties and any and all other assets of DASNY of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding or otherwise applied to, the payment of State Personal Income Tax Revenue Bonds, any redemption premium therefor or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes. See “PART 11—DASNY” for a further description of DASNY.

**The Series 2014 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2014 Bonds be payable out of any funds other than those of DASNY pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2014 Bonds. DASNY has no taxing power.**

Capitalized terms used herein unless otherwise defined have the same meaning as ascribed to them in the General Resolution. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Certain Defined Terms.”

### **PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS**

#### **The Revenue Bond Tax Fund**

The Enabling Act provides a source of payment for State Personal Income Tax Revenue Bonds by establishing the Revenue Bond Tax Fund for the purpose of setting aside New York State Personal Income Tax Receipts sufficient to make financing agreement payments to Authorized Issuers. The Enabling Act establishes the Revenue Bond Tax Fund to be held in the joint custody of the State Comptroller and the Commissioner and requires that all moneys on deposit in the Revenue Bond Tax Fund be held separate and apart from all other moneys in the joint custody of the State Comptroller and the Commissioner. The source of the financing agreement payments is a statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the Tax Law, which exclude refunds owed to taxpayers, and which, pursuant to Section 171-a of the Tax Law, are deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State Personal Income Tax Receipts to the School Tax Relief Fund (the “STAR Fund”). Prior to such date, New York State Personal Income Tax Receipts were net of refunds and deposits to the STAR Fund. See “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND—Revenue Bond Tax Fund Receipts.”

Financing agreement payments made from amounts set aside in the Revenue Bond Tax Fund are subject to annual appropriation for such purpose by the State Legislature. The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed by Article 22 of the Tax Law.

### **Series 2014 Bonds**

The Series 2014 Bonds are special obligations of DASNY, secured by and payable from Financing Agreement Payments payable by the State Comptroller to U.S. Bank National Association, as Trustee and Paying Agent (the “Trustee” or “Paying Agent”) on behalf of DASNY in accordance with the terms and provisions of the Financing Agreement subject to annual appropriation by the State Legislature, and the Funds and accounts established under the General Resolution (other than the Rebate Fund and other Funds as provided in the Resolution). A copy of the Financing Agreement relating to the Series 2014 Bonds is included as Appendix C hereto. The Series 2014 Bonds are entitled to a lien, created by a pledge under the General Resolution, on the Pledged Property. The Pledged Property with respect to the Series 2014 Bonds consists of (i) the payments made pursuant to the Financing Agreement and (ii) the Funds and accounts established under the General Resolution (other than the Rebate Fund and the Administrative Fund as provided in the Resolution) and the investment earnings thereon.

The Enabling Act and each of the general resolutions permit the Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test described herein, Revenue Bond Tax Fund Receipts of approximately \$10.7 billion are available to pay financing agreement payments on a pro-forma basis, which amount represents approximately 3.9 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2014 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been satisfied. See “–Additional Bonds” below and “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND—Estimated Debt Service Coverage.”

The revenues, facilities, properties and any and all other assets of DASNY of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding, otherwise applied to, the payment of State Personal Income Tax Revenue Bonds, any redemption premium therefor or the interest thereon or any other obligations under the General Resolution, and under no circumstances shall these be available for such purposes. See “PART 11—DASNY” for a further description of DASNY.

### **Certification of Payments to be Set Aside in Revenue Bond Tax Fund**

The Enabling Act, the general resolutions and the financing agreements provide procedures for setting aside amounts from the New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund to ensure that sufficient amounts will be available to make financing agreement payments, when due, to the applicable trustees on behalf of DASNY and the other Authorized Issuers.

The Enabling Act provides that:

1. No later than October 1 of each year, each Authorized Issuer must submit its State Personal Income Tax Revenue Bond cash requirements (which shall include financing agreement payments) for the following State Fiscal Year and, as required by the financing agreements, each of the subsequent four State Fiscal Years to the Division of the Budget.
2. No later than thirty (30) days after the submission of the Executive Budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate which sets forth an estimate of:
  - (a) 25 percent of the amount of the estimated monthly New York State Personal Income Tax Receipts to be deposited in the Revenue Bond Tax Fund pursuant to the Enabling Act during that State Fiscal Year; and
  - (b) the monthly amounts necessary to be set aside in the Revenue Bond Tax Fund to make the financing agreement payments required to meet the cash requirements of the Authorized Issuers.
3. In the case of financing agreement payments due semi-annually, Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is equal to not less than the financing agreement payments for State Personal Income Tax Revenue Bonds of all Authorized Issuers in the following month as certified by the Director of the Budget.
4. In the case of financing agreement payments due on a more frequent basis, monthly Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is, in accordance with the certificate of the Director of the Budget, sufficient to pay the required payment on each issue on or before the date such payment is due.

In addition, the general resolutions and the financing agreements require the State Comptroller to set aside, monthly, in the Revenue Bond Tax Fund, amounts such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue Bond Tax Fund as provided in 2(a) above, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of the Authorized Issuers in the following month.

The Director of the Budget may amend such certification as shall be necessary, provided that the Director of the Budget shall amend such certification no later than thirty (30) days after the issuance of any State Personal Income Tax Revenue Bonds, including refunding bonds, or after the execution of any interest rate exchange (or “swap”) agreements or other financial arrangements which may affect the cash requirements of any Authorized Issuer.

The Enabling Act provides that on or before the twelfth day of each month, the Commissioner shall certify to the State Comptroller the actual New York State Personal Income Tax Receipts for the prior month and, in addition, no later than March 31 of each State Fiscal Year, the Commissioner shall certify such amounts relating to the last month of the State Fiscal Year. At such times, the Enabling Act provides that the State Comptroller shall adjust the amount of estimated New York State Personal Income

Tax Receipts deposited to the Revenue Bond Tax Fund from the Withholding Component to the actual amount certified by the Commissioner.

### **Set Aside of Revenue Bond Tax Fund Receipts**

As provided by the Enabling Act, the general resolutions, the financing agreements, and the certificate of the Director of the Budget, the State Comptroller is required to:

1. Beginning on the first day of each month, deposit all of the daily receipts from the Withholding Component to the Revenue Bond Tax Fund until there is on deposit in the Revenue Bond Tax Fund an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts.
2. Set aside, monthly, amounts on deposit in the Revenue Bond Tax Fund, such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue Bond Tax Fund in such month, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of all the Authorized Issuers in the following month.

The Enabling Act provides that Revenue Bond Tax Fund Receipts which have been set aside in sufficient amounts to pay, when due, the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments.

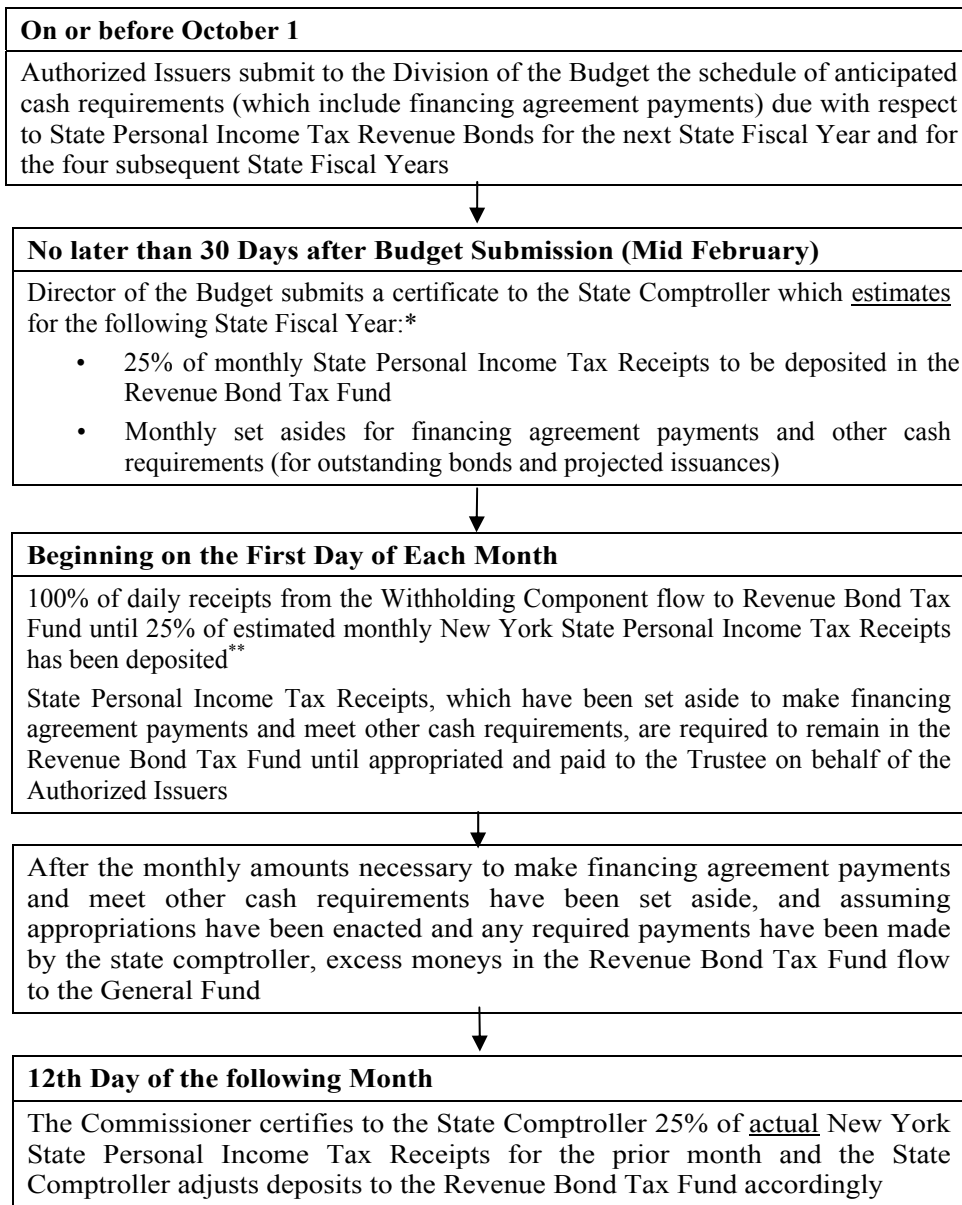
Subject to appropriation by the State Legislature, upon receipt of a request for payment from any Authorized Issuer pursuant to a financing agreement, the State Comptroller shall pay over to the trustee, on behalf of such Authorized Issuer, such amount. In the event that Revenue Bond Tax Fund Receipts are insufficient to meet financing agreement payments on all State Personal Income Tax Revenue Bonds of all the Authorized Issuers as set forth in the certificate of the Director of the Budget, the State Comptroller is required by the Enabling Act, without appropriation, to immediately transfer amounts from the General Fund to the Revenue Bond Tax Fund, the amount of such deficiency. Amounts so transferred to the Revenue Bond Tax Fund can only be used to pay financing agreement payments (except, if necessary, for payments authorized to be made to the holders of State general obligation debt).

The State Comptroller shall from time to time, but in no event later than the fifteenth day of each month (other than the last month of the fiscal year) and no later than the thirty-first day of the last month of each fiscal year, pay over and distribute to the credit of the General Fund all moneys in the Revenue Bond Tax Fund, if any, in excess of the aggregate amount required to be set aside for the payment of cash requirements as described above.



## Flow of Revenue Bond Tax Fund Receipts

The following chart summarizes the flow of Revenue Bond Tax Fund Receipts.



\* The Director of the Budget can amend the certification at any time to more precisely account for a revised New York State Personal Income Tax Receipts estimate or actual debt service and other cash requirements, and to the extent necessary, shall do so not later than thirty days after the issuance of any State Personal Income Tax Revenue Bonds.

\*\* The State can certify and set aside New York State Personal Income Tax Receipts in excess of the next month's financing agreement payment requirements to ensure amounts previously set aside and on deposit in the Revenue Bond Tax Fund together with 25 percent of estimated monthly New York State Personal Income Tax Receipts to be deposited in such month are not less than 125 percent of all financing agreement payments due in the following month.

## **Moneys Held in the Revenue Bond Tax Fund**

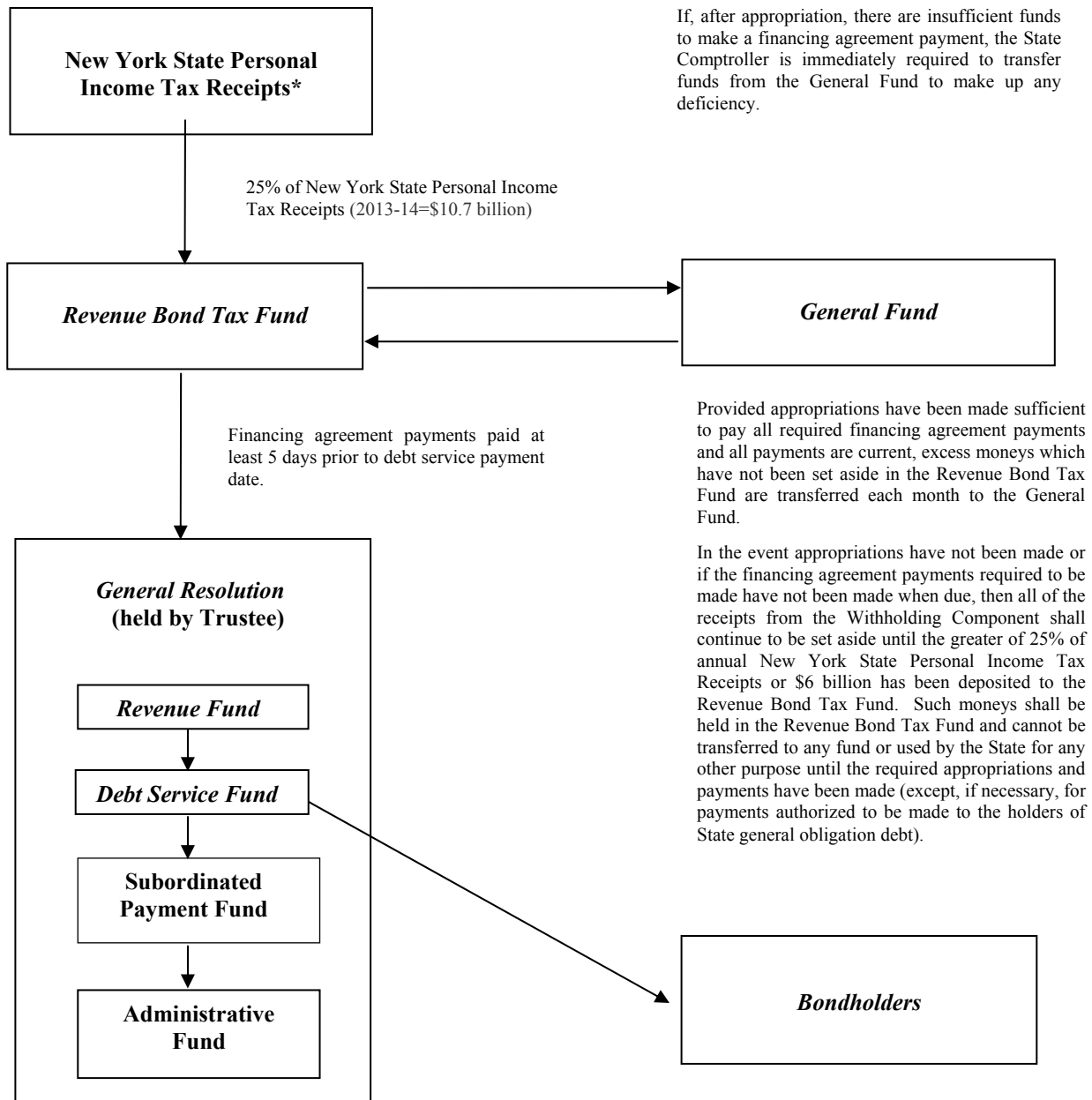
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to DASNY and other Authorized Issuers (which are paid to the applicable trustees on behalf of DASNY and the other Authorized Issuers), unless two requirements are met. First, all payments as certified by the Director of the Budget for a State Fiscal Year must have been appropriated to DASNY and other Authorized Issuers for the payment of financing agreement payments (including debt service) in the full amount specified in the certificate of the Director of the Budget. Second, each certified and appropriated payment for which moneys are required to be set aside as provided in the Enabling Act must have been made to the trustees on behalf of DASNY and other Authorized Issuers when due.

If such appropriations have been made to pay all annual amounts specified in the certificate of the Director of the Budget as being required by DASNY and all other Authorized Issuers for a State Fiscal Year and all such payments to the applicable trustees on behalf of DASNY and all other Authorized Issuers are current, then the State Comptroller is required by the Enabling Act to pay over and distribute to the credit of the General Fund, at least once a month, all amounts in the Revenue Bond Tax Fund, if any, in excess of the aggregate amount required to be set aside. The Enabling Act also requires the State Comptroller to pay to the General Fund all sums remaining in the Revenue Bond Tax Fund on the last day of each State Fiscal Year, but only if the State has appropriated and paid to the applicable trustees on behalf of DASNY and all other Authorized Issuers the amounts necessary for DASNY and all other Authorized Issuers to meet their cash requirements for the current State Fiscal Year and, to the extent certified by the Director of the Budget, set aside any cash requirements required for the next State Fiscal Year.

In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, any financing agreement payments have not been made when due on State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars (\$6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer, including DASNY.

The Enabling Act provides that no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on moneys on deposit in the Revenue Bond Tax Fund and that the State's agreement to make financing agreement payments shall be executory only to the extent such payments have been appropriated.

## Flow of Revenues



\* Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax.

## Appropriation by the State Legislature

The State may not expend money without an appropriation, except for the payment of debt service on general obligation bonds or notes issued by the State. An appropriation is an authorization approved by the State Legislature to expend money. The State Constitution requires all appropriations of State funds, including funds in the Revenue Bond Tax Fund, to be approved by the State Legislature at least every two years. In addition, the State Finance Law generally provides that appropriations shall

cease to have force and effect, except as to liabilities incurred thereunder, at the close of the State 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. See “– Moneys Held in the Revenue Bond Tax Fund” in this section.

DASNY expects that the State Legislature will make an appropriation from amounts on deposit in the Revenue Bond Tax Fund sufficient to pay financing agreement payments when due. Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. In addition, in the event that the State Legislature fails to provide an appropriation, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of the annual New York State Personal Income Tax Receipts or six billion dollars (\$6,000,000,000). The Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (other than to make financing agreement payments from appropriated amounts, and except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer. 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. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the Tax Law.

All payments required by financing agreements entered into by the State shall be executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.

**State Personal Income Tax Revenue Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall State Personal Income Tax Revenue Bonds be payable out of any funds other than those pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on State Personal Income Tax Revenue Bonds.**

Pursuant to the Enabling Act, Revenue Bond Tax Fund Receipts which have been set aside to pay when due the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund until they are appropriated and used to make financing agreement payments. However, the Enabling Act also provides that the use of such Revenue Bond Tax Fund Receipts by the State Comptroller is “subject to the rights of holders of debt of the state” (i.e., general obligation bondholders who benefit from the faith and credit pledge of the State). Pursuant to Article VII Section 16 of the State Constitution, if at any time the State Legislature fails to make an appropriation for general obligation debt service, the State Comptroller is required to set apart from the first revenues thereafter received, applicable to the General Fund, sums sufficient to pay debt service on such general obligation debt. In the event that such revenues and other amounts in the General Fund are insufficient to so pay State general obligation bondholders, the State may also use amounts on deposit in the Revenue Bond Tax Fund as well as other funds to pay debt service on State general obligation bonds.

The Division of the Budget is not aware of any existing circumstances that would cause Revenue Bond Tax Fund Receipts to be used to pay debt service on State general obligation bonds in the future. The Director of the Budget 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 the Authorized Issuers to issue State-supported bonds to raise funds in the public credit markets.

### **Additional Bonds**

As provided in each general resolution, except as provided in the next paragraph with respect to certain Refunding Bonds, additional State Personal Income Tax Revenue Bonds may be issued by the related Authorized Issuer, provided that the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all Outstanding State Personal Income Tax Revenue Bonds, the State Personal Income Tax Revenue Bonds proposed to be issued, and any additional amounts payable with respect to parity reimbursement obligations.

The General Resolution also provides that additional Bonds may be issued to refund Outstanding Bonds either by meeting the debt service coverage test described above, or, in the alternative, by demonstrating that maximum annual debt service on all Outstanding Bonds will not increase as a result of such refunding.

For additional information, see “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Summary of Certain Provisions of the State Personal Income Tax Revenue Bonds Standard Resolution Provisions – Special Provisions for Additional Bonds” and “–Refunding Bonds.”

### **Parity Reimbursement Obligations**

An Authorized Issuer, including DASNY, may incur Parity Reimbursement Obligations (as defined in each respective general resolution, including the General Resolution) pursuant to the terms of its general resolution which, subject to certain exceptions, would be secured by a pledge of, and a lien on, the pledged property on a parity with the lien created by the related general resolution with respect to bonds issued thereunder. A Parity Reimbursement Obligation may be incurred in connection with obtaining a Credit Facility and represents the obligation to repay amounts advanced under the Credit Facility. It may include interest calculated at a rate higher than the interest rate on the related State Personal Income Tax Revenue Bonds and may be secured by a pledge of, and a lien on, pledged property on a parity with the lien created by the general resolution for the State Personal Income Tax Revenue Bonds only to the extent that principal amortization requirements of the Parity Reimbursement Obligation are equal to the amortization requirements for the related State Personal Income Tax Revenue Bonds, without acceleration. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”

### **Certain Covenants of the State**

Pursuant to the general resolutions, the State pledges and agrees with the holders of State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred thereunder that the State will not in any way impair the rights and remedies of holders of such State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations until such State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred thereunder, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the holders are fully met and discharged.

Pursuant to the Enabling Act and the general resolutions, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the State personal income taxes imposed pursuant to Article 22 of the Tax Law. An Event of Default under the general resolutions would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter the statutes imposing or relating to such taxes. However, the Director of the Budget believes that any materially adverse amendment, modification or alteration of, or the repeal of, statutes imposing or related to the State personal income tax imposed pursuant to Article 22 of the Tax Law could have a serious impact on the flow of New York State Personal Income Tax Receipts to the Revenue Bond Tax Fund, the ability of the Authorized Issuers to issue Additional State Personal Income Tax Revenue Bonds and the marketability of outstanding State Personal Income Tax Revenue Bonds.

### **Reservation of State's Right to Substitute Credit**

Pursuant to the Enabling Act, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that may include the Revenues pledged under the general resolutions, (i) to assume, in whole or in part, State Personal Income Tax Revenue Bonds, (ii) to extinguish the existing lien on the pledged property created under the general resolutions, and (iii) to substitute security for State Personal Income Tax Revenue Bonds, in each case only so long as the assumption, extinguishment and substitution is accomplished in accordance with either of two provisions of the general resolutions. (For these purposes, any State Personal Income Tax Revenue Bonds paid or deemed to have been paid in accordance with the applicable general resolution on or before the date of any assumption, extinguishment and substitution are not to be taken into account in determining compliance with those provisions.) The first provision of the general resolutions is intended to permit an assumption, extinguishment and substitution, without any right of consent of Bondholders or other parties, if certain conditions are satisfied. The second provision of the general resolutions permitting such an assumption, extinguishment and substitution is intended to permit a broader range of changes with the consent of issuers of Credit Facilities and the consent of certain Bondholders. It provides that any such assumption, extinguishment and substitution may be effected if certain conditions are satisfied.

In the event a constitutional amendment becomes a part of the State Constitution, there can be no assurance that the State will exercise its rights of assumption, extinguishment, and substitution with respect to State Personal Income Tax Revenue Bonds. There can be no assurance that DASNY or any other Authorized Issuer would be the issuer of any such State Revenue Bonds upon any such assumption, extinguishment and substitution and, if not DASNY or any other Authorized Issuer, the issuer of such State Revenue Bonds could be the State or another public entity.

See "APPENDIX B-SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Summary of Certain Provisions of the State Personal Income Tax Revenue Bonds Standard Resolution Provisions – Reservation of State Rights of Assumption, Extinguishment and Substitution."

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## **PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND**

### **General History of the State Personal Income Tax**

In 1919, New York State became the seventh state to enact a personal income tax. The present system of conformity to Federal tax law with respect to income and deductions was adopted in 1960. The personal income tax is New York's largest source of tax revenue and consistently accounts for more than one-half of all State tax receipts.

The State's personal income tax structure adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications, such as: (1) the inclusion of investment income from debt instruments issued by other states and municipalities and the exclusion of income on certain Federal obligations; and (2) the exclusion of pension income received by Federal, New York State and local government employees, private pension and annuity income up to \$20,000 (\$40,000 for married couples filing jointly), and any Social Security income and refunds otherwise included in Federal adjusted gross income.

Changes in Federal tax law from time to time may positively or negatively affect the amount of personal income tax receipts collected by the State. State Tax Law changes may also impact personal income tax receipts by authorizing a wide variety of credits against the personal income tax liability of taxpayers.

Major tax credits include: Empire State Child Credit (enacted and effective in 2006); Earned Income Tax Credit; Child and Dependent Care Credit; Household Credit; College Tuition Credit; Long-term Care Insurance Credit; Investment Credits; and, Empire Zone Credits.

### **Personal Income Tax Rates**

Taxable income equals New York adjusted gross income ("AGI") less deductions and exemptions. The tax provides separate rate schedules for married couples, single individuals and heads of households. For the 1989 through 1994 tax years, the State income tax was imposed at rates ranging from 4.0 percent to 7.875 percent on the taxable income of individuals, estates and trusts. For taxpayers with \$100,000 or more of AGI, the savings from graduated marginal tax rates is recaptured through a supplementary mechanism in effect since 1991. Beginning in 1995, a major personal income tax cut program was phased in over three years which cut the top State personal income tax rate from 7.875 to 6.85 percent. For tax years 1997 through 2002, New York imposed a graduated income tax with rates ranging between 4.0 and 6.85 percent of taxable income. Legislation enacted with the 2003-04 Budget temporarily added two additional top brackets for the 2003 through 2005 tax years. For tax years 2006 through 2008, the rate schedules reverted to the rate schedule in effect for the 2002 tax year. For tax years 2009 through 2011, a temporary tax rate increase applied, which added two additional rates and brackets. The following tables set forth the rate schedules for tax years 2014 through 2017 and for tax years after 2017 which revert to the rate schedule in effect for the 2008 tax year except that the tax brackets are permanently indexed for cost of living adjustments starting in tax year 2013.

## New York State Personal Income Tax Rates for Tax Years 2014 Through 2017\*

### Married Filing Jointly and Qualified Widow(er)

#### Taxable Income:

	<b>Tax<sup>±</sup></b>
Not over \$16,700.....	4% of taxable income
Over \$16,700 but not over \$22,950.....	\$668 plus 4.50% of excess over \$16,700
Over \$22,950 but not over \$27,150.....	\$949 plus 5.25% of excess over \$22,950
Over \$27,150 but not over \$41,800.....	\$1,170 plus 5.90% of excess over \$27,150
Over \$41,800 but not over \$156,900.....	\$2,034 plus 6.45% of excess over \$41,800
Over \$156,900 but not over \$313,850.....	\$9,458 plus 6.65% of excess over \$156,900
Over \$313,850 but not over \$2,092,800.....	\$19,895 plus 6.85% of excess over \$313,850
Over \$2,092,800.....	\$141,753 plus 8.82% of excess over \$2,092,800

### Single, Married Filing Separately, Estates and Trusts

#### Taxable Income:

Not over \$8,300 .....	4% of taxable income
Over \$8,300 but not over \$11,450.....	\$332 plus 4.50% of excess over \$8,300
Over \$11,450 but not over \$13,550.....	\$474 plus 5.25% of excess over \$11,450
Over \$13,550 but not over \$20,850.....	\$584 plus 5.90% of excess over \$13,550
Over \$20,850 but not over \$78,400.....	\$1,015 plus 6.45% of excess over \$20,850
Over \$78,400 but not over \$209,250.....	\$4,727 plus 6.65% of excess over \$78,400
Over \$209,250 but not over \$1,046,350.....	\$13,428 plus 6.85% of excess over \$209,250
Over \$1,046,350.....	\$70,770 plus 8.82% of excess over \$1,046,350

### Head of Household

#### Taxable Income:

Not over \$12,550.....	4% of taxable income
Over \$12,550 but not over \$17,200.....	\$502 plus 4.50% of excess over \$12,550
Over \$17,200 but not over \$20,350.....	\$711 plus 5.25% of excess over \$17,200
Over \$20,350 but not over \$31,350.....	\$877 plus 5.90% of excess over \$20,350
Over \$31,350 but not over \$104,600.....	\$1,526 plus 6.45% of excess over \$31,350
Over \$104,600 but not over \$261,550.....	\$6,250 plus 6.65% of excess over \$104,600
Over \$261,550 but not over \$1,569,550.....	\$16,687 plus 6.85% of excess over \$261,550
Over \$1,569,550.....	\$106,285 plus 8.82% of excess over \$1,569,550

\* Tax year 2014 marks the second year of tax bracket inflation adjustment, based originally on tax year 2012 brackets. Income and tax amounts for tax years 2015 and beyond may change due to cost of living adjustments.

± A supplemental income tax recaptures the savings due to graduated marginal tax rates such that, for example, when a taxpayer's AGI exceeds \$2,142,800 for married filing jointly taxpayers in 2014, all taxable income becomes effectively subject to a flat 8.82 percent tax rate.

## New York State Personal Income Tax Rates for Tax Years After 2017\*

### Married Filing Jointly

#### Taxable Income:

	<b>Tax<sup>±</sup></b>
Not over \$16,700.....	4% of taxable income
Over \$16,700 but not over \$22,950.....	\$668 plus 4.50% of excess over \$16,700
Over \$22,950 but not over \$27,150.....	\$949 plus 5.25% of excess over \$22,950
Over \$27,150 but not over \$41,800.....	\$1,170 plus 5.90% of excess over \$27,150
Over \$41,800.....	\$2,034 plus 6.85% of excess over \$41,800

### Single, Married Filing Separately, Estates and Trusts

#### Taxable Income:

Not over \$8,300 .....	4% of taxable income
Over \$8,300 but not over \$11,450.....	\$332 plus 4.50% of excess over \$8,300
Over \$11,450 but not over \$13,550.....	\$474 plus 5.25% of excess over \$11,450
Over \$13,550 but not over \$20,850.....	\$584 plus 5.90% of excess over \$13,550
Over \$20,850.....	\$1,015 plus 6.85% of excess over \$20,850

### Head of Household

#### Taxable Income:

Not over \$12,550.....	4% of taxable income
Over \$12,550 but not over \$17,200.....	\$502 plus 4.50% of excess over \$12,550
Over \$17,200 but not over \$20,350.....	\$711 plus 5.25% of excess over \$17,200
Over \$20,350 but not over \$31,350.....	\$877 plus 5.90% of excess over \$20,350
Over \$31,350.....	\$1,526 plus 6.85% of excess over \$31,350

\* Tax year 2014 marks the second year of tax bracket inflation adjustment, based originally on tax year 2012 brackets. Income and tax amounts for tax years from 2015 through 2017 may change due to cost of living adjustments.

± A supplemental income tax recaptures the savings due to graduated marginal tax rates such that when a taxpayer's AGI exceeds \$154,600 plus a cost of living adjustment covering the period from 2014 through 2017, all taxable income becomes effectively subject to a flat 6.85 percent tax rate.



## **Components of the Personal Income Tax**

The components of personal income tax liability include withholding, estimated payments, final returns, delinquencies and refunds. Taxpayers prepay their tax liability through payroll withholding taxes imposed by Section 671 of Article 22 of the Tax Law (the “Withholding Component”) and estimated taxes imposed by Section 685 of Article 22 of the Tax Law. The New York State Department of Taxation and Finance collects the personal income tax from employers and individuals and reports the amount collected to the State Comptroller, who deposits collections net of overpayments and administrative costs.

Initiated in 1959, withholding tax is the largest component of income tax collections. New York requires employers to withhold and remit personal income taxes on wages, salaries, bonuses, commissions and similar income. The amount of withholding varies with the rates, deductions and exemptions. Under current law, employers must remit withholding liability within three business days after each payroll once the cumulative amount of liability reaches \$700. Certain small businesses and educational and health care organizations may make their withholding remittance within five business days, and employers with less than \$700 of withheld tax can remit it on a quarterly basis. Large employers (aggregate tax of more than \$100,000 per year) must make timely payment by electronic funds transfer or by certified check.

## **Revenue Bond Tax Fund Receipts**

The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax imposed by Article 22 of the Tax Law which are deposited pursuant to Section 171-a of the Tax Law (“New York State Personal Income Tax Receipts”) shall be deposited in the Revenue Bond Tax Fund. Such New York State Personal Income Tax Receipts currently exclude refunds paid to taxpayers. Legislation enacted in 2007 and effective April 1, 2007 increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State Personal Income Tax Receipts to the STAR Fund. Moneys in the STAR Fund are used to reimburse school districts for school tax reductions and property tax rebates provided to homeowners and to reimburse The City of New York for personal income tax reductions enacted as part of the School Tax Relief program. The Debt Reduction Reserve Fund was established in State Fiscal Year 1998-99 to reserve onetime available resources to defease certain State-supported debt, pay debt service costs or pay cash for capital projects that would otherwise be financed with State-supported debt. In State Fiscal Years 2000-01 and 2001-02, \$250 million was deposited from New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund. New York State Personal Income Tax Receipts for State Fiscal Years 2000-01 and 2001-02 exclude deposits to the Debt Reduction Reserve Fund. There were no deposits of New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund thereafter.

Beginning on the first day of each month, the Enabling Act requires the State Comptroller to deposit in the Revenue Bond Tax Fund all of the receipts from the Withholding Component until an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund Receipts”).

In State Fiscal Year 2013-14, New York State Personal Income Tax Receipts were approximately \$43.0 billion and accounted for approximately 62 percent of State tax receipts in all State Funds. The Enacted Budget Financial Plan estimates New York State Personal Income Tax Receipts at \$43.8 billion for State Fiscal Year 2014-15.

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund from State Fiscal Years 2004-05 through 2014-15. The Withholding Component can exceed New

York State Personal Income Tax Receipts since such Receipts equal total personal income tax collections less (i) refunds and (ii) through State Fiscal Year 2006-07, deposits into the STAR Fund.

**NYS Personal Income Tax Receipts, Withholding Components and  
State Revenue Bonds Tax Fund Receipts  
State Fiscal Years 2004-05 through 2014-15**

<u>State Fiscal Year</u>	<u>New York State Personal Income Tax Receipts</u>	<u>Withholding Component</u>	<u>Withholding/State Personal Income Tax Receipts</u>	<u>Revenue Bond Tax Fund Receipts*</u>
2004-05 .....	\$25,040,965,404	\$23,374,513,925	93.3%	\$ 6,260,241,351
2005-06 .....	27,599,721,585	24,760,667,777	89.7	6,899,930,396
2006-07 .....	30,586,021,803	26,802,005,019	87.6	7,646,505,451
2007-08 .....	36,563,948,528*	28,440,134,437	77.8	9,140,987,132*
2008-09 .....	36,840,019,400*	27,686,157,203	75.2	9,210,004,850*
2009-10 .....	34,751,381,665*	29,443,180,489	84.7	8,687,845,416*
2010-11 .....	36,209,215,560*	31,240,169,745	86.3	9,052,303,890*
2011-12 .....	38,767,826,942*	31,198,971,588	80.5	9,691,956,736*
2012-13 .....	40,226,714,989*	31,957,653,106	79.4	10,056,678,747*
2013-14 .....	42,960,774,915*	33,367,555,788	77.7	10,740,193,729*
2014-15 (est.).....	43,735,000,000*	35,149,000,000	80.4	10,934,000,000*

\* Reflects legislation enacted in 2007 and effective April 1, 2007 that calculates Revenue Bond Tax Fund Receipts prior to the deposit of New York State Personal Income Tax Receipts to the STAR Fund

In State Fiscal Year 2013-14, New York State Personal Income Tax Receipts totaled approximately \$43.0 billion. The Enacted Budget Financial Plan estimates that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 1.8% to \$43.7 billion in State Fiscal Year 2014-15.

Total State personal income tax receipts (as distinguished from New York State Personal Income Tax Receipts as defined herein and presented in the table above) estimates are based on the State personal income tax liability estimated by the Division of the Budget for each of the relevant tax years and the patterns of receipts and refunds for each tax year. Such tax year liability estimates are, in turn, based largely on forecasts of State adjusted gross income, with adjustments made for legislative changes (see “—General History of the State Personal Income Tax” above) that will affect each year’s tax liability. **The level of total State personal income 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 total State personal income tax receipts will be indicative of future receipts.** Since the institution of the modern income tax in New York in 1960, total personal income tax receipts have fallen six times on a year-over-year basis, in 1964-65, 1971-72, 1977-78, 1990-91, 2002-03, and 2009-10.

For a more detailed discussion of the effects of the recent global financial downturn on the State’s economy, the general economic and financial condition of the State and its projection of personal income tax receipts, see “APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK.”

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for 2005 through 2014.

**NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 2005 to 2014\***

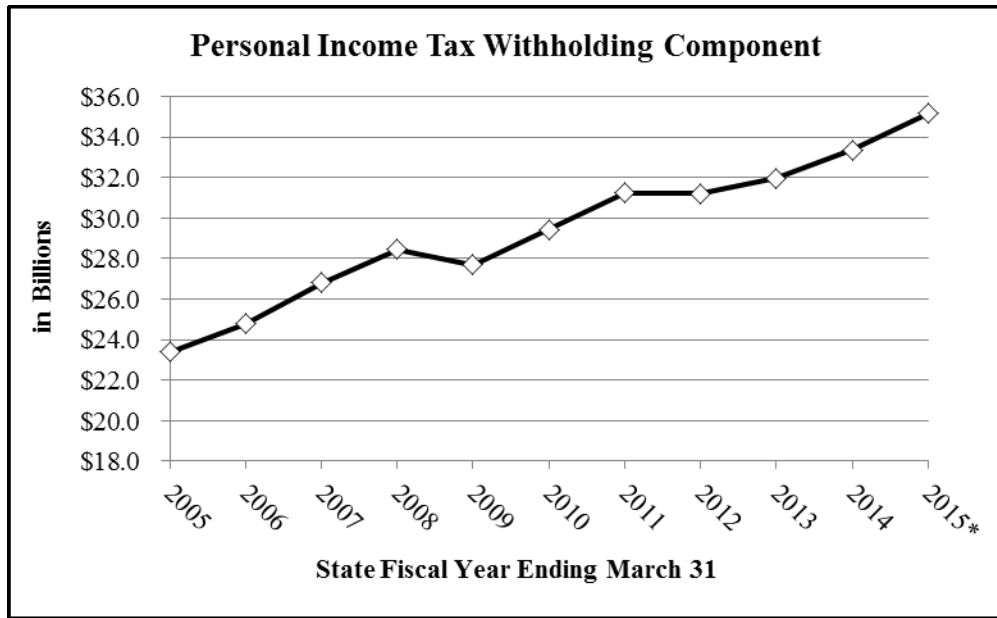
<b>Tax Year</b>	<b>NYS AGI</b>	<b>Percent Change</b>	<b>Personal Income Tax Liability</b>	<b>Percent Change</b>
			<i>(\$ in millions)</i>	
2005 .....	\$571,916	8.7%	\$28,484	10.5%
2006 .....	632,601	10.6	29,605	3.9
2007 .....	725,245	14.6	35,215	19.0
2008 .....	662,053	(8.7)	31,621	(10.2)
2009 .....	596,471	(9.9)	31,162	(1.5)
2010 .....	638,855	7.1	34,834	11.8
2011 .....	657,298	2.9	36,296	4.2
2012 (est.) .....	714,996	8.8	38,046	4.8
2013 (proj.) .....	721,926	1.0	37,838	(0.5)
2014 (proj.) .....	767,362	6.3	40,363	6.7

\* NYS AGI and Personal Income Tax Liability reflect amounts reported on timely filed individual returns, and therefore do not include tax paid by fiduciaries or through audits.

The table indicates that under the State’s progressive income tax structure with graduated tax rates, tax liability generally changes at a faster percentage rate than adjusted gross income, absent major law changes or economic events. Tax liability and adjusted gross income grew for five consecutive years, as the State economy recovered and entered a robust period of expansion. With the onset of the national recession and the financial crisis, adjusted gross income and tax liability fell in 2008 and 2009. The 2009 decline in liability is significantly smaller than that in adjusted gross income due to the enactment of a temporary tax rate increase for wealthier taxpayers that was in effect from 2009 to 2011. In December 2011, tax reform legislation was enacted for the period from 2012 through 2014, lowering tax rates for millions of taxpayers. These rates were subsequently extended through 2017 in the 2013-14 Enacted Budget.

The following graph shows the history of withholding receipts since State Fiscal Year 2004-05. Like overall adjusted gross incomes and tax liabilities, withholding steadily increased each year through State Fiscal Year 2010-11 except the recession-related State Fiscal Year 2008-09, due to overall growth in employment and wages, as well as the temporary tax surcharge, which applied during State Fiscal Years 2004-05 through 2005-06 and for State Fiscal Years 2009-10 through 2010-11. Withholding receipts for State Fiscal Year 2014-15 are estimated to be \$1.8 billion (5.3 percent) higher compared to State Fiscal Year 2013-14.

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\* Estimated.

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

### Debt Service Coverage

The following table sets forth (1) Revenue Bond Tax Fund Receipts for a twelve consecutive calendar month period ended not more than six months prior to the date of such calculation, (2) maximum Calculated Debt Service on the outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2014 Bonds, and (3) resulting debt service coverage. There can be no assurance that actual Revenue Bond Tax Fund Receipts will not be less than the amounts collected during the calculation period, as a result of numerous factors affecting Personal Income Tax Receipts that cannot be predicted at this time.

#### Debt Service Coverage on State Personal Income Tax Revenue Bonds (Dollars in Thousands)

Revenue Bond Tax Fund Receipts .....	\$10,740,200
Maximum Calculated Debt Service .....	\$2,729,716
Debt Service Coverage .....	3.9

### Projected Debt Service Coverage

Based upon the assumptions used in preparing the following table (also included in the Annual Information Statement of the State of New York dated June 11, 2014), including assumed average State Personal Income Tax Revenue Bond issuances of approximately \$3.4 billion annually over the next four years, State Personal Income Tax Revenue Bond debt service coverage based only upon the Revenue Bond Fund’s receipt of the New York State Personal Income Tax Receipts is expected to decline from 3.7 times in State Fiscal Year 2014-15 to 3.5 times in State Fiscal Year 2017-18.

**Projected Debt Service Coverage on State Personal Income Tax Revenue Bonds**  
**State Fiscal Years 2014-15 through 2017-18**  
**(Dollars in Thousands)**

	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Projected Revenue Bond Tax Fund Receipts	\$10,933,925	\$11,707,550	\$12,505,850	\$13,115,600
Projected New State Personal Income Tax Revenue Bonds Issuances	3,268,117	3,979,278	3,516,752	2,832,655
Projected Total State Personal Income Tax Revenue Bonds Outstanding	30,751,668	33,328,550	35,249,558	36,339,205
Projected Maximum Annual Debt Service	2,938,662	3,253,222	3,563,407	3,799,811
Projected Debt Service Coverage	3.7x	3.6x	3.5x	3.5x

Additional State Personal Income Tax Revenue Bonds may be issued, subject to satisfaction of a 2.0 times debt service coverage test. All State Personal Income Tax Revenue Bonds issued by any Authorized Issuer will be on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State Legislature. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS – Additional Bonds.”

**PART 5—DESCRIPTION OF THE SERIES 2014 BONDS**

**General**

The Series 2014 Bonds will bear interest, computed on the basis of a 360-day year and 30-day month, from their date of delivery. Interest on the Series 2014 Bonds with March 15 maturities is payable September 15, 2014, and on each March 15 and September 15 thereafter at the rates set forth on the inside cover page of this Official Statement. Interest on the Series 2014C Bonds with June 15 maturities is payable December 15, 2014, and on each June 15 and December 15 thereafter at the rates set forth on the inside cover page of this Official Statement. The Series 2014 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

The Series 2014 Bonds will be issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York, which will act as bond depository for the Series 2014 Bonds. Principal or redemption price of and interest on the Series 2014 Bonds are payable by U.S. Bank National Association, as Trustee and Paying Agent, to Cede & Co., so long as Cede & Co. is the registered owner of the Series 2014 Bonds, as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (See “PART 8—BOOK-ENTRY ONLY SYSTEM” below).

**Optional Redemption**

***Series 2014C Bonds***

The Series 2014C Bonds maturing on or before March 15, 2024 are not subject to optional redemption prior to maturity. The Series 2014C Bonds maturing after March 15, 2024 are subject to optional redemption prior to maturity on or after March 15, 2024, in any order, at the option of DASNY, as a whole or in part at any time, at a redemption price of par, plus accrued interest to the redemption date.

### ***Series 2014D Bonds***

The Series 2014D Bonds are subject to optional redemption prior to maturity as a whole or in part, at the option of DASNY, on any Business Day, at the Make-Whole Redemption Price.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Series 2014D Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2014D Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2014D Bonds are to be redeemed, discounted to the date on which the Series 2014D Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate (as defined below) plus 15 basis points, plus, in each case, accrued and unpaid interest on the Series 2014D Bonds to be redeemed on the redemption date.

The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2014D Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

### **Mandatory Sinking Fund Redemption of Series 2014C Bonds**

The Series 2014C Bonds maturing on March 15, 2044 are Term Bonds subject to mandatory redemption in part, on March 15 in the years shown below, at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, to the date of redemption in an amount equal to the Sinking Fund Installments for such Bonds for such date:

<u>Series 2014C Term Bond</u> <u>Maturing March 15, 2044</u>	
<u>Year</u>	<u>Sinking Fund</u> <u>Installments</u>
2043	\$45,415,000
2044†	47,685,000

† Stated maturity.

In connection with any optional redemption or purchase and cancellation of the Series 2014 Bonds, the principal amount of such series of Series 2014 Bonds being redeemed or purchased and cancelled shall be allocated against the scheduled sinking fund redemption amounts set forth above in such manner as DASNY may direct and the scheduled sinking fund installments payable thereafter shall be modified as to such series of Series 2014 Bonds. In such event, DASNY shall provide to the Trustee a revised schedule of sinking fund installments. If fewer than all of any series of Series 2014 Bonds of the same maturity are to be redeemed, the particular Series 2014 Bonds of such maturity to be redeemed will be determined as set forth below under “–Selection of Bonds to be Redeemed; Notice of Redemption.”

## **Selection of Bonds to be Redeemed; Notice of Redemption**

In the case of redemptions of Series 2014C Bonds at the option of DASNY, DASNY will select the maturities (and interest rates, if applicable) of the Series 2014C Bonds to be redeemed.

If less than all of the Series 2014C Bonds of a maturity (and interest rate, if applicable) are to be redeemed, the Trustee shall assign to each Outstanding Series 2014C Bond of such maturity (and interest rate, if applicable) to be redeemed a distinctive number for each unit of the principal amount of such Series 2014C Bonds, equal to the lowest denomination in which such Series 2014C Bonds are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Series 2014C Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which such Series 2014C Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2014C Bonds to be redeemed.

In the case of optional redemption of the Series 2014D Bonds, if less than all of the Series 2014D Bonds are to be redeemed, the particular Series 2014D Bonds or portions thereof to be redeemed are to be selected on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC operational procedures then in effect. Such procedures currently provide for adjustment of the principal by a factor provided by the Trustee. If the Trustee does not provide the necessary information or does not identify the redemption as on a “Pro Rata Pass-Through Distribution of Principal” basis, the Series 2014D Bonds will be selected for redemption in accordance with DTC procedures by lot. It is expected that redemption allocations to be made by DTC, the DTC Participants or such other intermediaries that may exist between DASNY and the owners of the Series 2014D Bonds would be made on a “Pro Rata Pass-Through Distribution of Principal” basis as described above. However, no assurance can be provided that DTC, the DTC Participants or any other intermediaries will allocate redemptions among the owners on such basis. If operational procedures of DTC (or of any successor depository) do not allow for the redemption of the Series 2014D Bonds on a “Pro Rata Pass-Through Distribution of Principal” basis, the Series 2014D Bonds will be selected for redemption by lot.

Any notice of redemption of the Series 2014 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2014 Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected Bondholders as promptly as practicable upon the failure of such condition or the occurrence of such other event.

When the Trustee shall have received notice from DASNY that Series 2014 Bonds are to be redeemed, the Trustee shall give notice, in the name of DASNY, of the redemption of such Series 2014 Bonds, which notice shall specify the Series 2014 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2014 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2014 Bonds to be redeemed, if applicable, that such notice is conditional and the conditions that must be satisfied, and in the case of Series 2014 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed.

Such notice shall further state that on the redemption date there shall become due and payable upon each Series 2014 Bond or portion thereof to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on the Series 2014 Bonds or portions thereof to be redeemed.

Notice of any redemption shall be mailed by the Trustee, postage prepaid, no more than forty-five (45) days and no less than thirty (30) days before the redemption date, to the Owners of any Series 2014 Bonds or portions of Series 2014 Bonds, which are to be redeemed, at their last address, if any, appearing upon the registry books.

For a more complete description of the redemption and other provisions relating to the Series 2014 Bonds, see “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”

## **PART 6—THE PROJECTS**

The Series 2014 Bonds are being issued for the purposes of financing Authorized Purposes.

It is expected that proceeds of the Series 2014C Bonds will be used to (a) finance or reimburse all or a portion of the costs of programs and projects throughout the State, including capital projects for educational facilities, a longitudinal data system, environmental facilities projects and grants for educational, health care and economic development programs, and (b) refund certain outstanding bonds issued by DASNY under the Upstate Community College program. See “PART 7—THE REFUNDING PLAN” below.

Proceeds of the Series 2014D Bonds are expected to be used to finance certain other educational facilities projects, health care program grants and certain required State matching contributions made to the Water Pollution Control Revolving Fund.

Additionally, all or a portion of the cost of issuance of the Series 2014 Bonds will be financed with the proceeds thereof. **The Series 2014 Bonds are not secured by the Projects or any interest therein.**

## **PART 7—THE REFUNDING PLAN**

A portion of the proceeds of the Series 2014C Bonds, together with other available funds, will be used to refund all or a portion of DASNY’s \$33,580,000 outstanding principal amount of Upstate Community Colleges Revenue Bonds, Series 2004, and \$48,445,000 outstanding principal amount of Upstate Community Colleges Revenue Bonds, Series 2004B, as more particularly described in “APPENDIX F—SUMMARY OF REFUNDED BONDS” hereto (collectively, the “Refunded Bonds”).

Simultaneously with the issuance and delivery of the Series 2014 Bonds, a portion of the proceeds of the Series 2014C Bonds will be deposited in escrows with the respective trustees for the Refunded Bonds and, together with other available funds, will be used to purchase direct non-callable obligations of the United States of America (the “Defeasance Securities”), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the principal or redemption price of and interest due on the Refunded Bonds to their redemption date, which redemption date is expected to be within 60 days of delivery of the Series 2014 Bonds. See “PART 18—VERIFICATION OF MATHEMATICAL COMPUTATIONS.” At the time of such deposit, DASNY will give the trustees for the Refunded Bonds irrevocable instructions to give notice of the redemption of the respective Refunded Bonds, and to apply the maturing principal of and interest on the Defeasance Securities, together with any uninvested cash held in escrow, to the payment of the redemption price of and interest coming due on the Refunded Bonds to their redemption date.



## PART 8—BOOK-ENTRY ONLY SYSTEM

The following information concerning DTC and DTC's book-entry system has been obtained from sources that DASNY believes to be reliable, but DASNY takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2014 Bonds. References to the Series 2014 Bonds under this caption "Book-Entry Only System" shall mean all Series 2014 Bonds, the beneficial interests in which are owned in the United States. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2014 Bond certificate will be issued for the Series 2014 Bonds of each maturity (and interest rate, if applicable) of each series of the Series 2014 Bonds, each in the aggregate principal amount of such maturity (and interest rate, if applicable), and will be deposited with DTC.

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

Purchases of the Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the related Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 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 2014 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 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2014 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 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds of like series, maturity and interest rate are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in the Series 2014 Bonds of such series, maturity and interest rate to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DASNY 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 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2014 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 DASNY or the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or DASNY, 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.

DASNY and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2014 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2014 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2014 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. DASNY and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2014 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of DASNY (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2014 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by DASNY; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility

of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of the Series 2014 Bonds at any time by giving reasonable notice to DASNY or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2014 Bond certificates are required to be printed and delivered.

DASNY may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for any series of the Series 2014 Bonds. In that event, Series 2014 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that DASNY believes to be reliable, but DASNY takes no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Series 2014 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER DASNY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2014 BONDS.

So long as Cede & Co. is the registered owner of the Series 2014 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2014 Bonds (other than under the caption "PART 13 – TAX MATTERS" and "PART 20 – CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2014 Bonds.

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

For every transfer and exchange of Series 2014 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DASNY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2014 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2014 BONDHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2014 BONDHOLDER; (5) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2014 BONDS; OR (6) ANY OTHER MATTER.

## PART 9—DEBT SERVICE REQUIREMENTS

The following schedule sets forth, for each 12-month period ending March 31 of the years shown, the amounts required for the payment of debt service on the Series 2014 Bonds, for the payment of debt service on outstanding State Personal Income Tax Revenue Bonds and the aggregate total during each such period.

12-Month Period Ending March 31	<u>Series 2014 Bonds</u>			Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service <sup>(1)(2)(3)</sup>	Aggregate Debt Service <sup>(1)(2)</sup>
	Principal Payments	Interest Payments	Total Debt Service		
2015		\$ 36,829,932	\$ 36,829,932	\$ 2,655,676,341	\$ 2,692,506,273
2016	\$ 45,230,000	54,782,196	100,012,196	2,612,470,989	2,712,483,185
2017	47,945,000	53,318,461	101,263,461	2,628,452,765	2,729,716,226
2018	49,945,000	51,292,687	101,237,687	2,608,930,135	2,710,167,822
2019	51,275,000	49,098,946	100,373,946	2,611,869,912	2,712,243,858
2020	50,725,000	46,827,500	97,552,500	2,567,995,340	2,665,547,840
2021	51,305,000	44,567,213	95,872,213	2,508,027,863	2,603,900,076
2022	52,165,000	42,252,390	94,417,390	2,371,990,234	2,466,407,624
2023	50,930,000	39,934,778	90,864,778	2,296,510,793	2,387,375,571
2024	48,570,000	37,700,478	86,270,478	2,151,668,111	2,237,938,589
2025	25,655,000	35,462,250	61,117,250	2,114,009,734	2,175,126,984
2026	26,940,000	34,179,500	61,119,500	2,109,130,705	2,170,250,205
2027	28,270,000	32,832,500	61,102,500	1,960,083,968	2,021,186,468
2028	29,685,000	31,419,000	61,104,000	1,971,842,687	2,032,946,687
2029	31,185,000	29,934,750	61,119,750	1,682,454,354	1,743,574,104
2030	32,740,000	28,375,500	61,115,500	1,494,332,392	1,555,447,892
2031	34,370,000	26,738,500	61,108,500	1,397,514,055	1,458,622,555
2032	36,100,000	25,020,000	61,120,000	1,258,139,924	1,319,259,924
2033	37,900,000	23,215,000	61,115,000	1,087,373,275	1,148,488,275
2034	39,795,000	21,320,000	61,115,000	905,227,733	966,342,733
2035	30,735,000	19,330,250	50,065,250	850,713,682	900,778,932
2036	32,275,000	17,793,500	50,068,500	774,287,542	824,356,042
2037	33,885,000	16,179,750	50,064,750	662,787,559	712,852,309
2038	35,580,000	14,485,500	50,065,500	586,344,225	636,409,725
2039	37,360,000	12,706,500	50,066,500	498,850,233	548,916,733
2040	39,230,000	10,838,500	50,068,500	368,171,889	418,240,389
2041	41,190,000	8,877,000	50,067,000	264,521,813	314,588,813
2042	43,250,000	6,817,500	50,067,500	175,744,938	225,812,438
2043	45,415,000	4,655,000	50,070,000	71,431,450	121,501,450
2044	47,685,000	2,384,250	50,069,250		50,069,250
<b>Total<sup>(3)</sup></b>	<b><u>\$1,157,335,000</u></b>	<b><u>\$859,169,330</u></b>	<b><u>\$2,016,504,330</u></b>	<b><u>\$45,246,554,641</u></b>	<b><u>\$47,263,058,971</u></b>

- (1) Interest on \$303,935,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on assumed rates equal to the fixed swap rates paid by the applicable Authorized Issuers on the related interest rate exchange agreements and interest on \$74,615,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on an assumed rate of 3.5 percent.
- (2) The information set forth under the column captioned "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service" reflects debt service on outstanding State Personal Income Tax Revenue Bonds and on State Personal Income Tax Revenue Bonds contractually obligated to be issued and delivered by Authorized Issuers as of the date of this Official Statement. The State expects that Authorized Issuers will be issuing State Personal Income Tax Revenue Bonds from time to time and to the extent that such other State Personal Income Tax Revenue Bonds are either issued or contractually obligated to be issued and delivered pursuant to one or more executed bond purchase agreements or bond awards after the date of this Official Statement, this Official Statement will not be supplemented to reflect such updated information.
- (3) Totals may not add due to rounding.

**PART 10—ESTIMATED SOURCES AND USES OF FUNDS**

**Series 2014C Bonds**

The following table sets forth the estimated sources and uses of funds with respect to the Series 2014C Bonds:

Sources of Funds	
Principal amount of Series 2014C Bonds.....	\$1,075,950,000.00
Original Issue Premium.....	149,772,133.95
Other Available Funds .....	<u>581,441.69</u>
Total Sources .....	<u>\$1,226,303,575.64</u>
Uses of Funds	
Deposit to Bond Proceeds Fund .....	\$1,131,177,005.56
Deposit to Escrows.....	82,928,593.04
Costs of Issuance*.....	9,516,284.95
Underwriters' Discount .....	<u>2,681,692.09</u>
Total Uses .....	<u>\$1,226,303,575.64</u>

\* Includes New York State Bond Issuance Charge.

**Series 2014D Bonds**

The following table sets forth the estimated sources and uses of funds with respect to the Series 2014D Bonds:

Sources of Funds	
Principal amount of Series 2014D Bonds.....	\$81,385,000.00
Total Sources .....	<u>\$81,385,000.00</u>
Uses of Funds	
Deposit to Bond Proceeds Fund .....	\$80,497,931.20
Costs of Issuance*.....	718,794.73
Underwriters' Discount .....	<u>168,274.07</u>
Total Uses .....	<u>\$81,385,000.00</u>

\* Includes New York State Bond Issuance Charge.

**PART 11—DASNY**

**Background, Purposes and Powers**

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues

State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services (“BOCES”), State University of New York, the Workers’ Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY’s private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At March 31, 2014, DASNY had approximately \$46 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. All of DASNY’s outstanding bonds and notes, both fixed and variable rate, are special obligations of DASNY payable solely from payments required to be made by or for the account of the client institution for which the particular special obligations were issued. DASNY has no obligation to pay its special obligations other than from such payments. DASNY has always paid the principal of and interest on all of its obligations on time and in full; however, as a conduit debt issuer, payments on DASNY’s special obligations are solely dependent upon payments made by DASNY’s client for which the particular special obligations were issued and the security provisions relating thereto.

DASNY also offers a variety of construction services to certain educational, governmental and not-for-profit institutions in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, interior design of projects and designing and managing projects to rehabilitate older facilities.

In connection with the powers described above, DASNY has the general power to acquire real and personal property, give mortgages, make contracts, operate certain facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, borrow money and adopt a program of self-insurance.

DASNY has a staff of approximately 520 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 55 field sites across the State.

## **Governance**

DASNY is governed by an eleven-member board. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed

by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. Two of the appointments to the Board by the Governor are currently vacant.

The Governor of the State appoints a Chair from the members appointed by him or her and the members of DASNY annually choose the following officers, of which the first two must be members of DASNY: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of DASNY are as follows:

ALFONSO L. CARNEY, JR., *Chair*, New York.

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2016.

JOHN B. JOHNSON, JR., *Vice-Chair*, Watertown.

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Johnson is Chairman of the Board of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2016.

SANDRA M. SHAPARD, *Secretary*, Delmar.

Sandra M. Shapard was appointed as a Member of DASNY by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of the Budget from 1991 to 1994. She began her career in New York State government with the Assembly where she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

JONATHAN H. GARDNER, Esq., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014.

BERYL L. SNYDER, J.D., New York.

Beryl L. Snyder was reappointed as a Member of DASNY by the Governor on June 19, 2013. Ms. Snyder is a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expires on August 31, 2016.

GERARD ROMSKI, Esq., Mount Kisco.

Gerard Ronski was reappointed as a Member of DASNY by the Temporary President of the State Senate on June 21, 2012. He is Counsel and Project Executive for “Arverne by the Sea,” where he is responsible for advancing and overseeing all facets of “Arverne by the Sea,” one of New York City’s largest mixed-use developments located in Queens, New York. Mr. Ronski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Ronski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

ROMAN B. HEDGES, Ph.D., Delmar.

Roman B. Hedges was appointed as a Member of DASNY by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. He was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

JOHN B. KING, JR., J.D., Ed.D., *Commissioner of Education of the State of New York*, Slingerlands; *ex-officio*.

John B. King, Jr. was appointed by the Board of Regents to serve as President of the University of the State of New York and Commissioner of Education on July 15, 2011. As Commissioner of Education, Dr. King serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York, which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. He holds a Bachelor of Arts degree in Government from Harvard University, a Master of Arts degree in Teaching of Social Studies from Teachers College, Columbia University, a Juris Doctor degree from Yale Law School and a Doctor of Education degree in Educational Administrative Practice from Teachers College, Columbia University.



HOWARD A. ZUCKER, M.D., J.D., *Acting Commissioner of Health of the State of New York, Albany; ex-officio.*

Howard A. Zucker, M.D., J.D., was appointed Acting Commissioner of Health on May 5, 2014. Prior to his appointment he served as First Deputy Commissioner leading the state Department of Health's preparedness and response initiatives in natural disasters and emergencies. Before joining the state Department of Health, Dr. Zucker was professor of Clinical Anesthesiology at Albert Einstein College of Medicine of Yeshiva University and a pediatric cardiac anesthesiologist at Montefiore Medical Center. He was also an adjunct professor at Georgetown University Law School where he taught biosecurity law. Dr. Zucker earned his medical degree from George Washington University School of Medicine. He also holds a J.D. from Fordham University School of Law and a LL.M. from Columbia Law School.

ROBERT L. MEGNA, *Budget Director of the State of New York, Albany; ex-officio.*

Robert L. 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. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of DASNY is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of DASNY. Mr. Williams is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Williams spent the majority of his career in law including 15 years as a founding partner in Wood, Williams, Rafalsky & Harris, where he helped to develop a national bond counsel practice, then as a partner in Bryan Cave LLP, where he counseled corporate clients in a range of areas. Mr. Williams later left the practice of law to help to establish a boutique Wall Street investment banking company where he served as president for several years. Throughout his career, Mr. Williams has made significant efforts to support diversity and promote equal opportunity, including his past service as president of One Hundred Black Men, Inc. and chairman of the Eagle Academy Foundation. Mr. Williams is licensed to practice law in the State of New York and holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

MICHAEL T. CORRIGAN is the Vice President of DASNY, and assists the President in the administration and operation of DASNY. Mr. Corrigan came to DASNY in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County and served as the County's Budget Director from 1986 to 1995. Immediately before coming to DASNY, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure

requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor's degree from the State University of New York at Albany.

LINDA H. BUTTON is the Acting Chief Financial Officer and Treasurer of DASNY. Ms. Button oversees and directs the activities of the Office of Finance. She is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable and financial reporting functions, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Ms. Button has served in various capacities at DASNY over a long career, most recently as Director, Financial Management in the Office of Finance. She holds a Bachelor of Business Administration degree in Accounting from Siena College.

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all DASNY financings. He is licensed to practice law in the State of New York and the Commonwealth of Massachusetts, as well as the United States District Court for the Northern District of New York. Mr. Cusack has over twenty years of combined legal experience, including management of an in-house legal department and external counsel teams (and budgets) across a five-state region. He most recently served as of counsel to the Albany, New York law firm of Young/Sommer, LLC, where his practice included representation of upstate New York municipalities, telecommunications service providers in the siting of public utility/personal wireless service facilities and other private sector clients. He holds a Bachelor of Science degree from Siena College and a Juris Doctor degree from Albany Law School of Union University.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined DASNY in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and has worked in the construction industry for more than 30 years. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

### **Claims and Litigation**

Although certain claims and litigation have been asserted or commenced against DASNY, DASNY believes that such claims and litigation either are covered by insurance or by bonds filed with DASNY, or that DASNY has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such matters.

### **Other Matters**

#### *New York State Public Authorities Control Board*

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by DASNY and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction

of the projects. DASNY obtains the approval of the PACB for the issuance of all of its bonds and notes.

#### *Legislation*

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect DASNY and its operations. DASNY is not able to represent whether such bills will be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities in the State (including DASNY) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect DASNY and its operations.

#### *Environmental Quality Review*

DASNY complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder to the extent such acts and regulations are applicable.

#### *Independent Auditors*

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2013. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

### **PART 12—AGREEMENT OF THE STATE**

The Authority Act provides that the State pledges and agrees with the holders of DASNY's notes and bonds that the State will not limit or alter the rights vested in DASNY to, among other things, fulfill the terms of any agreements made with the holders of DASNY's notes and bonds or in any way impair the rights and remedies of the holders of such notes and bonds until such notes and bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes and bonds are fully met and discharged. The General Resolution includes such pledge to the fullest extent enforceable under applicable Federal and State law. Nevertheless, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax imposed pursuant to Article 22 of the Tax Law. An Event of Default under the General Resolution would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes and fees.

### **PART 13—TAX MATTERS**

#### **Series 2014C Bonds**

##### ***General***

In the opinions of Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, co-bond counsel to DASNY (collectively, "Co-Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2014C Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2014C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such

corporations. In rendering such opinions, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, DASNY, SUNY, the State University Construction Fund (“SUCF”), CUNY, the City University Construction Fund (“CUCF”), the New York State Department of Health (“DOH”), the New York State Department of Environmental Conservation (“DEC”), the New York State Office of Parks, Recreation and Historic Preservation (“OPRHP”), the New York State Education Department (“SED”) and others, and Co-Bond Counsel have assumed compliance by, as applicable, DASNY, SUNY, SUCF, CUNY, CUCF, DOH, DEC, OPRHP, SED and such others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2014C Bonds from gross income under Section 103 of the Code.

In addition, in the opinions of Co-Bond Counsel, under existing statutes, interest on the Series 2014C Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Co-Bond Counsel express no opinion regarding any other Federal or state tax consequences with respect to the Series 2014C Bonds. Co-Bond Counsel render their respective opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement their opinions to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to their attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2014C Bonds, or under state and local tax law.

#### ***Certain Ongoing Federal Tax Requirements and Covenants***

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2014C Bonds in order that interest on the Series 2014C Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2014C Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2014C Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. DASNY, SUNY, SUCF, CUNY, CUCF, DOH, DEC, OPRHP, SED, as applicable, and others have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2014C Bonds from gross income under Section 103 of the Code.

#### ***Certain Collateral Federal Tax Consequences***

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2014C Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2014C Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2014C Bonds.

Prospective owners of the Series 2014C Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have

incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2014C Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### ***Bond Premium***

In general, if an owner acquires a Series 2014C Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2014C Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### ***Information Reporting and Backup Withholding***

Information reporting requirements apply to interest (including OID) on tax-exempt obligations, including the Series 2014C Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2014C Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2014C Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

### ***Miscellaneous***

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2014C Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2014C Bonds from

realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2014C Bonds. For example, the Fiscal Year 2015 Budget proposed on March 4, 2014, by the Obama Administration recommends a 28% limitation on “all itemized deductions, as well as other tax benefits” including “tax-exempt interest.” The net effect of such proposal, if enacted into law, would be that an owner of a Series 2014C Bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such Series 2014C Bond. Similarly, on February 26, 2014, Dave Camp, Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2014; and a provision similar to the 28% limitation on preference items described above (at 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their “modified adjusted gross income,” defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date.

Prospective purchasers of the Series 2014C Bonds should consult their own tax advisors regarding the foregoing matters.

The proposed forms of the opinions of Co-Bond Counsel relating to the Series 2014C Bonds are set forth in Appendix D hereto.

## **Series 2014D Bonds**

### ***General***

In the opinions of Co-Bond Counsel, interest on the Series 2014D Bonds (the “Taxable Bonds”) (i) is included in gross income for Federal income tax purposes pursuant to the Code and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivisions thereof (including The City of New York).

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Taxable Bonds by original purchasers of the Taxable Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Taxable Bonds will be held as “capital assets” under the Code, and it does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Bonds as a position in a “hedge” or “straddle” for United States Federal income tax purposes, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Taxable Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Taxable Bonds should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a Taxable Bond that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction

of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

***U.S. Holders—Interest Income***

Interest on the Taxable Bonds is not excludable from gross income for United States Federal income tax purposes.

***U.S. Holders—Disposition of Taxable Bonds***

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Taxable Bond. A U.S. Holder's adjusted tax basis in a Taxable Bond generally will equal such U.S. Holder's initial investment in the Taxable Bond, increased by any OID included in the U.S. Holder's income with respect to the Taxable Bond and decreased by the amount of any payments, other than qualified stated interest payments, received and bond premium amortized with respect to such Taxable Bond. Such gain or loss generally will be long-term capital gain or loss if the Taxable Bond was held for more than one year.

***U.S. Holders—Defeasance***

U.S. Holders of the Taxable Bonds should be aware that, for Federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer outstanding under the Resolution of the Taxable Bonds (a "defeasance") (See "Appendix B—Summary of Certain Provisions of the General Resolution"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Taxable Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for Federal income tax purposes, and for state and local tax purposes.

***U.S. Holders—Backup Withholding and Information Reporting***

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest, and the accrual of OID on a Taxable Bond and the proceeds of the sale of a Taxable Bond before maturity within the United States. Backup withholding at a rate provided in the Code will apply to such payments and to payments of OID unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

### *Miscellaneous*

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Taxable Bonds under state law and could affect the market price or marketability of the Taxable Bonds.

Prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding the foregoing matters.

For the proposed forms of the opinions of Co-Bond Counsel relating to the Series 2014D Bonds, see Appendix D hereto.

### **PART 14—LITIGATION**

There is no litigation or other proceeding pending or, to the knowledge of DASNY, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Series 2014 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2014 Bonds are to be issued, (ii) the pledge effected under the General Resolution, or (iii) the validity of any provision of the Authorizing Legislation, the Series 2014 Bonds, the General Resolution or the Financing Agreement. See “APPENDIX A” under the heading “Litigation” for a description of certain litigation relating to the State generally.

### **PART 15—CERTAIN LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2014 Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, Co-Bond Counsel to DASNY, and to certain other conditions. The approving opinions of Co-Bond Counsel will be delivered with the Series 2014 Bonds. The proposed forms of such opinions are included in this Official Statement as Appendix D.

### **PART 16—SALE BY COMPETITIVE BIDDING**

The Series 2014C Bonds were awarded pursuant to three separate competitive bidding processes on June 24, 2014. The Series 2014C Group A Bonds, comprised of Series 2014C Bonds maturing in the years 2015 through 2024, inclusive, and the Series 2014C Group C Bonds, comprised of Series 2014C Bonds maturing in the years 2035 through 2042, inclusive, and in the year 2044, were sold to J.P. Morgan Securities LLC. The Series 2014C Group B Bonds, comprised of Series 2014C Bonds maturing in the years 2025 through 2034, inclusive, were sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated. The Series 2014C Bonds will be purchased by the respective purchasers at an aggregate price of \$1,223,040,441.86, which reflects original issue premium of \$149,772,133.95 and underwriters’ discount of \$2,681,692.09.

The Series 2014D Bonds also were awarded, pursuant to a competitive bidding process, on June 24, 2014, to Goldman, Sachs & Co. The Series 2014D Bonds will be purchased at a price of \$81,216,725.93, which reflects an underwriter’s discount of \$168,274.07.

The respective purchasers have supplied the information as to the initial public offering prices of the Series 2014 Bonds as set forth on the inside cover of this Official Statement. The Series 2014 Bonds



may be offered and sold to certain dealers at prices lower than the public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the purchasers.

#### **PART 17—LEGALITY OF INVESTMENT**

Under New York State law, the Series 2014 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2014 Bonds.

#### **PART 18— VERIFICATION OF MATHEMATICAL COMPUTATIONS**

When the Series 2014 Bonds are issued, Causey Demgen & Moore P.C. (the “Verification Agent”), will deliver to DASNY a report indicating that it has verified the arithmetic accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal amounts of, and the interest on, the Defeasance Securities to pay the interest and redemption price coming due on the Refunded Bonds and (b) certain calculations relating to the Refunded Bonds and the Series 2014C Bonds. See “PART 7—THE REFUNDING PLAN.”

#### **PART 19—RATINGS**

The Series 2014 Bonds are rated “AA+” by Fitch and “AAA” by Standard & Poor’s. Each rating reflects only the view of the rating agency issuing such rating and an explanation of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that such credit ratings will continue for any given period of time or that either or both will not be revised downward or withdrawn entirely by either or both of such rating agencies, if, in the judgment of either or both of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Series 2014 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

#### **PART 20—CONTINUING DISCLOSURE**

In order to assist the initial purchasers of the Series 2014 Bonds to comply with Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended, each of the Authorized Issuers, the State, and each of the trustees under the general resolutions have entered into a written agreement, dated as of May 1, 2002, and amended and restated as of July 1, 2009 and December 1, 2010 (the “Master Disclosure Agreement”) for the benefit of all holders of State Personal Income Tax Revenue Bonds, including the holders of the Series 2014 Bonds. The parties to the Master Disclosure Agreement have agreed to provide continuing disclosure of certain financial and operating data concerning the State and the sources of the Revenue Bond Tax Fund Receipts (collectively, the “Annual Information”) in accordance with the requirements of Rule 15c2-12 and as described in the Master Continuing Disclosure Agreement. The Division of the Budget will electronically file with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) System on or before 120 days after the end of each State fiscal year, commencing, for the Series 2014 Bonds, with the fiscal year ending March 31, 2014. An executed copy of the Master Disclosure Agreement is attached hereto as APPENDIX E.

The State Comptroller is required by existing law to issue audited annual financial statements of the State, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), within 120 days after the close of the State Fiscal Year, and the State will 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, provided, however, that if audited financial statements are not then available, unaudited financial statements shall be filed no later than 120 days after the end of the State’s fiscal year and such audited statements shall be electronically filed with the MSRB, if and when such statements are available. In addition, the Authorized Issuers have agreed in the Master Disclosure Agreement to electronically file with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of any of the fourteen events described in the Master Disclosure Agreement, notice of any such events.

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2014 Bonds, may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The parties to the Master Disclosure Agreement, however, are not obligated to enforce the obligations of the others. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the obligations of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2014 Bonds, may recover monetary damages thereunder under any circumstances. Any holder or beneficial owner of State Personal Income Tax Revenue Bonds, including the holders of Series 2014 Bonds, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders or beneficial owners similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. 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 Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

The State has not in the previous five years failed to comply, in any material respect, with the Master Disclosure Agreement or any other previous undertakings or agreements pursuant to Rule 15c2-12.

The Master Disclosure Agreement contains a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and if an undertaking calls for information that no longer can be generated because the operations to which it is related have been materially changed or discontinued, a statement to that effect would be provided. As a result, it is not anticipated that it often will be necessary to amend the information undertakings. The Master Disclosure Agreement, however, may be amended or modified without Bondholders’ consent under certain circumstances set forth therein.

## **PART 21—MISCELLANEOUS**

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

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

The Director of the Budget is to certify that the statements and information appearing (a) under the headings (i) “PART 1 — SUMMARY STATEMENT” (except under the subcaption “Purpose of Issue” and except for the fourth, eighth (last sentence only) and ninth paragraphs under the subcaption “Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts”, as to which no representation is made), (ii) “PART 2 — INTRODUCTION” (the second, third, fourth, sixth, seventh, eighth, tenth and twelfth (other than the last sentence thereof) paragraphs only), (iii) “PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS “, and (iv) “PART 4 — SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND” and (v) “PART 9 — DEBT SERVICE REQUIREMENTS” as to the column “Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service”, and (b) in the “Annual Information Statement of the State of New York”, including any updates or supplements, included in Appendix A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading, provided, however, that while the information and statements contained under such headings and in Appendix A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, further, however, that with regard to the statements and information in Appendix A hereto under the caption “Litigation”, such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2014 Bonds.

Public Resources Advisory Group has acted as financial advisor to the Division of the Budget in connection with the sale and issuance of the Series 2014 Bonds.

The references herein to the Authority Act, the Enabling Act and other laws of the State, the General Resolution and the Financing Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of DASNY with the registered Owners of the Series 2014 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2014 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2014 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly stated, are intended merely as expressions of opinion, forecasts or estimates and not as representations of fact.

Copies of the documents mentioned in this paragraph are available for review at the corporate headquarters of DASNY located at 515 Broadway, Albany, New York 12207.

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

**DORMITORY AUTHORITY OF THE STATE OF  
NEW YORK**

By: /s/Paul T. Williams, Jr  
Authorized Officer

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**APPENDIX A**

**INFORMATION CONCERNING THE STATE OF NEW YORK**

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## APPENDIX A

### INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix A is dated June 11, 2014. 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.ny.gov>.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2013 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, 2013 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

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# NEW YORK STATE



# ANNUAL INFORMATION STATEMENT

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JUNE 11, 2014

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# **INTRODUCTION**

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# Introduction

This Annual Information Statement (AIS) is dated June 11, 2014 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the “State”) and related matters and replaces the AIS dated June 19, 2013 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State’s current financial projections, including summaries and extracts from the State’s Enacted Budget Financial Plan (the “Financial Plan” or “Enacted Budget”) for fiscal year 2015<sup>1</sup> (FY 2015), issued by the Division of the Budget (DOB) in May 2014. The Enacted Budget sets forth the State’s official Financial Plan projections for FY 2015 through FY 2018. It includes, among other things, information on the major components of the General Fund gap-closing plan approved for FY 2015, future potential General Fund budget gaps, and multi-year projections of receipts and disbursements in the State’s operating funds.
2. A discussion of risks and uncertainties that may affect the Financial Plan during the State’s current fiscal year or in future years (under the heading “Financial Plan Overview — Other Matters Affecting the Financial Plan”).
3. Information on other subjects relevant to the State’s finances, including summaries of: (a) operating results for the three prior fiscal years (presented on a cash basis of accounting), (b) the State’s revised economic forecast and a profile of the State economy, (c) the State’s debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.
4. The status of significant litigation and arbitration that has the potential to adversely affect the State’s finances.

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

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

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<sup>1</sup> The State fiscal year is identified by the calendar year in which it ends. For example, FY 2015 is the FY that began on April 1, 2014 and ends on March 31, 2015.



## INTRODUCTION

to this AIS, as updated or supplemented, for the most current official information regarding the financial position of the State.

The factors affecting the State's financial condition are complex. This AIS contains forecasts, projections, and estimates that are based on expectations and assumptions, which existed at the time they were prepared, and contains statements relating to future results and economic performance that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. The forward-looking statements contained herein are based on the State's expectations and are necessarily dependent upon assumptions, estimates and data that it believes are reasonable as of the date made but that may be incorrect, incomplete or imprecise or not reflective of actual results. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates", and analogous expressions are intended to identify forward-looking statements in the AIS. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions; changes in political, social, economic and environmental conditions, including climate change and extreme weather events; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; actions by the Federal government to reduce or disallow expected aid, including Federal aid authorized or appropriated by Congress but subject to sequestration, administrative actions, or other actions that would reduce aid to the State; and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS. **Note that all FY 2014 financial results contained within this AIS are unaudited and preliminary.**

The annual independent audit of this State's Basic Financial Statements is expected to be completed by July 29, 2014. Both the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting and the State's Basic Financial Statements are due by July 29, 2014, at which time the FY 2014 financial results will be final. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2013 are available in electronic form at [www.osc.state.ny.us](http://www.osc.state.ny.us) and at [www.emma.msrb.org](http://www.emma.msrb.org).

In addition to regularly scheduled quarterly updates to this AIS, the State may issue AIS supplements or other disclosure notices to this AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuances. The State has filed this AIS with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through 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) 474-2302.



### USAGE NOTICE

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

This AIS is available in electronic form on the DOB website ([www.budget.ny.gov](http://www.budget.ny.gov)). Such availability does not imply that there have been no changes in the financial position of the State subsequent to the posting of this information. 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: (a) 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 (b) 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.**

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**OVERVIEW OF THE STATE  
BUDGET PROCESS AND  
BUDGETARY AND ACCOUNTING  
PRACTICES**

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# *Overview of the State Budget Process and Budgetary and Accounting Practices<sup>2</sup>*

## **THE STATE BUDGET PROCESS**

The requirements of the State budget process are set forth in Article VII of the State Constitution, the State Finance Law, and the Legislative Law. The annual budget 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 DOB prepares a multi-year Financial Plan ("State Financial Plan") as part of the Executive Budget. The State Financial Plan sets forth projected receipts and disbursements for the current fiscal year, the "budget" year (i.e., the upcoming fiscal year), and the three subsequent fiscal years ("outyears"). It must be accompanied by bills that: (a) set forth all proposed appropriations and reappropriations, (b) provide for any new or modified revenue measures, and (c) make any other changes to existing law necessary to implement the budget recommended by the Governor. The General Fund must be balanced on a cash basis, as described below.

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 or reduce an item of appropriation submitted by the Governor. The Legislature may add distinct new 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 separately added by the Legislature or a bill (or a portion thereof) related to the budget, these separately added items of appropriation or bill can be reconsidered in accordance with the rules of each house of the Legislature. If, upon reconsideration, the items are 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 budget bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the enacted budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates and projections in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economic outlook, updated data on program activities, new actions taken by the Governor or the Legislature, and other factors. As required by the State Finance Law, DOB updates the State Financial Plan generally issuing reports by July 30, October 30, and as part of the Executive Budget in January or February of each year.

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

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<sup>2</sup> See "Exhibit A — Selected State Government Summary" herein for more information on budgetary and accounting practices.



## **OVERVIEW OF THE STATE BUDGET PROCESS AND BUDGETARY AND ACCOUNTING PRACTICES**

### **SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES**

Unless clearly noted otherwise, all financial information in this AIS is presented on a cash basis of accounting.

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

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

From time to time, DOB will informally designate unrestricted balances in the General Fund for specific policy goals (e.g., the payment of costs related to potential labor contracts covering prior contract periods). These amounts are typically identified with the phrase "reserved for" and are not held in distinct accounts within the General Fund and may be used for other purposes.

**State Operating Funds** is a broader measure of spending for operations (as distinct from capital purposes) that is funded with State resources. It includes financial activity not only in the General Fund, but also State-funded special revenue funds and debt service funds (spending from capital project funds and Federal funds is excluded). As more financial activity occurred in funds outside of the General Fund, State Operating Funds became, in DOB's view, a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (e.g., taxes, assessments, fees, tuition). The State Operating Funds perspective has the advantage of eliminating certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure, the transfer of money among funds, and the accounting of disbursements against appropriations in different funds. For example, the State funds its share of the Medicaid program from both the General Fund and HCRA Funds, the latter being State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both of these fund types, giving a more complete accounting of State-funded Medicaid disbursements. For such reasons, the discussion of disbursement projections often emphasizes the State Operating Funds perspective.





## **OVERVIEW OF THE STATE BUDGET PROCESS AND BUDGETARY AND ACCOUNTING PRACTICES**

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

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

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

The State Financial Plan projections for future years have often shown budget gaps in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and (b) the expected level of resources to pay for them. The General Fund gap estimates are based on a number of assumptions and projections developed by the DOB in conjunction with other State agencies. Some projections are based on specific, known information (e.g., a statutory requirement to increase payments to a prescribed level), while others are based on more uncertain or speculative information (e.g., the pace at which a new program will enroll recipients). In addition, the Financial Plan assumes that money appropriated in one fiscal year will continue to be appropriated in future years, even for programs that were not created in permanent law and that the State has no obligation to fund. Funding levels for nearly all State programs are made (or, in the case of two-year appropriations, reviewed) annually, taking into account the current and projected fiscal position of the State. The Financial Plan projections for FY 2016 and thereafter set forth in this AIS reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2 percent State Operating Funds Spending Benchmark”. Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

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# **FINANCIAL PLAN OVERVIEW**

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# Financial Plan Overview

The following table provides certain Financial Plan information for FY 2014 and FY 2015.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)				
	FY 2014		FY 2015	
	Revised <sup>1</sup>	Results	Executive Amended <sup>2</sup>	Enacted
<b>STATE OPERATING FUNDS DISBURSEMENTS</b>				
Size of Budget	\$90,498	\$90,631	\$92,040	\$92,234
Annual Growth	1.9%	2.0%	1.6%	1.8%
<b>OTHER DISBURSEMENT MEASURES</b>				
General Fund (with Transfers)	\$61,460	\$61,243	\$63,575	\$63,142
	4.2%	3.9%	3.8%	3.1%
State Funds (Including Capital)	\$96,624	\$96,355	\$98,894	\$98,995
	2.2%	1.9%	2.6%	2.7%
Capital Budget (Federal and State)	\$7,992	\$7,751	\$8,533	\$8,465
	6.0%	2.8%	10.1%	9.2%
Federal Operating Aid (Excluding Extraordinary Federal Aid) <sup>3</sup>	\$36,860	\$37,492	\$36,615	\$37,201
	2.0%	3.7%	-2.3%	-0.8%
All Funds (Excluding Extraordinary Federal Aid) <sup>3</sup>	\$135,350	\$135,874	\$137,188	\$137,900
	2.1%	2.5%	1.0%	1.5%
Capital Budget (Including "Off-Budget") <sup>4</sup>	\$9,431	\$9,104	\$9,464	\$9,393
	5.9%	2.3%	4.0%	3.2%
All Funds (Including "Off-Budget" Capital) <sup>3,4</sup>	\$136,789	\$137,227	\$138,119	\$138,828
	2.2%	2.5%	0.7%	1.2%
<b>INFLATION (CPI)</b>	1.4%	1.5%	1.8%	1.9%
<b>ALL FUNDS RECEIPTS</b>				
Taxes	\$69,414	\$69,690	\$70,794	\$70,188
	4.7%	5.1%	1.6%	0.7%
Miscellaneous Receipts	\$23,850	\$24,234	\$25,310	\$25,672
	-0.7%	0.8%	4.4%	5.9%
Federal Grants <sup>3</sup>	\$41,991	\$42,137	\$40,819	\$41,725
	-0.7%	-0.3%	-3.1%	-1.0%
Total Receipts <sup>3</sup>	\$135,255	\$136,061	\$136,923	\$137,585
	2.0%	2.6%	0.6%	1.1%
<b>GENERAL FUND RESERVES</b>				
	\$1,803	\$2,235	\$1,743	\$2,055
Stabilization/Rainy Day Reserve Funds	\$1,306	\$1,481	\$1,306	\$1,481
All Other Reserves/Fund Balances	\$497	\$754	\$437	\$574
<b>STATE WORKFORCE FTEs (Subject to Direct Executive Control)</b>				
	119,413	118,492	119,173	118,961
<b>DEBT <sup>5</sup></b>				
Debt Service as % All Funds Receipts	4.7%	5.0%	4.3%	4.3%
State-Related Debt Outstanding	\$55,572	\$55,165	\$57,126	\$55,923
Debt Outstanding as % Personal Income	5.2%	5.2%	5.1%	5.0%

<sup>1</sup> Updated as part of the FY 2015 Executive Budget, as amended.

<sup>2</sup> The annual percentage change calculations in the FY 2015 "Executive Amended" column have been updated for FY 2014 year-end results.

<sup>3</sup> All Funds and Federal Operating Funds receipts and disbursements exclude Federal disaster aid for Superstorm Sandy (estimated at \$577 million in FY 2013, \$1.2 billion in FY 2014 and \$1.5 billion in FY 2015), and additional Federal aid under the Affordable Care Act (estimated at approximately \$400 million in FY 2014 and \$2.6 billion in FY 2015). Including disbursements for these purposes, All Funds disbursements are expected to total \$142 billion in FY 2015, an increase of 3.2 percent.

<sup>4</sup> "Off-Budget" represents spending which occurs directly from state-supported bond proceeds held by public authorities.

<sup>5</sup> Excludes capital leases and mortgage loan commitments. Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.



### GENERAL FUND CASH-BASIS FINANCIAL PLAN

#### SUMMARY OF PRELIMINARY UNAUDITED RESULTS FOR FY 2014 (ENDED MARCH 31, 2014)

- The State ended FY 2014 with a General Fund balance of \$2.24 billion, which was \$432 million above the estimate in the February 2014 AIS Update. General Fund receipts were \$215 million higher than planned, largely reflecting stronger than expected tax collections. General Fund disbursements were \$217 million below planned levels, due mainly to lower spending in local assistance and agency operations. In addition, DOB made certain payments at the end of FY 2014, in addition to those planned in February 2014, including approximately \$350 million in debt service and \$150 million of social services payments. This had the effect of making additional resources available for FY 2015 and thereafter.
- The State used \$312 million of the \$432 million in excess resources to bolster reserves. At the close of FY 2014, \$175 million was deposited into the State's rainy day reserves, bringing the balance to \$1.5 billion, or 2.4 percent of FY 2014 General Fund spending. Another \$137 million was set aside for debt management purposes, bringing the amount designated for this purpose, and available in FY 2015, to \$500 million.
- Of the remaining \$120 million in excess resources, \$62 million is expected to fund disbursements that were originally expected to occur in FY 2014 but are now budgeted for FY 2015, and \$58 million has been transferred to a fiduciary fund established with the FY 2015 Budget to account for proceeds realized from a settlement between J.P. Morgan and the State.
- On March 31, 2014, the Legislature completed final action on the State budget for FY 2015. On April 11, 2014, the Governor completed his review of all budget bills, including the veto of certain line-item appropriations, none of which had a material impact on the Financial Plan. Consistent with past practice, the Legislature enacted the annual debt service appropriations, without amendment, in advance of the other appropriations (the debt service appropriations were passed on March 19, 2014).
- The Enacted Budget Financial Plan for FY 2015 provides for balanced operations on a cash basis in the General Fund, as required by law. The Enacted Budget reflects savings from the continuation of spending controls and cost containment measures put in place in prior years. Funding for agency operations is generally expected to remain level across the Financial Plan period (excluding the timing of cash disbursements in FY 2014). Statutory reserves are expected to remain at the same level as FY 2014.
- During negotiations, the Executive and Legislature agreed to \$610 million in gross spending restorations and additions to the Executive Budget proposal described in the February 2014 AIS Update. They also agreed to certain tax law changes that decrease revenues by \$220 million in FY 2015, and by lesser amounts in future years, compared to the Executive proposal.



- DOB expects relatively modest economic growth in FY 2015, consistent with other economic forecasters. Total tax receipts in FY 2015, adjusted for the acceleration of certain income tax refunds into FY 2014, are expected to decline by 0.2 percent from FY 2014.
- Personal income tax collections for FY 2014 were inflated by a one-time increase in receipts due to an increase in Federal tax rates beginning in calendar year 2013. This caused taxpayers to realize income in calendar year 2012 to avoid the higher tax rates, which in turn substantially increased the State's tax collections in April 2013. However, it also led to large refund payments by the State throughout the remainder of 2013, as some high income taxpayers realized that they had overpaid in April 2013. DOB anticipated that this situation would reverse itself in 2014. This has occurred but the decline in estimated tax payments in April 2014 was greater than forecast in the February 2014 AIS Update. At the same time, refund payments were lower than expected. DOB expects that the unanticipated portion of the decline in collections observed in April 2014 will reverse itself later in FY 2015. To manage risks and maintain a conservative receipts forecast, however, DOB is making a net downward revision of \$343 million to the General Fund receipts estimate for FY 2015, as described below. This revision is anticipated to be fully offset by other savings and is not expected to impinge on the State's ability to fully meet the commitments in the FY 2015 Enacted Budget for FY 2015 or future budget years.
- DOB has identified \$1.2 billion in new resources to fully fund the restorations, additions, tax law changes, and revisions to tax receipts. These include savings from a combination of prepayments in FY 2014, above the level planned in the FY 2015 Executive Budget, and reestimates to estimated disbursements and transfers based on a review of FY 2014 results (\$643 million); and management of debt and capital resources including reimbursement, from planned bond sales and existing bond proceeds, of first-instance capital transfers made by the General Fund in prior years (\$530 million).
- State Operating Funds spending for FY 2014 totaled \$90.6 billion, an increase of 2 percent from FY 2013 results. This is consistent with the 2 percent benchmark for annual spending growth in State Operating Funds.
- The Enacted Budget Financial Plan for FY 2015 limits estimated annual growth in State Operating Funds spending to 1.8 percent, consistent with the 2 percent spending benchmark.
- The aggregate Financial Plan projections for FY 2016 and thereafter set forth in this AIS reflect an assumption that the Governor will continue to propose, and the Legislature will continue to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent.
- By adhering to the 2 percent spending benchmark, DOB expects that the State is positioned to fully fund the tax reductions and spending commitments in the FY 2015 Enacted Budget and accrue surpluses in future years, based on updated projections. (The savings that would be achieved if the State adheres to the spending benchmark are labeled in the Financial Plan tables as "Adherence to 2 percent State Operating Funds Spending Benchmark.") Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.



## FINANCIAL PLAN OVERVIEW

GENERAL FUND FINANCIAL PLAN				
CASH BASIS				
ANNUAL CHANGE				
(millions of dollars)				
	FY 2014 Results	FY 2015 Enacted	Annual \$ Change	Annual % Change
<b>Opening Fund Balance</b>	<u>1,610</u>	<u>2,235</u>	<u>625</u>	<u>38.8%</u>
<b>Receipts:</b>				
Taxes:				
Personal Income Tax	28,864	29,372	508	1.8%
User Taxes and Fees	6,561	6,652	91	1.4%
Business Taxes	6,046	5,438	(608)	-10.1%
Other Taxes	1,256	1,197	(59)	-4.7%
Miscellaneous Receipts	3,219	3,815	596	18.5%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,822	9,038	216	2.4%
Sales Tax in Excess of LGAC	2,568	2,628	60	2.3%
Sales Tax in Excess of Revenue Bond Debt Service	2,936	2,908	(28)	-1.0%
Real Estate Taxes in Excess of CW/CA Debt Service	705	761	56	7.9%
All Other	891	1,153	262	29.4%
<b>Total Receipts</b>	<u>61,868</u>	<u>62,962</u>	<u>1,094</u>	<u>1.8%</u>
<b>Disbursements:</b>				
Local Assistance Grants	39,940	42,118	2,178	5.5%
Departmental Operations:				
Personal Service	5,563	5,890	327	5.9%
Non-Personal Service	1,746	1,960	214	12.3%
General State Charges	4,899	5,072	173	3.5%
Transfers to Other Funds:				
Debt Service	1,972	1,081	(891)	-45.2%
Capital Projects	1,436	930	(506)	-35.2%
State Share of Mental Hygiene Medicaid	1,576	1,638	62	3.9%
SUNY Operations	971	977	6	0.6%
Other Purposes	3,140	3,476	336	10.7%
<b>Total Disbursements</b>	<u>61,243</u>	<u>63,142</u>	<u>1,899</u>	<u>3.1%</u>
<b>Excess (Deficiency) of Receipts Over Disbursements</b>	<u>625</u>	<u>(180)</u>	<u>(805)</u>	<u>-128.8%</u>
<b>Closing Fund Balance</b>	<u>2,235</u>	<u>2,055</u>	<u>(180)</u>	<u>-8.1%</u>
<b>Statutory Reserves</b>				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	350	350	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	87	0	(87)	
<b>Reserved For</b>				
Prior-Year Labor Agreements (2007-2011)	45	53	8	
Debt Management	500	500	0	
Undesignated Reserve	43	0	(43)	
J.P. Morgan Settlement Proceeds	58	0	(58)	

Source: NYS DOB.





### RECEIPTS

General Fund receipts, including transfers from other funds, are expected to total \$63 billion in FY 2015, an annual increase of \$1.1 billion (1.8 percent). Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are expected to total \$58 billion in FY 2015, an increase of \$236 million (0.4 percent). Before accounting for the acceleration of estimated tax refunds into FY 2014 to make surplus resources available in FY 2015, estimated tax collections would decrease by \$384 million (-0.7 percent) from FY 2014 levels, primarily due to tax law changes.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to increase by \$724 million from FY 2014. This primarily reflects increases in withholding payments and the payment of additional refunds in FY 2014 that were planned for FY 2015, partially offset by a decline in extension payments attributable to the 2013 tax year.

General Fund user taxes and fee receipts, including transfers after payment of debt service on LGAC and Sales Tax Revenue Bonds, are estimated to total \$12.2 billion in FY 2015, an increase of \$123 million (1.0 percent) from FY 2014, reflecting projected consumer spending increases across a broad range of consumption categories, offset by declines in cigarette consumption.

General Fund business tax receipts are estimated at \$5.4 billion in FY 2015, a decrease of \$608 million (-10.1 percent) from FY 2014 results. The estimate reflects a decline in corporate franchise tax receipts resulting from the first year of repayment of deferred tax credits and tax law changes, partly offset by base growth in bank and insurance taxes.

Other tax receipts in the General Fund are expected to total nearly \$2 billion in FY 2015, a decrease of \$3 million (-0.2 percent) from FY 2014. The estimate reflects a decline in expected estate tax receipts, the result of Enacted Budget legislation that reduces the estate tax, partially offset by an increase in real estate transfer tax (RETT) receipts.

General Fund miscellaneous receipts are estimated at \$3.8 billion in FY 2015, an annual increase of \$596 million. The increase largely reflects the expected deposit of \$1 billion from the State Insurance Fund (SIF) reserve release in connection with Workers' Compensation law changes enacted in the FY 2014 budget, partly offset by the accelerated phase-out of the temporary utility assessment and large settlement payments received in FY 2014.

Non-tax transfers to the General Fund are expected to total \$1.2 billion, an increase of \$262 million, largely due to the timing of transfers from other funds and changes in the level of resources expected to be available from other funds.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see "State Financial Plan Projections Fiscal Years 2015 through 2018" herein.



### DISBURSEMENTS

General Fund disbursements, including transfers to other funds, are expected to total \$63.1 billion in FY 2015, an increase of \$1.9 billion (3.1 percent) from FY 2014 spending levels.

Local assistance grants are expected to total \$42.1 billion in FY 2015, an annual increase of \$2.2 billion (5.5 percent). General Fund disbursements are expected to increase by \$1.4 billion for School Aid<sup>3</sup> and other education programs. Other local assistance increases include, among other things, payments for a range of social services, public health, and general purpose aid programs, as well as accounting reclassifications that have the effect of moving spending between financial plan categories, mainly for Medicaid payments to State-operated facilities.

State operations disbursements in the General Fund are expected to total \$7.9 billion in FY 2015, an annual increase of \$541 million (7.4 percent). The largest increases reflect the accounting of Information Technology (IT) services in the General Fund as a result of consolidation, reflected in non-General Fund accounts (\$200 million); Medicaid, including the takeover of local administrative functions by the Department of Health (DOH) (\$89 million), and increased support for indigent legal services and civil legal services in the Judiciary budget (\$60 million).

General State Charges (GSCs) are expected to total \$5.1 billion in FY 2015, an annual increase of \$173 million (3.5 percent) from FY 2014. Health insurance costs are projected to increase \$102 million or 3.1 percent. The State's annual pension payment is expected to increase by \$50 million. This growth, which was partly offset by the pre-payment of certain obligations in FY 2014, reflects increased normal costs and repayment of amounts amortized in prior years. The State expects to continue to amortize pension costs in excess of the amortization thresholds established in law. In FY 2015, costs in excess of 13.5 percent of payroll for the Employees' Retirement System (ERS) and 21.5 percent for the Police and Fire Retirement System (PFRS) are expected to be amortized.

General Fund transfers to other funds are expected to total \$8.1 billion in FY 2015, a decrease of \$993 million from FY 2014. The annual change is attributable to the prepayment in FY 2014 of debt service due in FY 2015 and reduced General Fund support for capital projects spending due to the timing of available bond proceeds. These declines are partly offset by increased support for non-Medicaid Mental Hygiene services.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursements projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Projections Fiscal Years 2015 through 2018" herein.

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<sup>3</sup> School Aid is reported here on a State Fiscal Year basis.



### CLOSING BALANCE

DOB projects that the State will end FY 2015 with a General Fund cash balance of \$2.1 billion, a decrease of \$180 million from the FY 2014 closing balance. The balance in the Community Projects Fund, which finances discretionary grants allocated by the Legislature and Governor, is expected to be expended in FY 2015, reflecting disbursements from prior-year appropriations (\$87 million). In addition, the reduction in the balance includes the transfer of funds received in FY 2014 related to the J.P. Morgan settlement to a new fiduciary fund, the Mortgage Settlement Proceeds Trust Fund (\$58 million), and the use of excess resources from FY 2014 (\$43 million). These declines are partly offset by an \$8 million increase in amounts set aside for the potential costs of prior-year labor agreements, as described below.

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, are expected to remain unchanged in FY 2015.

The Financial Plan continues to set aside money in the General Fund balance to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for contract periods prior to April 2011. This amount is calculated based on the "pattern" settlement for FY 2008 through FY 2011, and is expected to be reduced as labor agreements for prior periods are reached with unsettled unions.

The Enacted Budget reserves \$500 million for debt management purposes in FY 2015, unchanged from the level held at the end of FY 2014. DOB will make a decision on the use of these funds based on market conditions, Financial Plan needs, and other factors during the year.

### PROJECTED GENERAL FUND BUDGET GAPS

The following table summarizes the projected General Fund receipts and disbursements for FY 2016, FY 2017, and FY 2018. The projections reflect the expected impact of the FY 2015 Enacted Budget gap-closing plan. The Financial Plan projections for FY 2016 and thereafter set forth in this AIS reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as "Adherence to 2% State Operating Funds Spending Benchmark." Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.



## FINANCIAL PLAN OVERVIEW

### GENERAL FUND FINANCIAL PLAN CASH BASIS FY 2016 through FY 2018 (millions of dollars)

	FY 2016 <u>Projected</u>	FY 2017 <u>Projected</u>	FY 2018 <u>Projected</u>
<b>Receipts:</b>			
Taxes:			
Personal Income Tax	31,643	33,943	35,730
User Taxes and Fees	6,908	7,132	7,373
Business Taxes	5,728	5,609	5,729
Other Taxes	1,157	1,062	1,012
Miscellaneous Receipts	2,980	2,790	2,215
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	9,636	10,235	10,664
Sales Tax in Excess of LGAC	2,743	2,880	3,087
Sales Tax in Excess of Revenue Bond Debt Service	2,923	2,933	2,932
Real Estate Taxes in Excess of CW/CA Debt Service	826	885	958
All Other	819	777	750
<b>Total Receipts</b>	<u>65,363</u>	<u>68,246</u>	<u>70,450</u>
<b>Disbursements:</b>			
Local Assistance Grants	44,827	47,077	49,671
Departmental Operations:			
Personal Service	5,986	5,952	5,975
Non-Personal Service	2,010	2,004	2,052
General State Charges	5,322	5,470	5,583
Transfers to Other Funds:			
Debt Service	1,058	1,457	1,509
Capital Projects	1,406	1,761	2,006
State Share of Mental Hygiene Medicaid	1,313	1,281	1,156
SUNY Operations	980	980	980
Other Purposes	4,241	4,532	4,945
<b>Total Disbursements</b>	<u>67,143</u>	<u>70,514</u>	<u>73,877</u>
<b>Use (Reservation) of Fund Balance:</b>			
Prior-Year Labor Agreements (2007-2011)	<u>(11)</u>	<u>(12)</u>	<u>(11)</u>
<b>Total Use (Reservation) of Fund Balance</b>	<u>(11)</u>	<u>(12)</u>	<u>(11)</u>
<b>Adherence to 2% State Operating Funds Spending Benchmark <sup>1</sup></b>	2,094	3,385	4,916
<b>Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements</b>	<u>303</u>	<u>1,105</u>	<u>1,478</u>

Source: NYS DOB.

<sup>1</sup> Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.



## EXPLANATION OF THE FY 2015 ENACTED BUDGET GAP-CLOSING PLAN

The table below itemizes the FY 2015 Enacted Budget gap-closing plan and projected impact for FY 2016 through FY 2018.

<b>FY 2015 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN</b>				
<b>SAVINGS/(COSTS)</b>				
<b>(millions of dollars)</b>				
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
<b>MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE <sup>1</sup></b>	<b>(1,742)</b>	<b>(2,889)</b>	<b>(2,948)</b>	<b>(3,887)</b>
<b>SPENDING CHANGES</b>	<b><u>2,275</u></b>	<b><u>4,402</u></b>	<b><u>5,430</u></b>	<b><u>6,765</u></b>
<b>Agency Operations</b>	<b><u>494</u></b>	<b><u>734</u></b>	<b><u>940</u></b>	<b><u>1,240</u></b>
Executive Agencies	85	194	256	328
Independent Officials	104	233	245	240
Fringe Benefits/Fixed Costs	305	307	439	672
<b>Local Assistance</b>	<b><u>1,825</u></b>	<b><u>1,939</u></b>	<b><u>2,046</u></b>	<b><u>1,699</u></b>
Human Services Cost of Living Adjustment (COLA)	92	125	127	128
Mental Hygiene	199	368	366	(2)
Health Care	152	98	(43)	(161)
DOH Medicaid	270	448	638	688
Education	450	335	404	526
STAR	172	227	232	286
Social Services/Housing	341	201	228	196
All Other	149	137	94	38
<b>Capital Projects/Debt Management Initiatives <sup>2</sup></b>	<b>(715)</b>	<b>(1,110)</b>	<b>(1,323)</b>	<b>(1,499)</b>
<b>Adherence to 2% State Operating Funds Spending Benchmark <sup>3</sup></b>	<b>n/a</b>	<b>2,094</b>	<b>3,385</b>	<b>4,916</b>
<b>SURPLUS AVAILABLE FROM FY 2014</b>	<b>353</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHER RESOURCE CHANGES</b>	<b><u>(161)</u></b>	<b><u>(282)</u></b>	<b><u>(106)</u></b>	<b><u>(246)</u></b>
Tax Receipts	(450)	(88)	249	311
Other Resource Changes	289	(194)	(355)	(557)
<b>SURPLUS/(GAP) ESTIMATE BEFORE TAX ACTIONS</b>	<b><u>725</u></b>	<b><u>1,231</u></b>	<b><u>2,376</u></b>	<b><u>2,632</u></b>
<b>Tax Actions</b>	<b>(725)</b>	<b>(928)</b>	<b>(1,271)</b>	<b>(1,154)</b>
<b>SURPLUS/(GAP) ESTIMATE AFTER TAX ACTIONS</b>	<b><u>0</u></b>	<b><u>303</u></b>	<b><u>1,105</u></b>	<b><u>1,478</u></b>

<sup>1</sup> All forecast revisions made since the release of the original Executive Budget proposal are accounted for in the appropriate categories of the gap-closing plan (e.g., spending reestimates in the category entitled "Spending Changes").

<sup>2</sup> Includes distinct new spending additions to the Executive Budget agreed to during negotiations. Restorations to Executive Budget proposals are reflected in the appropriate "Spending Changes," "Resource Changes" and "Tax Actions" categories.

<sup>3</sup> Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.



## FINANCIAL PLAN OVERVIEW

The Enacted Budget reduces spending in FY 2015 by \$2.3 billion compared to a baseline forecast before any enacted budget actions. The savings are recurring and are expected to grow in value in subsequent years.

### SPENDING CONTROL

#### AGENCY OPERATIONS

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities). These costs have declined over the past several years through ongoing State agency redesign and cost-control efforts. Reductions from the prior projections for agency operations contribute \$494 million to the General Fund gap-closing plan. Specifically:

- **Executive Agencies:** The Enacted Budget holds personal service and non-personal service spending flat with limited exceptions, such as costs attributable to the phase-in of the New York State of Health marketplace and IT consolidation efforts. Agencies are expected to continue to utilize less costly forms of service deliveries, improve administrative practices and pursue statewide solutions to common problems.
- **Independent Officials:** Spending growth for the Judiciary is expected to support mandated court operations, judicial salary increases, and additional Family Court Judges. Higher spending for the Department of Audit and Control supports additional pre-school special education audits. Spending for the Department of Law is expected to increase in part due to the lower than expected spending in FY 2014. Spending in future years is expected to remain at FY 2015 levels for all independent officials.
- **Fringe Benefits/Fixed Costs:** The FY 2015 and FY 2016 pension costs have been reduced based on a review of FY 2014 operating results and certain pre-payments which decrease spending in these years. Other fringe benefit costs have also been reduced downward based on an analysis of spending trends.

#### LOCAL ASSISTANCE

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. Reductions from the prior projections for local assistance spending are expected to generate \$1.8 billion in General Fund savings. Savings are expected from targeted actions, continuation of prior-year cost containment actions, and reestimates based on actual spending data. Specifically:

- **Human Services Cost of Living Adjustment (COLA):** The Enacted Budget provides funding to support a 2 percent salary increase beginning in January 2015 for direct care workers and a 2 percent increase in April 2015 for direct care and clinical workers. This is in lieu of an across-the-board annual COLA in 2015 and 2016.



## FINANCIAL PLAN OVERVIEW

- **Mental Hygiene:** Program spending is reduced to reflect revised forecasts for community-based bed development and expansion; efforts to return individuals from more costly out-of-state placements; and continued efforts to expand community services to reduce institutional costs.
- **Health Care:** Lower spending reflects a downward trend in reimbursement of claims submitted by local governments under the General Public Health Work (GPHW) program and utilizing other insurance for prenatal care services; and lower expected Child Health Plus (CHP) costs as a result of the one-year moratorium on rate increases.
- **DOH Medicaid:** The Enacted Budget includes annual State-share Medicaid savings beginning in FY 2015 achieved under the Medicaid Global Cap. Projected savings result from the continuation of successful Medicaid Redesign Team (MRT) initiatives, improved cash management, and utilization of Federal resources associated with the Affordable Care Act (ACA). In addition, projected annual spending under the Medicaid Global Cap has been adjusted to reflect updated estimates of the medical component of the Consumer Price Index (CPI).
- **Education:** The Enacted Budget includes special education program reforms targeted to improve fiscal practices and service delivery. Estimated spending has also been revised downward based on revised school district data.
- **School Tax Relief:** Spending has been reduced to reflect a reduction in the estimated number of STAR exemption recipients. As part of the State's review of recipient data to ensure unlawful exemptions are excluded from State payments, existing STAR recipients were also required to re-register for their benefit.
- **Social Services/Housing:** Lower spending is expected in several programs, including Child Welfare Services, Adult Protective and Domestic Violence Services, Public Assistance, and Supplemental Security Income (SSI), based on updated claiming data and revised growth (caseload) assumptions.
- **All Other:** Spending reductions are expected to be achieved across multiple functions and program areas including: elimination of certain miscellaneous financial assistance to local governments; utilization of capital financing for eligible homeland security capital needs; revisions to disaster assistance aid; and elimination of certain legislative grants.



### CAPITAL PROJECTS/DEBT MANAGEMENT

- The Enacted Budget assumes savings through continued use of competitive bond sales, refundings, consolidation of debt issuances, the timing of bond sales, and other debt management actions. In addition, the state paid \$530 million of capital advances in FY 2014 that are expected to be reimbursed in FY 2015. The savings from debt management in FY 2015 and FY 2016 also reflect actual and planned prepayments of debt service. The Enacted Budget does not reflect the use of the \$500 million in General Fund resources designated for debt management. DOB expects to make a decision on using those resources, based on market conditions, Financial Plan needs, and other factors.
- In addition, the Enacted Budget includes the use of \$30 million for debt service from the Metropolitan Mass Transportation Operating Assistance (MMTOA) account, with \$20 million in resources available from the MMTOA account for the same purpose on an annual basis beginning in FY 2016.

### INVESTMENTS/INITIATIVES

- The Enacted Budget includes significant spending additions for School Aid, higher education, and human services. During negotiations, the Executive and Legislature agreed to approximately \$550 million in distinct new spending additions to the Executive Budget proposal for FY 2015.
- The Enacted Budget also reflects the costs of new capital initiatives. These include:
  - **Smart Schools Bond Act:** If approved by voters, the \$2 billion Smart Schools bond act will fund enhanced education technology in schools, with eligible projects including infrastructure improvements to bring high-speed broadband to schools and their communities and the purchase of classroom technology for use by students. Additionally, Smart Schools will enable long-term investments in full day pre-kindergarten through the construction of new pre-kindergarten classroom space, replace classroom trailers with permanent classroom space and make investments in high-tech school safety programs. The debt service costs of the bond act, if approved, are estimated at \$126 million beginning in FY 2017 and \$156 million in FY 2018.
  - **Health Care Facility Restructuring:** This \$1.2 billion initiative is intended to improve the financial viability and efficiency of the State's health care delivery system. Funding is expected to be targeted to long-term care, hospitals, primary care, and behavioral/substance abuse services. Priority projects will include those that: align hospital and nursing home bed capacity to regional needs, enable facility integration, merge and consolidate facilities, expand primary care, and facilitate transformation to care management models. The debt service costs of this initiative are estimated at \$5 million in FY 2015, \$24 million in FY 2016, \$43 million in FY 2017, and \$63 million in FY 2018.





### RESOURCES

- **Tax Receipts:** The FY 2015 estimate for annual receipts has been revised to reflect updated economic forecast data, and includes downward adjustments to PIT and cigarette tax collections, partly offset by upward changes to business tax and estate tax collections.
- **Other Resource Changes:** The estimate for miscellaneous receipts has been revised based on a review of FY 2014 collections, the projected receipt of various banking and insurance-related settlements and recoveries, and other transactions. In addition, the timing of certain transfers and other transactions at the end of FY 2014 had the effect of making additional resources available for FY 2015.

### TAX ACTIONS

The Enacted Budget contains a set of tax actions that are estimated to result in a net reduction to tax and assessment receipts of \$725 million in FY 2015 and \$1.3 billion in FY 2016 on an All Funds basis. The most significant tax actions include:

- **Real Property Tax Credit:** The Enacted Budget freezes property taxes for two years, subject to two conditions. In year one, the State will provide tax credits to homeowners outside of New York City with qualifying incomes of \$500,000 or less who live in a jurisdiction that stays within the property tax cap. The tax credits will be extended for a second year in jurisdictions which comply with the tax cap and have put forward a plan to save 1 percent of their tax levy per year, over three years. DOB projects that the property tax freeze will reduce revenues to the State by over \$1.5 billion and is expected to benefit as many as 2.8 million taxpayers over the three years that the freeze is in effect.
- **New York City "Circuit Breaker" Tax Credit:** The Enacted Budget creates a refundable tax credit against the PIT to provide targeted tax relief to New York City renters and homeowners based on an individual homeowner's or renter's ability to pay. This program is structured to provide a greater proportion of benefits to those with the highest property tax and rent burdens as a share of their income. The program's cost is valued at \$85 million annually and is expected to benefit over 1.4 million taxpayers for two years.
- **Corporate Tax Reform:** The Enacted Budget combines the corporate franchise and bank taxes to reduce and simplify these taxes. The tax rate on net income has been reduced from 7.1 percent to 6.5 percent, the lowest rate since 1968, and the alternative minimum tax has been repealed.
- **Corporate Capital Base Calculation:** The asset tax is phased out over six years, beginning in 2016.
- **Net Income Tax on Corporate Manufacturers:** The Enacted Budget lowers the tax rate on income for corporate manufacturers from the current 5.9 percent to zero in 2014 and thereafter, to encourage the growth of manufacturing.



## FINANCIAL PLAN OVERVIEW

- **20 Percent Real Property Tax Credit for Manufacturers:** The Enacted Budget provides a statewide credit equal to 20 percent of property taxes paid by manufacturers who own or lease property.
- **Accelerated Phase Out of 18-a Temporary Assessment:** The Enacted Budget accelerates the phase out of the 18-a temporary assessment over the next three years.
- **Estate Tax:** The exclusion threshold of the estate tax will be increased from \$1 million to \$5.25 million over a four year phase-in period and will conform to the Federal exemption amount (currently \$5.34 million) by January 2019, and is indexed to inflation thereafter. The top rate remains at 16 percent. This action will be coupled with a temporary provision that will require the value of gifts to be added back to the estate.
- **Resident Trust Loophole:** New York beneficiaries of exempt resident trusts will be required to pay tax on accumulated income distributed to such trusts. Furthermore, the income of a particular type of exempt resident trust (known as an incomplete gift, non-grantor trusts) will be taxed to the grantor of the trust.



### OTHER MATTERS AFFECTING THE FINANCIAL PLAN

#### GENERAL

The Financial Plan is subject to many complex economic, social, financial, and political risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Enacted Budget are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. In certain fiscal years, actual receipts collections have fallen substantially below the levels forecast in the Enacted Budget. In addition, the surplus projections in future years are based on the assumption that annual growth in State Operating Funds spending is limited to 2 percent, and that all savings that result from the 2 percent limit are made available to the General Fund.

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

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

#### BUDGET RISKS AND UNCERTAINTIES

DOB estimates that the Enacted Budget for FY 2015 provides for balanced operations in the General Fund after use of reserves. There can be no assurance, however, that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to, reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary



## **FINANCIAL PLAN OVERVIEW**

financing of operating expenses; or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

The Financial Plan projections for the outyears assume that School Aid and Medicaid disbursements will be limited to the growth in NYS personal income and the ten-year average growth in the Medicaid component of CPI, respectively. However, the FY 2015 Enacted Budget authorized spending for School Aid to increase by 5.3 percent, which is above the 3.1 percent growth in personal income that would otherwise be used to calculate School Aid increases.

State law grants the Governor certain powers to achieve the Medicaid savings assumed in the Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH's State Funds Medicaid spending to the levels estimated in the Financial Plan. In addition, savings are dependent upon timely Federal approvals, revenue performance in the State's HCRA fund (which finances approximately one-third of the DOH State-share costs of Medicaid), and the participation of health care industry stakeholders.

The forecast contains specific transaction risks and other uncertainties including, but not limited to, the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Financial Plan, including payments pursuant to the Tribal-State Compact that had failed to materialize in prior years, but which were received in the FY 2014 as part of an agreement between the State and certain tribal nations; and the achievement of cost-saving measures including, but not limited to, the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan in the current year or future years.

### **FEDERAL ISSUES**

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to address response to and recovery from severe weather events. Any reduction in Federal funding levels could have a materially adverse impact on the Financial Plan. In addition, the Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. Issues of particular concern are described below.

#### **MEDICAID REDESIGN TEAM MEDICAID WAIVER**

The Federal Centers for Medicare and Medicaid Services (CMS) and the State have reached an agreement in principle authorizing up to \$8 billion in Federal funding, over multiple years, for use in transforming New York's health care system. The final terms of this agreement are still being negotiated and upon final CMS approval will be reflected as an amendment to the State's Partnership Plan 1115 Medicaid waiver.



### FEDERAL REIMBURSEMENT FOR STATE MENTAL HYGIENE SERVICES

Pursuant to discussions with the Federal government, the State has lowered Medicaid developmental disability center payment rates effective April 1, 2013. Full implementation of this change has reduced Federal funding to the State by approximately \$1.1 billion annually, beginning in FY 2014. The 2014 Enacted Budget included a multi-year plan to address the loss in Federal aid, including \$90 million in the Office for People with Developmental Disabilities (OPWDD) savings associated with reduced administrative costs, enhanced audit recoveries and improved program efficiencies. The plan is subject to implementation risks and is dependent, in part, on the approval of the Federal government. In addition, as described below, the CMS may seek to retroactively recover Federal funds paid to the State regarding this matter.

### AUDIT DISALLOWANCE

In addition to the rate reduction described above, on February 8, 2013, the U.S. Department of Health & Human Services Office of the Inspector General, at the direction of the CMS, began a Fiscal Management Review to determine the allowability of Medicaid costs for services provided in prior years to the Medicaid population in New York State-Operated Intermediate Care Facilities for the Developmentally Disabled (ICF/DD). The initial review period includes claims for services provided from April 1, 2010 through March 31, 2011. As a result of this review, CMS may seek to recover Federal funds for any payments that it determines to have been in excess of Federal requirements. The State has attempted to address CMS's concerns regarding its prospective payments to ICF/DDs with a State plan change effective April 1, 2013, and continues to have discussions with CMS to resolve the concerns related to the April 1, 2010 through March 31, 2011 period. As noted above, the changes begun in FY 2014 resulted in a reduction in Federal aid of an estimated \$1.1 billion annually. The State expects to receive a final Fiscal Management Review in the near future.

A comparable amount of Federal aid is at risk for any prior period that may be pursued by CMS, with greater amounts in years with higher Federal Medical Assistance Percentage (FMAP) participation. Matters of this type are sometimes resolved with a prospective solution (as already commenced by the State), and the State is not aware of any similar attempts by the Federal government to retroactively recover Federal aid of this magnitude that was paid pursuant to an approved State plan. The State continues to seek CMS approval to proceed with the development of a sustainable system of service funding and delivery for individuals with developmental disabilities. However, there can be no assurance that Federal action in this matter will not result in materially adverse changes to the Financial Plan.



### BUDGET CONTROL ACT

The Federal Budget Control Act (BCA) of 2011 imposed annual caps on Federal discretionary spending over a ten-year period and mandated an additional \$1.2 trillion in deficit reduction, which, if not enacted, would be achieved through the sequestration of funds in Federal Fiscal Year (FFY) 2013 and lowered discretionary spending caps in the following years. As the required deficit reduction was not achieved by the March 1, 2013 deadline, an across-the-board 5 percent reduction in FFY 2013 funding for Federal nondefense discretionary programs was implemented. In December 2013, the spending caps for FFY 2014 and FFY 2015 were revised upward by the Bipartisan Budget Act (BBA) of 2013. While the BBA provided minor discretionary cap relief over two years, BCA caps in the remaining years were not addressed. Specific funding levels are expected to be determined through the annual Congressional budget process if the lowered spending caps remain in place. DOB estimates that New York State and its local governments could lose approximately \$5 billion in Federal funding over a multi-year period, including reductions in Federal funding that passes through the State budget for school districts, as well as environmental, criminal justice and social services programs.

### DEBT CEILING

In October 2013, an impasse in Congress caused a temporary Federal government shutdown and raised concern for a time that the Federal debt ceiling would not be raised in a timely manner. A Federal government default on payments, particularly if it persisted for a prolonged period, could have a materially adverse effect on the national and state economies, financial markets, and intergovernmental aid payments. The specific effects on the Financial Plan of a Federal government payment default in the future are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

A payment default by the United States may adversely affect the municipal bond market. Municipal issuers, as well as the State, could face higher borrowing costs and impaired market access. This would jeopardize planned capital investments in transportation infrastructure, higher education facilities, hazardous waste remediation, environmental projects, and economic development projects. Additionally, the market for and market value of outstanding municipal obligations, including municipal obligations of the State, could be adversely affected.

### HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State is entitled to proceeds from the monetization of a health service corporation, from a not-for-profit to a for-profit corporation, and such proceeds must be used by the State for expenses related to health-care. Prior Financial Plans have included proceeds from conversions (\$175 million in FY 2014, and \$300 million annually in FY 2015, FY 2016, and FY 2017), which have not been realized. For planning purposes, the Financial Plan no longer counts on conversion proceeds.



### STATUS OF CURRENT LABOR NEGOTIATIONS (CURRENT CONTRACT PERIOD)

The State has settled collective bargaining agreements with 90 percent of the State workforce for the contract period commencing in FY 2012. Five-year agreements were reached with the Civil Service Employees Association (CSEA), the United University Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), and Council 82. Four-year agreements were reached with the Public Employees Federation (PEF) and the New York State Police Benevolent Association (NYPSPA).

The settled agreements include wage and benefit concessions in exchange for contingent employee job protection through the respective contract periods. Nevertheless, reductions in force may be authorized if the State's fiscal circumstances change materially or unexpectedly, or if such reductions are associated with the closure or restructuring of facilities authorized by legislation or by a Spending and Government Efficiency Commission (SAGE) determination. The agreements have provided: two-year Deficit Reduction Plan (DRP) savings of \$300 million; no general salary increases for the three-year period FY 2012 through FY 2014; a 2 percent general salary increase in FY 2015; and a 2 percent general salary increase in FY 2016 for the employees with five-year agreements. Additionally, the agreements provided full-annual health benefit savings of \$230 million resulting from increases to employee/retiree premium shares, copays, out of network deductibles and coinsurance.

Two lump sum payments — \$775 in FY 2014 and \$225 in FY 2015 — were paid to employees represented by CSEA, NYPSPA, NYSCOPBA and Council 82. PEF did not negotiate these lump sum payments, but covered employees will receive repayment for all DRP reductions over an extended time at the end of the contract term. The employees represented by unions which negotiated the lump sum payments will be repaid a portion of their DRP reductions over an extended term at the end of their respective contract terms. UUP employees may receive lump sum payments of similar value in the form of Chancellor's Power of State University of New York (SUNY) Awards and Presidential Discretionary Awards.

The unions representing State Police Troopers, Investigators and Commissioned/Non-Commissioned Officers, as well as employees represented by District Council-37 (Housing) in the New York State Homes and Community Renewal (HCR), continue to have unsettled contracts for the current contract period. The Financial Plan does not include a General Fund reserve for this purpose. The union representing Graduate Students has an unsettled contract for the period starting in FY 2010; there is a reserve for this purpose.

### LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Financial Plan continues to include a General Fund reserve to cover the costs of a pattern settlement for unsettled contracts prior to FY 2011. There is no assurance this reserve will fully fund these unsettled contracts. In addition, the State's ability to fund all future agreements in FY 2015 and beyond depends on the achievement of balanced budgets in those years.



**CURRENT CASH-FLOW PROJECTIONS**

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

DOB expects that the State will have sufficient liquidity to make payments as they become due throughout FY 2015, but that the General Fund may, from time to time on a daily basis, need to borrow resources temporarily from other funds in STIP. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants. The following table provides an estimate of month-end balances for FY 2015.

<b>PROJECTED ALL FUNDS MONTH-END CASH BALANCES</b>			
<b>FY 2015</b>			
<b>(millions of dollars)</b>			
	<b>General Fund</b>	<b>Other Funds</b>	<b>All Funds</b>
<b>April Results</b>	5,533	2,042	7,575
<b>May</b>	2,652	3,052	5,704
<b>June</b>	2,602	3,063	5,665
<b>July</b>	2,465	3,402	5,867
<b>August</b>	1,840	3,821	5,661
<b>September</b>	4,159	1,196	5,355
<b>October</b>	2,650	1,640	4,290
<b>November</b>	1,104	2,072	3,176
<b>December</b>	3,116	925	4,041
<b>January</b>	5,155	2,495	7,650
<b>February</b>	5,795	2,935	8,730
<b>March</b>	2,055	1,890	3,945





## PENSION AMORTIZATION

Under legislation enacted in August 2010, the State and local governments may amortize (defer paying) a portion of their annual pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by public employers in a given fiscal year, but results in higher costs overall when repaid with interest.

The 2010 legislation enacted a formula to set an amortization threshold rate for each year. The amortization rate (the “graded rate”) may increase or decrease in the direction of the actuarial contribution rate (the “normal rate”) by up to one percentage point annually. Pension contribution costs in excess of the graded rate may be amortized. Amortization is permitted in all years if the normal rate is greater than the graded rate. However, when the graded rate equals or exceeds the normal rate, amortization is not allowed.

In FY 2015, the graded contribution rates for the Employees’ Retirement System (ERS) and the PFRS will be 13.5 percent and 21.5 percent, respectively. The Financial Plan assumes the State will continue to amortize its pension costs in FY 2015 at these rates.

Over the past four years, the normal rates and the amortization rates were as follows:

Fiscal Year (FY)	ERS Average Normal Rate	ERS Amortization Rate	PFRS Average Normal Rate	PFRS Amortization Rate
FY 2011	11.5	9.5	18.1	17.5
FY 2012	15.9	10.5	21.5	18.5
FY 2013	18.5	11.5	25.7	19.5
FY 2014	20.5	12.5	28.8	20.5

For both ERS and PFRS, DOB projects the FY 2016 graded rates will be equal to, or more than, the normal contribution rates. Under this scenario, consistent with statutory provisions which require that the graded rate be set to the average actuarial rate, amortization is not expected in FY 2016. Furthermore, DOB projects the graded rates will exceed the normal contribution rates in FY 2017 through FY 2020. In these years, amounts that exceed the normal contributions will be used to pay the cost of outstanding prior year amortizations, as required by statute. These projections are based on projected market returns and numerous actuarial assumptions. The next five-year experience study conducted by the Retirement Systems’ Actuary is scheduled to take place in 2015 and could change these projections materially.

The State is required to begin repayment on each new amortization in the fiscal year immediately following the year in which the deferral was made. The full amount of the amortization, with interest, must be repaid within ten years, but the amount can be paid-off sooner. The annual interest rate on each new amortization is determined by OSC, and is fixed for the entire term of the deferral.



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In FY 2014, the State made the minimum required pension payments to the New York State & Local Retirement System (NYSLRS) of \$1.62 billion and \$814 million was amortized. The total payment included an additional \$119.4 million to pay off the 2010 Retirement Incentive and other outstanding liabilities. In addition, the State's Office of Court Administration (OCA) made its minimum required pension payment of \$269 million and \$123 million was amortized. This included an additional \$7 million to pay off the 2005 pension amortization liability. The total deferred amount — \$937 million — will be repaid with interest over the next ten years, beginning in FY 2015.

For amounts amortized in FY 2011, FY 2012, FY 2013, and FY 2014, the State Comptroller set interest rates of 5 percent, 3.75 percent, 3 percent, and 3.67 percent, respectively. The Financial Plan assumes that both the State and OCA will also elect to amortize pension costs in FY 2015, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 3.67 percent per annum over ten years from the date of each deferred payment, consistent with the interest rate charged on the FY 2014 amortized amounts.

The following table summarizes pension contributions and projections for GSCs and OCA over the period FY 2011 to FY 2028. The "Normal Costs" column shows the amount of the State's pension contribution prior to amortization. The "New Amortized Amounts / Payment on Prior Deferrals" column shows new amounts deferred or payments made on prior deferrals in each fiscal year. The "New Amortization Costs" column provides the aggregate cost of amortization in a given fiscal year (principal and interest on all prior deferrals). The "Total" column provides the State's pension contribution, net of amortization.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM <sup>1</sup> (millions of dollars)				
Fiscal Year	Normal Costs <sup>2</sup>	New Amortized Amounts/Payment on Prior Deferrals	New Amortization Costs	Total
<b>Results:</b>				
2011	1,552.8	(249.6)	0.0	1,303.2
2012	2,041.7	(562.9)	32.3	1,511.1
2013	2,085.3	(778.5)	100.9	1,407.7
2014	2,633.7	(937.0)	192.1	1,888.8
<b>Projections:</b>				
2015	2,373.5	(742.6)	305.8	1,936.7
2016	1,706.2	0.0	395.8	2,102.0
2017	1,477.9	117.3	395.8	1,991.0
2018	1,355.8	171.9	364.1	1,891.8
2019	1,315.7	178.7	363.5	1,857.9
2020	1,312.7	96.6	295.0	1,704.3
2021	1,389.1	3.6	207.2	1,599.9
2022	1,455.0	0.0	203.7	1,658.7
2023	1,523.7	0.0	203.7	1,727.4
2024	1,596.0	0.0	180.8	1,776.8
2025	1,671.1	0.0	90.1	1,761.2
2026	1,749.2	0.0	0.0	1,749.2
2027	1,830.6	0.0	0.0	1,830.6
2028	1,915.3	0.0	0.0	1,915.3

Source: NYS DOB.

<sup>1</sup> Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in this Financial Plan tables include such pension disbursements.

<sup>2</sup> Normal costs include payments from amortizations prior to FY 2011, which will end in FY 2017.



Consistent with these amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that: (a) the State make additional contributions in upcoming fiscal years, above the actuarially required contribution, as reflected in the following table, and (b) once all outstanding amortizations are paid off, additional contributions be set aside as reserves for rate increases, to be invested by the State Comptroller and used to offset future rate increases.

As noted above, DOB's most recent pension contribution rate forecast assumes that the normal contribution rate will equal the graded rate in FY 2016. Therefore, the State would not have the option to amortize any of its pension costs in 2016, or in the immediately succeeding fiscal years. In addition, this forecast assumes the State will make amortization payments on prior deferrals pursuant to the formula in statute. These payments are projected to occur in FY 2017 through FY 2021. Projections in the following table are based on certain assumptions concerning investment earnings and benefits that DOB believes are reasonable. However, actual results may vary from the projections provided in the following table, and such variances could be substantial.

STATE PENSION COSTS AND AMORTIZATION SAVINGS*								
(millions of dollars)								
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<b>AMORTIZATION THRESHOLDS</b>								
ERS (%)	9.5	10.5	11.5	12.5	13.5	14.2	13.2	12.2
PFRS (%)	17.5	18.5	19.5	20.5	21.5	20.8	19.8	18.8
<b>PENSION (NET COST)</b>	<b>1,470</b>	<b>1,697</b>	<b>1,601</b>	<b>2,086</b>	<b>2,136</b>	<b>2,301</b>	<b>2,190</b>	<b>2,091</b>
Gross Pension Costs	1,633	2,141	2,192	2,744	2,499	1,885	1,677	1,555
Amortization Savings	(250)	(563)	(779)	(937)	(743)	0	117	172
Repayment of Amortization (incl. FY 2005 and FY 2006)	87	119	188	279	380	416	396	364

\*Includes SUNY Optional Retirement Program and Teachers' Retirement System.

## OTHER POST-EMPLOYMENT BENEFITS (OPEB)

State employees become eligible for post-employment benefits (e.g., health insurance) if they reach retirement while working for the State, are enrolled in the New York State Health Insurance Program (NYSHIP), or are enrolled in the State's opt-out program at the time they have reached retirement, and have at least ten years of eligible service for NYSHIP benefits. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a PAYGO basis as required by law.

In accordance with the Governmental Accounting Standards Board (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 State's Basic Financial Statements for FY 2013, the Annual Required Contribution (ARC) represents the projected annual level of funding that, if set aside on an ongoing basis, is anticipated to cover projected normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.



## FINANCIAL PLAN OVERVIEW

As reported in the State's Basic Financial Statements for FY 2013, the projected unfunded actuarial accrued liability for FY 2013 is \$66.5 billion (\$54.3 billion for the State and \$12.2 billion for SUNY), a decline of \$5.5 billion from FY 2012 (\$5.4 billion for the State and \$0.1 billion for SUNY). The unfunded actuarial accrued liability for FY 2013 used an actuarial valuation of OPEB liabilities as of April 1, 2012 for the State and as of April 1, 2010 for SUNY. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The actuarially determined annual OPEB cost for FY 2013 totaled \$3.4 billion (\$2.6 billion for the State and \$0.8 billion for SUNY), a decline of \$520 million from FY 2012 (\$490 million for the State and \$30 million for SUNY). The actuarially determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was \$2.0 billion (\$1.4 billion for the State and \$0.6 billion for SUNY) greater than the cash payments for retiree costs made by the State in FY 2013. This difference between the State's PAYGO costs, and the actuarially determined required annual contribution under GASB Statement 45, reduced the State's net asset condition at the end of FY 2013 by \$2.0 billion.

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

There is no provision in the Financial Plan to fund the actuarial required contribution for OPEB. If the State began making the actuarial required contribution, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations (GOER), Civil Service and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices in light of existing fiscal conditions.

### FINANCIAL SETTLEMENTS

The State periodically receives financial settlements that are deposited to the General Fund. Based on recent experience, the Financial Plan includes additional expected receipts from settlement proceeds of approximately \$275 million in FY 2015, \$250 million in FY 2016, and \$100 million each for FY 2017 and FY 2018. There can be no assurance that State settlement proceeds in upcoming fiscal years will be received at the levels assumed in the Financial Plan.

To date, the State has received \$785 million in payments related to financial settlement agreements during FY 2015. The majority of these collections were the result of an Order issued by the Department of Financial Services (DFS) requiring Credit Suisse AG to pay DFS a \$715 million penalty for violations of law related to the bank's global tax evasion scheme. The Order issued by DFS to Credit Suisse AG occurred after the release of the State's Financial Plan on May 19, 2014, and will be incorporated into the annual receipts forecast as part of the First Quarterly Update to the Financial Plan. Other notable payments received thus far by the State during FY 2015, which were incorporated into the Financial Plan annual receipts forecast, include \$50 million from Metropolitan Life Insurance Company for insurance licensing violations by two of its subsidiaries; and \$20 million from AXA Equitable Life Insurance Company for violations of the State Insurance Law related to certain variable annuity products.



### **J. P. MORGAN SECURITIES LLC SETTLEMENT**

Pursuant to a litigation settlement reached on November 19, 2013, J.P. Morgan Securities LLC is required to remit \$1 billion to the State of New York. The associated 2012 lawsuit was filed against J.P. Morgan Securities LLC following allegations of the firm's misrepresentation of mortgage-related securities. The settlement stipulated \$387 million in direct restitutions to affected State residents and \$613 million to the credit of the State Treasury, of which a minimum of 85 percent must be allocated for housing and related purposes, and the balance permitted for general State use.

Consistent with the legal stipulations and legislation adopted in the FY 2015 Enacted Budget, \$613 million was deposited in a State escrow account on December 17, 2013 of which \$23.5 million was subsequently transferred to the general fund and \$589.5 million to the newly created Mortgage Settlement Proceeds Trust Fund. The Enacted Budget authorizes the following distributions of the funds: (1) \$440 million in accordance with an approved memorandum of understanding between the Executive and Legislature in consultation with HCR, (2) \$81.5 million to be distributed in accordance with a plan developed by the Attorney General, and (3) \$91.5 million in transfers to the General Fund over a four-year period.

### **LITIGATION**

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such adverse decisions may not meet the materiality threshold to warrant individual description but, in the aggregate, could still adversely affect the Financial Plan. For more information on litigation affecting the State, refer to the section entitled "Litigation and Arbitration" later in this AIS.

### **UPDATE ON STORM RECOVERY**

In recent years, New York State has sustained damage from three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. Little more than one year later, on October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms presents economic and financial risks to the State. State claims for reimbursement for the costs of the immediate response are in process, and both recovery and future mitigation efforts have begun, largely supported by Federal funds. In January 2013, the Federal government approved approximately \$60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide. New York anticipates receiving approximately one-half of this amount over the coming years for response, recovery, and mitigation costs. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities, or that such Federal disaster aid will be provided on the expected schedule.



### CLIMATE CHANGE ADAPTATION

Climate change is expected to cause long-term threats to physical and biological systems. Potential hazards and risks related to climate change for the State include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years, including Superstorm Sandy, Hurricane Irene, and Tropical Storm Lee, have demonstrated vulnerabilities in the State's infrastructure, including mass transit systems, power transmission and distribution systems, and other critical lifelines, to extreme weather events, including coastal flooding caused by storm surges. Significant long-term planning and investment by the Federal government, State, and municipalities is expected to be needed to adapt existing infrastructure to the risks posed by climate change.

### FINANCIAL CONDITION OF NEW YORK STATE LOCALITIES

The fiscal demands on the State may be affected by the fiscal conditions of New York City and potentially other localities, which rely in part on State aid to balance their budgets and meet their cash requirements. Certain localities outside New York City, including cities and counties, have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. In 2013, the Financial Restructuring Board for Local Governments was created to provide assistance to distressed local governments by performing comprehensive reviews and providing grants and loans as a condition of implementing recommended efficiency initiatives. For additional details on the Board, please visit [www.frb.ny.gov](http://www.frb.ny.gov).

### BOND MARKET

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

### CAPITAL COMMITMENT PLAN

The State continues to implement the best practices put forth by the New York Works Task Force (the "Task Force"). The Task Force was formed in May 2012 to assist in the coordination of long-term capital planning among State agencies and public authorities. Consistent with the long-term planning goals of New York Works, DOB formulated 10-year capital commitment and disbursement projections. The total commitment and disbursement levels permissible over the 10-year capital planning horizon reflect, among other things, projected capacity under the State's debt limit, anticipated levels of Federal aid, and the timing of capital activity based on known needs and historical patterns.



## DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 ("Debt Reform Act") restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001 and was fully phased in at 4 percent of personal income during FY 2011, while the cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001 was fully phased in at 5 percent during FY 2014. For FY 2013, the last year for which a calculation has been completed, the State was in compliance with the statutory caps based on calendar year 2012 personal income and FY 2013 debt outstanding. The FY 2014 calculation is expected to be completed in October 2014.

DOB expects that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from \$3.3 billion in FY 2014 to \$366 million in FY 2017. This includes the estimated impact of the bond-financed portion of the Enacted Budget's increased capital commitment levels included in the 10-year capital planning projections. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue credit are not included in the State's calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap \$	Debt Outstanding Since April 1, 2000	\$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2014	1,062,391	4.00%	42,496	39,182	3,313	3.69%	0.31%	13,277	52,460
FY 2015	1,115,900	4.00%	44,636	41,841	2,795	3.75%	0.25%	11,756	53,597
FY 2016	1,170,616	4.00%	46,825	46,109	716	3.94%	0.06%	10,276	56,385
FY 2017	1,229,520	4.00%	49,181	48,815	366	3.97%	0.03%	8,842	57,657
FY 2018	1,292,273	4.00%	51,691	50,643	1,047	3.92%	0.08%	7,351	57,995
FY 2019	1,358,927	4.00%	54,357	52,842	1,515	3.89%	0.11%	6,128	58,970

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap \$	Debt Service Since April 1, 2000	\$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2014	137,713	5.00%	6,886	3,855	3,031	2.80%	2.20%	2,533	6,388
FY 2015	141,649	5.00%	7,082	4,062	3,021	2.87%	2.13%	1,555	5,617
FY 2016	145,941	5.00%	7,297	4,381	2,916	3.00%	2.00%	1,498	5,879
FY 2017	150,455	5.00%	7,523	4,900	2,623	3.26%	1.74%	1,753	6,653
FY 2018	153,919	5.00%	7,696	5,296	2,400	3.44%	1.56%	1,698	6,993
FY 2019	157,755	5.00%	7,888	5,654	2,233	3.58%	1.42%	1,552	7,206

## SECURED HOSPITAL PROGRAM

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf to pay for the cost of upgrading their primary health care facilities. In the event of shortfalls in revenues to pay debt service on the Secured Hospital bonds (which include hospital payments made under loan



## FINANCIAL PLAN OVERVIEW

agreements between the Dormitory Authority of the State of New York (DASNY) and the hospitals and certain reserve funds held by the applicable trustees for the bonds) the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 31, 2014, there were approximately \$351 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the five remaining hospitals in the program, two are experiencing significant operating losses that have impaired their ability to remain current on their loan agreements with DASNY. In relation to the Secured Hospital Program, the State's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014, when \$12 million was paid. The State also expects to pay debt service costs of approximately \$31 million in FY 2015, approximately \$29 million in both FY 2016 and FY 2017, and approximately \$17 million in FY 2018. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for two hospitals that currently are not meeting the terms of their loan agreements with DASNY, as well as the debt service costs of a third hospital that is now closed. The State has estimated additional exposure of up to \$31 million annually, if all hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

### **SUNY DOWNSTATE HOSPITAL AND LONG ISLAND COLLEGE HOSPITAL**

In May 2011, the New York State Supreme Court issued an order (the "May 2011 Order") that approved the transfer of real property and other assets of Long Island College Hospital (LICH) to a New York State not-for-profit corporation ("Holdings"), the sole member of which is SUNY. Subsequent to such transfer, Holdings leased the LICH hospital facility to SUNY Downstate Hospital ("Downstate Hospital"). In 2012, DASNY issued tax exempt State PIT Revenue Bonds ("PIT Bonds"), to refund approximately \$100 million in outstanding debt originally incurred by LICH.

To address the deteriorating financial condition of Downstate Hospital, which has been caused in part by the deteriorating financial position of LICH, legislation adopted with the FY 2014 Enacted Budget required the Chancellor of SUNY to submit to the Governor and the Legislature a multi-year sustainability plan for the Downstate Hospital. Specifically, the legislation required the sustainability plan to: a) set forth recommendations necessary to achieve financial stability for Downstate Hospital, and b) preserve the academic mission of Downstate Hospital's medical school. In accordance with this legislation, the Chancellor of SUNY submitted the sustainability plan for Downstate Hospital on May 31, 2013, and supplemented the plan with changes in a letter dated June 13, 2013. The supplemented plan was approved by both the Commissioner of Health and the Director of the Budget on June 13, 2013. Generally, the approved sustainability plan anticipates: (a) a significant restructuring of health care service lines at University Hospital Brooklyn in order to achieve financial milestones assumed in the sustainability plan, and supported by State financial assistance from DOH; and (b) leveraging the LICH asset value to support the costs associated with Downstate Hospital exiting LICH operations, while accommodating continued health care services consistent with the needs of the community. Pursuant to the sustainability plan, as supplemented, SUNY, together with Holdings, issued a request for proposals (RFP) to provide healthcare services in or around the LICH facilities and to purchase the LICH real estate.





In 2013, State Supreme Court Judge Demarest, who issued the May 2011 Order, issued, sua sponte, certain additional orders that could have affected the validity of the May 2011 Order. Also, in 2013, State Supreme Court Judge Baynes issued a series of orders that, effectively, precluded SUNY from awarding the RFP and exiting LICH operations. On February 25, 2014, Judges Demarest and Baynes approved a settlement whereby all parties agreed to discharge their claims and the judges vacated their orders. Pursuant to the settlement, SUNY, together with Holdings, issued a new RFP to increase the likelihood that the healthcare services component of the successful proposal would include a full-service hospital. The structure of the settlement also increases the likelihood that sufficient proceeds from the transaction will be available to support defeasance of the PIT Bonds and other costs associated with SUNY's exit from LICH. However, there have been and continue to be legal proceedings which could affect the outcome of SUNY's efforts to conclude negotiations with a new operator. There can be no assurance that the resolution of the legal and financial issues surrounding LICH, including payment of outstanding liabilities, will not have a materially adverse impact on SUNY.

### **2014 LEGISLATIVE SESSION**

The State's 2014 legislative session is expected to end on June 19, 2014. Impacts to the Financial Plan from end-of-session legislative activity are not expected to result in material and adverse differences to the estimates for the current fiscal year contained in this AIS. DOB expects to update its multi-year projections of receipts and disbursements with the first quarterly update to the AIS to reflect the fiscal impact, if any, of all legislation enacted in the remainder of the session.

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**STATE FINANCIAL PLAN  
PROJECTIONS FISCAL YEARS  
2015 THROUGH 2018**

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## INTRODUCTION

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2015 Enacted Budget actions. The section includes preliminary FY 2014 results and projections for FY 2015 through FY 2018, with an emphasis on the FY 2015 projections.

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

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The latter perspective reflects overall estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends and forecast assumptions, by factoring out the distorting effects of earmarking certain tax receipts.
- **Disbursements:** Roughly 40 percent of projected State-financed spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, School Aid, higher education, transportation and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this AIS. Accordingly, in terms of the outyear projections, the first outyear of the FY 2015 budget, FY 2016, is the most relevant from a planning perspective.



## **STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018**

### **SUMMARY**

The FY 2015 Enacted Budget limits the annual growth in State Operating Funds spending to 1.8 percent, consistent with the 2 percent spending benchmark. The surplus projections for FY 2016 and thereafter set forth in the Financial Plan reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2 percent State Operating Funds Spending Benchmark.” Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

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



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## GENERAL FUND PROJECTIONS

GENERAL FUND PROJECTIONS (millions of dollars)					
	FY 2014 Results	FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
<b>RECEIPTS</b>					
Taxes (After Debt Service)	57,758	57,994	61,564	64,679	67,485
Miscellaneous Receipts/Federal Grants	3,219	3,815	2,980	2,790	2,215
Other Transfers	891	1,153	819	777	750
<b>Total Receipts</b>	<b>61,868</b>	<b>62,962</b>	<b>65,363</b>	<b>68,246</b>	<b>70,450</b>
<b>DISBURSEMENTS</b>					
Local Assistance Grants	39,940	42,118	44,827	47,077	49,671
School Aid	17,182	18,456	19,900	20,977	22,155
Medicaid	11,487	11,599	12,381	13,015	13,728
All Other	11,271	12,063	12,546	13,085	13,788
State Operations	7,309	7,850	7,996	7,956	8,027
Personal Service	5,563	5,890	5,986	5,952	5,975
Non-Personal Service	1,746	1,960	2,010	2,004	2,052
General State Charges	4,899	5,072	5,322	5,470	5,583
Transfers to Other Funds	9,095	8,102	8,998	10,011	10,596
Debt Service	1,972	1,081	1,058	1,457	1,509
Capital Projects	1,436	930	1,406	1,761	2,006
State Share of Mental Hygiene Medicaid	1,576	1,638	1,313	1,281	1,156
SUNY Operations	971	977	980	980	980
All Other	3,140	3,476	4,241	4,532	4,945
<b>Total Disbursements</b>	<b>61,243</b>	<b>63,142</b>	<b>67,143</b>	<b>70,514</b>	<b>73,877</b>
<b>Adherence to 2% State Operating Funds Spending Benchmark <sup>1</sup></b>	<b>n/a</b>	<b>n/a</b>	<b>2,094</b>	<b>3,385</b>	<b>4,916</b>
<b>Use (Reservation) of Fund Balance:</b>	<b>(625)</b>	<b>180</b>	<b>(11)</b>	<b>(12)</b>	<b>(11)</b>
Rainy Day Reserve Fund	(175)	0	0	0	0
Community Projects Fund	6	87	0	0	0
Prior-Year Labor Agreements (2007-2011)	32	(8)	(11)	(12)	(11)
Debt Management	(387)	0	0	0	0
Undesignated Reserve	(43)	43	0	0	0
JP Morgan Settlement Proceeds	(58)	58	0	0	0
<b>BUDGET SURPLUS/(GAP) PROJECTIONS</b>	<b>0</b>	<b>0</b>	<b>303</b>	<b>1,105</b>	<b>1,478</b>

<sup>1</sup> Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## STATE OPERATING FUNDS PROJECTIONS

FY 2015 ENACTED BUDGET - STATE OPERATING FUNDS PROJECTIONS (millions of dollars)					
	FY 2014 Results	FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
<b>RECEIPTS</b>					
Taxes	68,335	68,826	72,844	76,454	79,641
Miscellaneous Receipts/Federal Grants	20,592	20,352	19,632	19,325	18,809
<b>Total Receipts</b>	<b>88,927</b>	<b>89,178</b>	<b>92,476</b>	<b>95,779</b>	<b>98,450</b>
<b>DISBURSEMENTS</b>					
Local Assistance Grants	59,406	61,181	64,141	66,350	69,245
School Aid	20,420	21,671	23,289	24,294	25,502
STAR	3,357	3,429	3,478	3,574	3,616
Other Education Aid	2,003	2,146	2,212	2,365	2,540
Higher Education	2,817	2,916	2,999	3,062	3,123
Medicaid (DOH)	16,241	16,732	17,523	18,282	19,051
Public Health/Aging	2,179	1,868	1,828	1,798	1,827
Mental Hygiene	2,777	2,925	3,063	3,078	3,557
Social Services	3,101	2,777	3,012	3,067	3,134
Transportation	4,722	4,817	4,865	4,936	5,014
Local Government Assistance	756	779	778	789	792
Public Protection	282	342	369	345	309
All Other	751	779	725	760	780
State Operations	17,864	18,199	18,610	18,605	18,684
Personal Service	12,300	12,593	12,831	12,808	12,856
Non-Personal Service	5,564	5,606	5,779	5,797	5,828
General State Charges	6,958	7,206	7,513	7,707	7,854
Pension Contribution	2,086	2,136	2,301	2,190	2,091
Health Insurance (Active Employees)	1,790	1,846	1,959	2,077	2,203
Health Insurance (Retired Employees)	1,463	1,509	1,601	1,698	1,801
All Other	1,619	1,715	1,652	1,742	1,759
Debt Service	6,400	5,648	5,908	6,682	7,011
Capital Projects	3	0	1	2	2
<b>Total Disbursements</b>	<b>90,631</b>	<b>92,234</b>	<b>96,173</b>	<b>99,346</b>	<b>102,796</b>
Net Other Financing Sources/(Uses)	2,134	2,827	1,944	1,547	1,263
<b>Adherence to 2% State Operating Funds Spending Benchmark <sup>1</sup></b>					
	n/a	n/a	2,094	3,385	4,916
<b>RECONCILIATION TO GENERAL FUND GAP</b>					
Designated Fund Balances:	(430)	229	(38)	(260)	(355)
Available General Fund Balance	(625)	180	(11)	(12)	(11)
Unavailable Special Revenue Funds	50	42	(14)	(233)	(314)
Unavailable Debt Service Funds	145	7	(13)	(15)	(30)
<b>GENERAL FUND BUDGET SURPLUS/(GAP)</b>	<b>0</b>	<b>0</b>	<b>303</b>	<b>1,105</b>	<b>1,478</b>

<sup>1</sup> Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from spending growth limit are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.





## **STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018**

### **RECEIPTS**

Financial Plan receipts comprise a variety of taxes, fees and assessments, charges for State provided services, Federal grants, and other miscellaneous receipts, as well as the collection of a payroll tax on businesses located within the Metropolitan Transportation Authority (MTA) region. The multi-year tax and miscellaneous receipts estimates are prepared by DOB with the assistance of the Department of Taxation and Finance and other agencies concerned with the collection of State receipts, and are predicated on economic analysis and forecasts.

Overall base growth in tax receipts is dependent on a multitude of factors. In general, base tax receipts growth rates are determined by economic changes, including, but not limited to, changes in interest rates, prices, wages, employment, nonwage income, capital gains realizations, taxable consumption, corporate profits, household net worth, real estate prices and gasoline prices. Federal law changes can influence taxpayer behavior, which also affect base tax receipts growth. State taxes account for approximately half of total All Funds receipts.

The projections of Federal receipts generally correspond to the anticipated spending levels of a variety of programs including Medicaid, temporary and disability assistance, mental hygiene, education, public health, and other activities, including extraordinary aid.

Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., PIT receipts in excess of the amount transferred for debt service on revenue bonds). For a detailed description of revenue sources, see "Exhibit D - Principal State Taxes and Fees" herein.

### **OVERVIEW OF THE RECEIPTS FORECAST**

#### **FY 2014 HIGHLIGHTS:**

- Base receipts (adjusted for tax law changes) growth of 6.3 percent;
- A better than expected Tax Year 2012 PIT settlement, mainly the result of capital gains and income shifted from 2013 and other future years into 2012 in anticipation of higher Federal tax rates beginning in 2013;
- December 2013 and January 2014 PIT estimated payments that exceeded expectations, likely the result of stock market results;
- An increase in RETT collections growth, generally from improved conditions downstate;
- Strong estate tax collections, also likely due in some degree to the increase in net worth generated by stock market and real estate gains;
- Robust sales tax collection growth resulting from Superstorm Sandy recovery spending; and



## STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

- Weaker business tax results, mainly from the banking sector, whose profits suffered from fines and increased mortgage rates that reduced taxable income.

### FY 2015 HIGHLIGHTS:

- Base receipts (adjusted for law changes) growth of 3.2 percent; however, after factoring out the acceleration of tax refunds in 2014, tax receipts would decline on an annual basis;
- PIT growth consistent with the estimated wage and personal income growth discussed above, but tempered by April 2014 settlement results that were lower than the prior year, increased refunds generated by the payback of tax credits deferred in Tax Years 2010-2012, and tax cuts included in the Enacted Budget;
- A return to trend taxable consumption growth after the above average growth experienced in FY 2014;
- Another decline in business tax receipts, due primarily to the credit deferral payback and Enacted Budget tax cuts;
- A decline in estate tax receipts generated by Enacted Budget tax cuts; and
- A slowdown in RETT receipt growth consistent with long-term averages.

All Funds receipts in FY 2015 are projected to total \$141.6 billion, an increase of 2.9 percent from FY 2014 results. The table below summarizes the multi-year receipts projections.

<b>ALL FUNDS RECEIPTS</b> (millions of dollars)									
	<b>FY 2014</b>	<b>FY 2015</b>		<b>FY 2016</b>		<b>FY 2017</b>		<b>FY 2018</b>	
	<u>Results</u>	<u>Enacted</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
Personal Income Tax	42,961	43,735	1.8%	46,829	7.1%	50,023	6.8%	52,461	4.9%
User Taxes and Fees	15,099	15,364	1.8%	15,856	3.2%	16,302	2.8%	16,789	3.0%
Business Taxes	8,259	7,671	-7.1%	7,999	4.3%	7,930	-0.9%	8,101	2.2%
Other Taxes	3,371	3,418	1.4%	3,509	2.7%	3,544	1.0%	3,639	2.7%
<b>Total State Taxes</b>	<b>69,690</b>	<b>70,188</b>	<b>0.7%</b>	<b>74,193</b>	<b>5.7%</b>	<b>77,799</b>	<b>4.9%</b>	<b>80,990</b>	<b>4.1%</b>
Miscellaneous Receipts	24,234	25,672	5.9%	25,214	-1.8%	24,374	-3.3%	23,178	-4.9%
Federal Receipts	43,789	45,789	4.6%	46,534	1.6%	48,283	3.8%	49,750	3.0%
<b>Total All Fund Receipts</b>	<b>137,713</b>	<b>141,649</b>	<b>2.9%</b>	<b>145,941</b>	<b>3.0%</b>	<b>150,456</b>	<b>3.1%</b>	<b>153,918</b>	<b>2.3%</b>



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State tax receipts are expected to increase 0.7 percent in FY 2015. This modest increase is due to the factors noted above. Miscellaneous receipts growth is mainly due to the deposit of \$1 billion from the SIF reserve release in connection with Workers' Compensation reforms enacted in the FY 2014 budget.

Consistent with the projected growth in the New York economy over the multi-year Financial Plan period, all major tax categories are expected to grow, with the exception of business taxes and Other Taxes. The declines in these categories are the result of the payback of deferred tax credits and recently enacted tax law changes.

<b>GENERAL FUND RECEIPTS</b> (millions of dollars)					
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
	<u>Results</u>	<u>Enacted</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Total All Funds State Taxes	68,486	68,922	72,861	76,396	79,512
Less Dedicated Taxes:					
STAR	(3,357)	(3,429)	(3,478)	(3,574)	(3,616)
Revenue Bond Tax Fund	(10,740)	(10,934)	(11,708)	(12,506)	(13,115)
LGAC/Sales Tax Bond Fund	(5,901)	(6,046)	(6,277)	(6,510)	(6,760)
Cigarette/Tobacco Tax	(1,027)	(970)	(923)	(880)	(842)
Sales Tax	(802)	(854)	(894)	(927)	(956)
User Taxes	(808)	(842)	(854)	(853)	(858)
Business Taxes	(2,213)	(2,233)	(2,271)	(2,321)	(2,372)
Real Estate Transfer Tax	(911)	(955)	(1,020)	(1,079)	(1,149)
<b>Total General Fund Taxes</b>	<b>42,727</b>	<b>42,659</b>	<b>45,436</b>	<b>47,746</b>	<b>49,844</b>
Miscellaneous Receipts	3,219	3,815	2,980	2,790	2,215
Federal Receipts	0	0	0	0	0
<b>Total General Fund Receipts</b>	<b>45,946</b>	<b>46,474</b>	<b>48,416</b>	<b>50,536</b>	<b>52,059</b>
Annual \$ Change		528	1,942	2,120	1,523
Annual % Change		1.1%	4.2%	4.4%	3.0%

Approximately 60 percent of All Funds tax receipts are deposited into the General Fund. The remaining tax collections are dedicated for various purposes including STAR payments to school districts, debt service reserves, health care, and transportation. General Fund tax receipts are projected to total \$42.7 billion in FY 2015, virtually unchanged, from prior year results. General Fund miscellaneous receipts are expected to increase by \$596 million (18.5 percent) mainly due to the deposit of funds related to FY 2014 Workers' Compensation reforms, which is partly offset by the phase-out of the temporary utility assessment.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)									
	FY 2014	FY 2015	Annual %	FY 2016	Annual %	FY 2017	Annual %	FY 2018	Annual %
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
<b>STATE/ALL FUNDS</b>	<b>42,961</b>	<b>43,735</b>	<b>1.8%</b>	<b>46,829</b>	<b>7.1%</b>	<b>50,023</b>	<b>6.8%</b>	<b>52,461</b>	<b>4.9%</b>
Gross Collections	51,575	51,979	0.8%	55,926	7.6%	59,478	6.4%	61,990	4.2%
Refunds (Incl. State/City Offset)	(8,614)	(8,244)	-4.3%	(9,097)	10.3%	(9,455)	3.9%	(9,529)	0.8%
<b>GENERAL FUND<sup>1</sup></b>	<b>28,864</b>	<b>29,372</b>	<b>1.8%</b>	<b>31,643</b>	<b>7.7%</b>	<b>33,943</b>	<b>7.3%</b>	<b>35,730</b>	<b>5.3%</b>
Gross Collections	51,575	51,979	0.8%	55,926	7.6%	59,478	6.4%	61,990	4.2%
Refunds (Incl. State/City Offset)	(8,614)	(8,244)	-4.3%	(9,097)	10.3%	(9,455)	3.9%	(9,529)	0.8%
STAR	(3,357)	(3,429)	2.1%	(3,478)	1.4%	(3,574)	2.8%	(3,616)	1.2%
RBTF	(10,740)	(10,934)	1.8%	(11,708)	7.1%	(12,506)	6.8%	(13,115)	4.9%

<sup>1</sup>Excludes Transfers.

The PIT is by far New York State's largest source of tax receipts, accounting for approximately 64 percent of estimated FY 2015 State tax receipts. The State's PIT structure conforms closely to the Federal structure, however with modifications for the inclusion or exclusion of certain income. New York allows either a standard deduction or itemized deductions, whichever is greater. Although New York generally conforms to Federal rules pertaining to itemized deductions, the State imposes some additional limitations, mainly for high income taxpayers.

In addition, the PIT structure includes various exclusions, exemptions, tax credits, and other statutory devices designed to adjust State tax liability. These tax expenditures reduce the amount of a taxpayer's liability to the State by providing either economic incentives or tax relief to particular entities to achieve a public purpose.

Overall base growth in PIT receipts is dependent on the forecast of economic changes, including, but not limited to, changes in wages, employment, nonwage income, and capital gains realizations.

All Funds receipts for FY 2015 are projected to be \$43.7 billion, an increase of \$774 million (1.8 percent) from FY 2014. This primarily reflects increases in withholding and estimated payments attributable to the 2014 tax year, partially offset by a substantial decline in tax year 2013 extension payments.

Withholding in FY 2015 is projected to be \$1.8 billion (5.3 percent) higher compared to FY 2014, due mainly to moderate wage growth. Extension payments are estimated to decline by \$1.8 billion (35.2 percent) due to a combination of reduced capital gains realizations, relative to tax year 2012, and an adjustment in taxpayer behavior. The capital gains acceleration into tax year 2012 at the expense of tax year 2013 and thereafter, which was done in anticipation of the increase in Federal income tax rates between 2012 and 2013, served to create an inflated extension payments base. This income shifting was coupled with unusually high tax year 2012-related (FY 2014) extension overpayments, leading to a significant tax year 2013-related (FY 2015) extension payments decline. Estimated payments for tax year 2014 are projected to be \$604 million (6.4 percent) higher. Final return payments and



## STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

delinquencies are projected to be \$230 million (9.6 percent) lower and \$71 million (6 percent) higher, respectively.

The decline in total refunds of \$370 million (4.3 percent) reflects a \$328 million (15.8 percent) decrease in current (tax year 2014) refunds, a \$625 million (11.6 percent) decrease in prior (tax year 2013) refunds, a \$36 million decrease in previous (tax year 2012 and earlier) refunds, and a \$167 million (27.2 percent) decline in the State-City offset, partially offset by \$785 million in advanced payments for the Family Tax Relief credit and the newly enacted Real Property Tax Freeze credit.

General Fund income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State PIT revenue bonds. General Fund income tax receipts for FY 2015 of \$29.4 billion are expected to increase by \$508 million (1.8 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be \$10.9 billion and the STAR transfer is projected to be \$3.4 billion.

<b>PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS</b>					
<b>ALL FUNDS</b>					
<b>(millions of dollars)</b>					
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
	<b>Results</b>	<b>Enacted</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
<b>Receipts</b>					
Withholding	33,368	35,149	37,410	39,491	40,905
Estimated Payments	14,637	13,418	14,895	16,119	17,058
Current Year	9,454	10,059	10,947	11,749	12,463
Prior Year*	5,183	3,359	3,948	4,370	4,595
Final Returns	2,395	2,166	2,328	2,530	2,636
Current Year	2,145	1,924	2,074	2,265	2,359
Prior Year*	250	242	254	265	277
Delinquent	1,175	1,246	1,293	1,338	1,391
Gross Receipts	<u>51,575</u>	<u>51,979</u>	<u>55,926</u>	<u>59,478</u>	<u>61,990</u>
<b>Refunds</b>					
Prior Year*	5,367	4,742	5,578	6,377	6,792
Previous Years	554	519	538	538	539
Current Year*	2,078	1,751	1,751	1,750	1,750
Advanced Credit Payment	0	785	783	342	0
State/City Offset*	615	448	448	448	448
Total Refunds	<u>8,614</u>	<u>8,244</u>	<u>9,097</u>	<u>9,455</u>	<u>9,529</u>
<b>Net Receipts</b>	<b>42,961</b>	<b>43,735</b>	<b>46,829</b>	<b>50,023</b>	<b>52,461</b>
*These components, collectively, are known as the "settlement" on the prior year's tax liability.					



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)									
	FY 2014 Results	FY 2015 Enacted	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change	FY 2018 Projected	Annual % Change
<b>STATE/ALL FUNDS</b>	<b>15,099</b>	<b>15,364</b>	<b>1.8%</b>	<b>15,856</b>	<b>3.2%</b>	<b>16,302</b>	<b>2.8%</b>	<b>16,789</b>	<b>3.0%</b>
Sales Tax	12,588	12,967	3.0%	13,448	3.7%	13,947	3.7%	14,474	3.8%
Cigarette and Tobacco Taxes	1,453	1,299	-10.6%	1,293	-0.5%	1,236	-4.4%	1,186	-4.0%
Motor Fuel Tax	473	487	3.0%	484	-0.6%	485	0.2%	481	-0.8%
Highway Use Tax	136	136	0.0%	145	6.6%	139	-4.1%	141	1.4%
Alcoholic Beverage Taxes	250	256	2.4%	261	2.0%	266	1.9%	271	1.9%
Taxicab Surcharge	85	100	17.6%	101	1.0%	101	0.0%	101	0.0%
Auto Rental Tax	114	119	4.4%	124	4.2%	128	3.2%	135	5.5%
<b>GENERAL FUND<sup>1</sup></b>	<b>6,561</b>	<b>6,652</b>	<b>1.4%</b>	<b>6,908</b>	<b>3.8%</b>	<b>7,132</b>	<b>3.2%</b>	<b>7,373</b>	<b>3.4%</b>
Sales Tax	5,885	6,067	3.1%	6,277	3.5%	6,510	3.7%	6,758	3.8%
Cigarette and Tobacco Taxes	426	329	-22.8%	370	12.5%	356	-3.8%	344	-3.4%
Alcoholic Beverage Taxes	250	256	2.4%	261	2.0%	266	1.9%	271	1.9%

<sup>1</sup>Excludes Transfers.

New York imposes certain user taxes and fees, including a 4 percent general sales tax; a \$4.35 per package cigarette tax and tax on other tobacco products; an 8 cent per gallon tax on the sale of motor fuel; highway use tax on commercial vehicles; taxes at various rates on liquor, beer, wine and specialty beverages; and a 6 percent auto rental tax.

All Funds user taxes and fees receipts for FY 2015 are estimated to be \$15.4 billion, a 1.8 percent (\$265 million) increase from FY 2014 results. Sales tax receipts are expected to increase 3 percent (\$379 million) from FY 2014, resulting from 3.9 percent base growth (i.e., absent law changes) offset by law changes enacted with this and previous Budgets (vending machine exemption increase and Start-Up New York). Cigarette and tobacco collections are estimated to decline 10.6 percent (\$154 million), primarily reflecting greater than trend declines in cigarette consumption (particularly in NYC) and cigar tax refunds resulting from new Department of Taxation and Finance tax guidance resulting, in part, from a non-binding Administrative Law Judge Determination (*Matter of Davidoff of Geneva, Inc.*). Motor fuel tax collections are expected to increase 3 percent (\$14 million), rebounding from FY 2014 losses caused by severe winter weather.

General Fund user taxes and fees receipts for FY 2015 are estimated to total over \$6.6 billion, an increase of 1.4 percent (\$91 million) from FY 2014. This increase largely reflects increased sales tax collections offset by greater than trend declines in cigarette collections and cigar tax refunds.

All Funds user taxes and fees receipts for FY 2016 are projected to be \$15.9 billion, an increase of 3.2 percent (\$492 million) from FY 2015 projections. The 3.7 percent (\$481 million) increase in sales tax receipts reflects sales tax base growth of 3.6 percent due to strong projected disposable income growth. Highway use tax receipts are expected to increase 6.6 percent (\$9 million) as FY 2016 is a triennial renewal year.



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General Fund user taxes and fees receipts are projected to total \$6.9 billion in FY 2016, a 3.8 percent (\$256 million) increase from FY 2015 estimates. The projected increase results from increases in sales, cigarette and tobacco, and alcoholic beverage tax receipts. The projected increase in cigarette and tobacco tax receipts is the result of an artificially low FY 2015 base created by the cigar tax refunds mentioned earlier.

All Funds user taxes and fees are projected to increase to \$16.3 billion (2.8 percent) in FY 2017 and \$16.8 billion (3 percent) in FY 2018, representing base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

General Fund sales and use tax receipts are net of deposits to the Local Government Assistance Tax Fund (25 percent), and the Sales Tax Revenue Bond Fund (25 percent), which supports debt service payments on State sales and use tax revenue bonds. Receipts in excess of the debt service requirements of the funds and the local assistance payments to New York City, or its assignee, are transferred back to the General Fund. Receipts for both the Local Government Assistance Tax Fund and the Sales Tax Revenue Bond Fund are estimated at \$3.0 billion in FY 2015. For more information, see the section on "Capital Program and Financing Plan", which appears later in this AIS.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## BUSINESS TAXES

	BUSINESS TAXES (millions of dollars)								
	FY 2014 Results	FY 2015 Enacted	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change	FY 2018 Projected	Annual % Change
<b>STATE/ALL FUNDS</b>	<b>8,259</b>	<b>7,671</b>	<b>-7.1%</b>	<b>7,999</b>	<b>4.3%</b>	<b>7,930</b>	<b>-0.9%</b>	<b>8,101</b>	<b>2.2%</b>
Corporate Franchise Tax	3,812	2,798	-26.6%	4,533	62.0%	4,257	-6.1%	4,442	4.3%
Corporation and Utilities Tax	798	790	-1.0%	780	-1.3%	800	2.6%	818	2.3%
Insurance Tax	1,444	1,534	6.2%	1,596	4.0%	1,572	-1.5%	1,553	-1.2%
Bank Tax	1,050	1,409	34.2%	(10)	-100.7%	203	-2130.0%	190	-6.4%
Petroleum Business Tax	1,155	1,140	-1.3%	1,100	-3.5%	1,098	-0.2%	1,098	0.0%
<b>GENERAL FUND</b>	<b>6,046</b>	<b>5,438</b>	<b>-10.1%</b>	<b>5,728</b>	<b>5.3%</b>	<b>5,609</b>	<b>-2.1%</b>	<b>5,729</b>	<b>2.1%</b>
Corporate Franchise Tax	3,245	2,239	-31.0%	3,750	67.5%	3,435	-8.4%	3,578	4.2%
Corporation and Utilities Tax	615	604	-1.8%	590	-2.3%	604	2.4%	618	2.3%
Insurance Tax	1,298	1,375	5.9%	1,426	3.7%	1,397	-2.0%	1,371	-1.9%
Bank Tax	888	1,220	37.4%	(38)	-103.1%	173	-555.3%	162	-6.4%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2015 are estimated at \$7.7 billion, a 7.1 percent (\$588 million) decrease from prior year results. The estimate reflects decreases from the first year of the credit deferral payback to taxpayers (an incremental refund increase of \$273 million) and FY 2015 Enacted Budget tax changes which are estimated to reduce All Funds receipts by \$193 million. Growth in the bank and insurance taxes is offset by declines in the corporate franchise tax (for the reasons stated below), the corporation and utilities tax and the petroleum business tax (PBT).

Corporate franchise tax receipts are estimated to decrease 26.6 percent (\$1 billion) in FY 2015, reflecting the refund increment noted above (\$273 million), and tax cuts for manufacturers enacted in the FY 2014 and FY 2015 budgets. The FY 2014 Enacted Budget phased-in a 25 percent tax cut on all four manufacturing tax bases beginning in tax year 2014. Additionally, the FY 2015 Enacted Budget reduced the entire net income tax rate to zero percent for qualified manufacturers effective for Tax Year 2014. The impact of these two actions is estimated to reduce FY 2015 receipts by a total of \$223 million from FY 2014 receipts. In addition to these actions, audit receipts are expected to be 13.3 percent (\$155 million) lower and refunds excluding the credit deferral payback are estimated to increase \$214 million.

Corporation and utilities tax receipts are expected to decline 1 percent (\$8 million) in FY 2015. Both gross receipts and audits are expected to decline from the prior year. The telecommunications sector is expected to show no growth from the prior year as consumers continue to increase their use of smart phones and social networks to communicate. Based on industry information, data revenue per user exceeded voice revenue per user for the first time at the end of calendar year 2013. Data revenue is nontaxable due to Federal law. It is expected that this trend will continue into calendar year 2014. Utility revenue is expected to increase slightly from the prior year which partially offsets the loss of payments made under section 186 due to the Long Island Power Authority (LIPA) restructuring enacted in the 2013 legislative session. Additionally, refunds are expected to be much lower in FY 2015 due to an atypically large refund that was paid in FY 2014.

Insurance tax receipts are expected to increase 6.2 percent (\$90 million) in FY 2015. Strength in premiums growth from authorized insurers as well as unauthorized (excess line brokers) insurers will be only partially offset by the impact of the State's transition of (1) the medical portion of the Empire Plan





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to self-insurance (effective January 1, 2013) and (2) additional portions of the Empire Plan on January 1, 2014. This transition reduces insurance tax receipts since the State and local governments no longer remit the insurance tax as part of premium payments. Additionally, audits are expected to be higher and refunds lower in FY 2015 than in FY 2014.

Bank tax receipts are estimated to increase 34.2 percent (\$359 million) in FY 2015. Gross receipts are expected to grow 27.4 percent in FY 2015 as liability year 2014 rebounds from a weak 2013. Additionally, audit receipts are expected to increase nearly \$113 million based on the expected case load and implementation of new audit procedures.

PBT receipts are expected to decrease 1.3 percent (\$15 million) in FY 2015, primarily due to the 0.8 percent decrease in PBT tax rates effective January 2014 and the estimated 4 percent decrease in PBT tax rates effective January 2015. These declines are partially offset by an expected rebound in taxable fuel consumption from FY 2014 results that were depressed by severe winter weather.

General Fund business tax receipts for FY 2015 of \$5.4 billion are estimated to decrease 10.1 percent (\$608 million) from FY 2014 results, reflecting the All Funds trends discussed above.

The massive decline in bank tax receipts and the commensurate large increase in corporate franchise tax receipts beginning in FY 2016 are the result of the repeal of the bank tax and resultant imposition of the corporate franchise tax on former bank taxpayers effective for tax year 2015. All Funds business tax receipts for FY 2016 of \$8 billion are projected to increase 4.3 percent (\$328 million) from the prior year. FY 2016 includes Enacted Budget legislation that is expected to reduce All Funds tax receipts by \$329 million. This year-over-year increase primarily reflects higher audits and lower refunds (the second year of the credit deferral payback to taxpayers is smaller than the amount estimated to be paid out in FY 2014). Additionally, gross receipts are expected to grow 2.3 percent. PBT receipts are expected to decrease 3.5 percent (\$40 million) in FY 2016, primarily due to the 4 percent decrease in PBT tax rates noted above and expected declines in taxable motor fuel consumption due to declining vehicle miles traveled and increases in average vehicle fuel efficiency.

General Fund business tax receipts for FY 2016 of \$5.7 billion are projected to increase 5.3 percent (\$290 million), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2017 and FY 2018 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. All Funds business tax receipts are projected to decrease to \$7.9 billion (0.9 percent) in FY 2017, and increase to \$8.1 billion (2.2 percent) in FY 2018. General Fund business tax receipts are expected to decrease to \$5.6 billion (2.1 percent) in FY 2017 and increase to \$5.7 billion (2.1 percent) in FY 2018. The decrease in FY 2017 primarily reflects the reduction of the corporate entire net income tax rate to 6.5 percent from 7.1 percent that was implemented as part of corporate tax reform in the FY 2015 Enacted Budget.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## OTHER TAXES

OTHER TAXES (millions of dollars)									
	FY 2014	FY 2015	FY 2016		FY 2017		FY 2018		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
<b>STATE/ALL FUNDS</b>	<b>2,167</b>	<b>2,152</b>	<b>-0.7%</b>	<b>2,177</b>	<b>1.2%</b>	<b>2,141</b>	<b>-1.7%</b>	<b>2,161</b>	<b>0.9%</b>
Estate Tax	1,238	1,179	-4.8%	1,139	-3.4%	1,044	-8.3%	994	-4.8%
Real Estate Transfer Tax	911	955	4.8%	1,020	6.8%	1,079	5.8%	1,149	6.5%
Pari-Mutuel Taxes	17	17	0.0%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	1	1	0.0%	1	100.0%	1	100.0%	1	100.0%
<b>GENERAL FUND<sup>1</sup></b>	<b>1,256</b>	<b>1,197</b>	<b>-4.7%</b>	<b>1,157</b>	<b>-3.3%</b>	<b>1,062</b>	<b>-8.2%</b>	<b>1,012</b>	<b>-4.7%</b>
Estate Tax	1,238	1,179	-4.8%	1,139	-3.4%	1,044	-8.3%	994	-4.8%
Pari-Mutuel Taxes	17	17	0.0%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	1	1	0.0%	1	100.0%	1	100.0%	1	100.0%

<sup>1</sup>Excludes Transfers.

All Funds other tax receipts for FY 2015 are estimated to be nearly \$2.2 billion, a 0.7 percent (\$15 million) decrease from FY 2014 results. This reflects a 4.8 percent (\$59 million) decrease in estate tax receipts, partially offset by a 4.8 percent (\$44 million) increase in RETT receipts. The estate tax decrease is primarily the result of Enacted Budget legislation that raises the exemption level from \$1 million to \$5.25 million over a four-year phase-in period and an expected return in FY 2015 to a number of super-large estate payments (payments of over \$25 million) consistent with long-term trends. The FY 2015 RETT estimate reflects a slight drop-off from the record volume of transactions in NYC during FY 2014, combined with modest price growth.

General Fund other tax receipts are expected to be nearly \$1.2 billion in FY 2015, a 4.7 percent (\$59 million) decrease from FY 2014 results, reflecting the estate tax change noted above.

All Funds other tax receipts for FY 2016 are projected to be \$2.2 billion, a 1.2 percent (\$25 million) increase from FY 2015 projections. This reflects projected growth in the RETT receipts due to projected continued growth in both the residential and commercial real estate markets, particularly in NYC, partially offset by a decline in projected estate tax receipts due to the continued phase in of the increased exemption level.

General Fund other tax receipts are expected to total nearly \$1.2 billion in FY 2016, reflecting the 3.4 percent (\$40 million) decrease in estate tax receipts noted above.

All Funds other tax receipts for FY 2017 are projected to decrease to just over \$2.1 billion (1.7 percent) from FY 2016, then increase to nearly \$2.2 billion (0.9 percent) in FY 2018. This overall change is the result of the continued phase in of the estate tax and the increasing value of property transfers. General Fund other tax receipts for FY 2017 and FY 2018 are projected to decrease by 8.2 percent and 4.7 percent, respectively, due to the projected decline in estate tax receipts noted above.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS (millions of dollars)									
	FY 2014	FY 2015	FY 2016		FY 2017		FY 2018		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
<b>ALL FUNDS</b>	<b>24,234</b>	<b>25,672</b>	<b>5.9%</b>	<b>25,214</b>	<b>-1.8%</b>	<b>24,374</b>	<b>-3.3%</b>	<b>23,178</b>	<b>-4.9%</b>
General Fund	3,219	3,815	18.5%	2,980	-21.9%	2,790	-6.4%	2,215	-20.6%
Special Revenue Funds	16,776	16,189	-3.5%	16,331	0.9%	16,243	-0.5%	16,307	0.4%
Capital Projects Funds	3,540	5,208	47.1%	5,470	5.0%	4,937	-9.7%	4,257	0.0%
Debt Service Funds	699	460	-34.2%	433	-5.9%	404	-6.7%	399	0.0%

All Funds miscellaneous receipts include monies received from the 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 estimated to total \$25.7 billion in FY 2015, an increase of 5.9 percent from prior year results. This increase is primarily due to the expected General Fund deposit of \$1 billion from the SIF reserve release in connection with Workers' Compensation law changes in the FY 2014 budget, as well as variations in the level of receipts for health care surcharges and other HCRA resources, licensing fees associated with commercial gaming, bond proceeds, atypical fines and the phase-out of the temporary utility assessment.

All Funds miscellaneous receipts are projected to decrease annually beginning in FY 2016, mainly due to reduced transfers from SIF, the phase-out of the temporary utility assessment, and bond proceeds available to fund capital improvement projects.

FEDERAL GRANTS (millions of dollars)									
	FY 2014	FY 2015	FY 2016		FY 2017		FY 2018		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
<b>ALL FUNDS</b>	<b>43,789</b>	<b>45,789</b>	<b>4.6%</b>	<b>46,534</b>	<b>1.6%</b>	<b>48,283</b>	<b>3.8%</b>	<b>49,750</b>	<b>3.0%</b>
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	41,405	43,654	5.4%	44,776	2.6%	46,569	4.0%	48,005	3.1%
Capital Projects Funds	2,313	2,062	-10.9%	1,685	-18.3%	1,641	-2.6%	1,672	0.0%
Debt Service Funds	71	73	2.8%	73	0.0%	73	0.0%	73	0.0%

Aid from the Federal government helps pay for a variety of programs including 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 projects Federal reimbursements will be received in the State fiscal year in which spending occurs, but due to the variable timing of Federal grant receipts, actual results often differ from the plan.

All Funds Federal grants are expected to increase in FY 2015, which is mainly driven by enhanced Federal Medicaid funding associated with the ACA. Federal grants are expected to grow to \$49.8 billion by



## **STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018**

FY 2018, reflecting the continuation of growth in Federal Medicaid spending associated with the ACA, partly offset by the expected phase-down of costs associated with Federal disaster assistance aid.

### **DISBURSEMENTS**

Total disbursements in FY 2015 are estimated at \$63.1 billion in the State's General Fund and at \$92.2 billion in total State Operating Funds. Over the multi-year Financial Plan, State Operating Funds spending projections assume Medicaid and School Aid will grow at their statutorily-indexed rates. Medicaid, education, pension costs, employee and retiree health benefits, and debt service are significant drivers of annual spending growth.

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



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at \$61.2 billion in FY 2015 and accounts for nearly two-thirds of total State Operating Funds spending. Education and health care spending account for approximately two-thirds of local assistance spending.

Certain major factors considered in preparing the spending projections for the State's major local aid programs and activities are summarized in the following table.

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES					
	FY 2014 Results <sup>1</sup>	Forecast			
		FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
<b>MEDICAID</b>					
Medicaid Coverage	5,147,768	5,830,880	5,950,473	5,973,720	5,985,344
- Family Health Plus Caseload	337,632	0	0	0	0
- Child Health Plus Caseload	308,000	314,000	320,000	326,000	332,000
State Takeover of County/NYC Costs	\$1,789	\$2,067	\$2,475	\$2,819	\$3,164
- Family Health Plus (000s)	\$467	\$155	\$0	\$0	\$0
- Medicaid (000s)	\$1,322	\$1,912	\$2,475	\$2,819	\$3,164
<b>EDUCATION</b>					
SY School Aid (000s)	\$21,109	\$22,237	\$23,101	\$24,183	\$25,388
<b>HIGHER EDUCATION</b>					
Public Higher Education Enrollment (FTEs)	567,219	566,453	565,588	565,390	565,192
Tuition Assistance Program Recipients	305,626	306,129	306,129	306,129	306,129
<b>PUBLIC ASSISTANCE</b>					
Family Assistance Program	258,405	249,131	240,761	234,252	228,911
Safety Net Program - Families	125,424	120,186	115,580	112,047	109,180
Safety Net Program - Singles	196,431	194,850	193,442	192,643	192,157
<b>MENTAL HYGIENE</b>					
Total Mental Hygiene Community Beds	95,608	97,750	99,960	101,670	103,088
- OMH Community Beds	40,248	41,753	43,427	44,827	46,027
- OPWDD Community Beds	41,525	42,033	42,413	42,667	42,790
- OASAS Community Beds	13,835	13,964	14,120	14,176	14,271
<b>PRISON POPULATION (CORRECTIONS)</b>					
	54,300	54,000	53,800	53,700	53,700

<sup>1</sup> Reflects preliminary results based on State agency information, which is not audited for accuracy.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## EDUCATION

### SCHOOL AID

School Aid helps support elementary and secondary education for New York pupils enrolled in 674 major school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses. State funding for schools assists districts in meeting locally defined needs, supports the construction of school facilities, and finances school transportation for nearly three million students statewide.

### SCHOOL YEAR (JULY 1 -JUNE 30)

School Aid is expected to total \$22.2 billion in SY 2015, an increase of \$1.1 billion (5.3 percent) from school year (SY) 2014. This increase is provided largely through \$853 million of additional general operating support to school districts, consisting of a \$602 million restoration in the Gap Elimination Adjustment (GEA) and a \$251 million increase in Foundation Aid. Another \$275 million supports increased reimbursement in expense-based aid programs (e.g., transportation, BOCES, school construction) and other miscellaneous aid categories.

The FY 2015 Enacted Budget also provides \$340 million of recurring annual funding to support Statewide Universal Full-Day Pre-Kindergarten programs in order to incentivize and fund state-of-the-art programs and encourage creativity through competition. These programs are expected to begin in the fall of 2014.

Based on the final recommendations of the Governor's New NY Education Reform Commission, the FY 2015 Enacted Budget establishes a \$20 million Teacher Excellence Fund and provides \$5 million for additional Pathways in Technology Early College High School (P-TECH) grants.

Finally, the FY 2015 Enacted Budget maintains the two-year appropriation that continues Education Law provisions. School Aid is projected to increase by an additional \$864 million (3.9 percent) in SY 2016 and \$1.1 billion (4.7 percent) in SY 2017. School Aid is projected to reach an annual total of \$25.4 billion in SY 2018.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)									
(millions of dollars)									
	<u>SY 2014</u>	<u>SY 2015</u>	<u>Change</u>	<u>SY 2016</u>	<u>Change</u>	<u>SY 2017</u>	<u>Change</u>	<u>SY 2018</u>	<u>Change</u>
Total	21,109	22,237	1,128	23,101	864	24,183	1,082	25,388	1,205
			5.3%		3.9%		4.7%		5.0%

\* School year values reflected in table do not include aid for Statewide Universal Full-Day Pre-Kindergarten programs or the Governor's New NY Education Reform Commission.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## STATE FISCAL YEAR

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

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

SCHOOL AID AND EDUCATION AID - STATE FISCAL YEAR BASIS (millions of dollars)									
	FY 2014 Results	FY 2015 Enacted	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>20,420</b>	<b>21,671</b>	<b>6.1%</b>	<b>23,289</b>	<b>7.5%</b>	<b>24,294</b>	<b>4.3%</b>	<b>25,502</b>	<b>5.0%</b>
General Fund Local Assistance	17,238	18,456	7.1%	19,900	7.8%	20,977	5.4%	22,155	5.6%
Core Lottery Aid	2,235	2,220	-0.7%	2,252	1.4%	2,210	-1.9%	2,200	-0.5%
VLT Lottery Aid	938	944	0.6%	977	3.5%	918	-6.0%	886	-3.5%
Commerical Gaming - VLT Offset	0	0	N/A	0	N/A	29	N/A	61	110.3%
Commerical Gaming	0	0	N/A	160	N/A	160	0.0%	200	25.0%
Prior Year General Fund/Lottery Resources	9	51	N/A	0	N/A	0	0.0%	0	0.0%

State spending for School Aid is projected to total \$21.7 billion in FY 2015. In future years, receipts available to finance this category of aid from core lottery sales are projected to remain stable. Beginning in FY 2016, School Aid spending is expected to be supplemented by commercial gaming revenues. In addition to State aid, school districts receive approximately \$3 billion annually in Federal categorical aid.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## OTHER EDUCATION FUNDING

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

New York State provides a full spectrum of special education services to over 400,000 students with disabilities from ages 3 to 21. Major programs under the Office of Pre-kindergarten through Grade 12 address specialized student needs or reimburse school districts for education-related services, including the school lunch and breakfast program, after school programs and other educational grant programs. Higher and professional education programs monitor the quality and availability of postsecondary education programs and regulate the licensing and oversight of 50 professions. Adult career and continuing education services focuses on the education and employment needs of New York State's adult citizens, including ensuring that such individuals have access to a "one-stop" source for all their employment needs and that they are made aware of the full range of services available in other agencies.

OTHER EDUCATION (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>2,003</b>	<b>2,146</b>	<b>7.1%</b>	<b>2,212</b>	<b>3.1%</b>	<b>2,365</b>	<b>6.9%</b>	<b>2,540</b>	<b>7.4%</b>
Special Education	1,408	1,496	6.3%	1,593	6.5%	1,724	8.2%	1,841	6.8%
All Other Education	595	650	9.2%	619	-4.8%	641	3.6%	699	9.0%

Special education growth is primarily driven by an increase in enrollment and an increase in the level of services ordered for students in the preschool special education and the summer school special education programs. In relation to special education programs, the FY 2015 Enacted Budget advances targeted reforms to improve fiscal practices and service delivery. The decrease in other education spending for FY 2016 relative to FY 2015 is driven primarily by one-time costs associated with the timing of claims-based aid payments, and targeted aid and grants in FY 2015.





# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers by exempting the first \$30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens will receive a \$64,200 exemption in FY 2015. The Department of Taxation and Finance oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

The three components of STAR and their approximate shares in FY 2015 are: the basic school property tax exemption for homeowners with income under \$500,000 (56 percent); the enhanced school property tax exemption for senior citizen homeowners with incomes under \$81,900 (26 percent); and a flat refundable credit and rate reduction for income-eligible resident New York City personal income taxpayers (18 percent).

Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues. The annual increase in a qualifying homeowner's STAR exemption benefit is limited to 2 percent. New York City personal income taxpayers with annual incomes over \$500,000 have a reduced benefit.

SCHOOL TAX RELIEF (STAR)									
(millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>3,357</b>	<b>3,429</b>	<b>2.1%</b>	<b>3,478</b>	<b>1.4%</b>	<b>3,574</b>	<b>2.8%</b>	<b>3,616</b>	<b>1.2%</b>
Basic Exemption	1,879	1,915	1.9%	1,925	0.5%	1,963	2.0%	2,002	2.0%
Enhanced (Seniors)	867	887	2.3%	894	0.8%	948	6.0%	932	-1.7%
New York City PIT	611	627	2.6%	659	5.1%	663	0.6%	682	2.9%

The spending growth is primarily a reflection of the number of STAR exemption recipients who are expected to participate in the program.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## HIGHER EDUCATION

Local assistance for higher education spending includes funding for the City University of New York (CUNY), SUNY and the Higher Education Services Corporation (HESC).

The State provides assistance for CUNY's senior college operations, and works in conjunction with New York City to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses. The State also provides a sizeable benefit to CUNY and SUNY through the debt service it pays on bond-financed capital projects at the universities. State debt service payments for capital projects at SUNY and CUNY are expected to total about \$1.2 billion in FY 2015 (this is not reflected in the annual spending totals for the universities). HESC administers the Tuition Assistance Program (TAP) that provides awards to income-eligible students. It also provides centralized processing for other student financial aid programs, and offers prospective students information and guidance on how to finance a college education. The financial aid programs that HESC administers are funded by the State and the Federal government.

HIGHER EDUCATION (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>2,817</b>	<b>2,916</b>	<b>3.5%</b>	<b>2,999</b>	<b>2.8%</b>	<b>3,062</b>	<b>2.1%</b>	<b>3,123</b>	<b>2.0%</b>
<b>City University</b>	<b>1,346</b>	<b>1,394</b>	<b>3.6%</b>	<b>1,441</b>	<b>3.4%</b>	<b>1,490</b>	<b>3.4%</b>	<b>1,542</b>	<b>3.5%</b>
Senior Colleges	1,130	1,171	3.6%	1,217	3.9%	1,266	4.0%	1,318	4.1%
Community College	216	223	3.2%	224	0.4%	224	0.0%	224	0.0%
<b>Higher Education Services</b>	<b>990</b>	<b>1,034</b>	<b>4.4%</b>	<b>1,064</b>	<b>2.9%</b>	<b>1,078</b>	<b>1.3%</b>	<b>1,087</b>	<b>0.8%</b>
Tuition Assistance Program	944	973	3.1%	994	2.2%	997	0.3%	997	0.0%
Scholarships/Awards	35	49	40.0%	58	18.4%	69	19.0%	78	13.0%
Aid for Part Time Study	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
<b>State University</b>	<b>481</b>	<b>488</b>	<b>1.5%</b>	<b>494</b>	<b>1.2%</b>	<b>494</b>	<b>0.0%</b>	<b>494</b>	<b>0.0%</b>
Community College	470	481	2.3%	487	1.2%	487	0.0%	487	0.0%
Other/Cornell	11	7	-36.4%	7	0.0%	7	0.0%	7	0.0%

Note: State support for SUNY four-year institutions is funded through State operations rather than local assistance.

Annual growth by CUNY across the multi-year Financial Plan reflects the net impact of additional base operating support at community colleges and fringe benefit cost increases at senior colleges. Growth in HESC reflects the implementation of a new scholarship for Science, Technology, Engineering and Mathematics as well as a \$165 increase to the maximum TAP award. SUNY local assistance reflects the net impact of additional base operating aid and enrollment changes at community colleges.



## STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

### HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The State DOH works with local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts.

### MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments. Eligible services include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, the Family Health Plus (FHP)<sup>4</sup> program and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services).

In FY 2012, legislation was enacted to limit the year-to-year growth in State funds Medicaid spending to the ten-year rolling average in the medical component of the CPI. The statutory provisions of the Medicaid spending cap (or “Global Cap”) also allow for flexibility in adjusting Medicaid projections to meet unanticipated costs resulting from the event of a natural or other type of disaster. The FY 2015 Enacted Budget reflects the continuation of the Medicaid spending cap for FY 2015 and FY 2016, and the Financial Plan assumes that statutory authority will be extended in subsequent years. Allowable growth under the cap is 3.8 percent for FY 2015. DOB estimates the cap growth at 3.6 percent in FY 2016; 3.4 percent in FY 2017; and 3.3 percent in FY 2018 attributed to projected CPI reductions.

The Global Cap applies to a majority of the State share of Medicaid spending that is budgeted and expended principally through DOH. However, the Global Cap excludes State costs associated with the takeover of local Medicaid growth and the multi-year assumption of local Medicaid Administration, as well as increased Federal financial participation that became effective in January 2014. State share Medicaid spending also appears in the Financial Plan estimates for other State agencies, including the mental hygiene agencies, child welfare programs, education aid, and the Department of Corrections and Community Supervision (DOCCS).

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<sup>4</sup> The FY 2014 Enacted Budget eliminated the FHP program effective January 1, 2015. The majority of the population receiving health care benefits through FHP will begin receiving more robust health care benefits through the Medicaid program, pursuant to new Medicaid eligibility thresholds and increased Federal payments pursuant to the ACA. The remaining FHP population, those above Medicaid levels, will be eligible for Federal tax credits in the New York State of Health insurance benefit exchange and the State will pay remaining out-of-pocket costs for these individuals up to previous FHP levels.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

<b>TOTAL STATE-SHARE MEDICAID DISBURSEMENTS</b>					
(millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	<u>Results</u>	<u>Enacted</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Department of Health <sup>1</sup>	16,382	16,962	17,740	18,511	19,280
Local Assistance	16,241	16,732	17,523	18,282	19,051
State Operations <sup>2</sup>	141	230	217	229	229
Other State Agencies	4,986	5,090	5,323	5,285	5,694
Mental Hygiene	4,842	4,990	5,218	5,177	5,582
Foster Care	88	88	92	95	99
Corrections	0	12	13	13	13
Education	56	0	0	0	0
<b>Total State Share (All Agencies)</b>	<b>21,368</b>	<b>22,052</b>	<b>23,063</b>	<b>23,796</b>	<b>24,974</b>
Annual \$ Change		684	1,011	733	1,178
Annual % Change		3.2%	4.6%	3.2%	5.0%

<sup>1</sup> Department of Health spending in the Financial Plan includes certain items that are excluded from the global cap. This includes administrative costs, including the takeover of local administrative responsibilities; the decision of Monroe County to participate in the Medicaid local cap program, rather than continuing the sales tax intercept option; and increased Federal Financial Participation that became effective in January 2014.

<sup>2</sup> Beginning in FY 2014 the Office of Health Insurance Programs was transferred to Medicaid from Public Health as part of the five-year phase-in initiative of the State to assume local administrative functions.

The State share of DOH Medicaid spending is financed by a combination of the General Fund, HCRA, provider assessment revenue, and indigent care payments. The following table provides information on the financing sources for State Medicaid spending (more information on HCRA can be found in the section entitled "HCRA Financial Plan").

<b>DEPARTMENT OF HEALTH MEDICAID<sup>1</sup></b>									
(millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	<u>Results</u>	<u>Enacted</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
<b>STATE OPERATING FUNDS</b>	<b>16,382</b>	<b>16,962</b>	<b>3.5%</b>	<b>17,740</b>	<b>4.6%</b>	<b>18,511</b>	<b>4.3%</b>	<b>19,280</b>	<b>4.2%</b>
Total General Fund - Local	11,487	11,599	1.0%	12,381	6.7%	13,015	5.1%	13,728	5.5%
Department of Health	10,757	10,884	1.2%	11,666	7.2%	12,110	3.8%	13,040	7.7%
Mental Hygiene Stabilization Fund	730	445	-39.0%	267	-40.0%	267	0.0%	0	-100.0%
Financial Plan Relief	0	270	N/A	448	65.9%	638	42.4%	688	7.8%
Total General Fund - State Operations	141	230	63.1%	217	-5.7%	229	5.5%	229	0.0%
Other State Funds Support	4,754	5,133	8.0%	5,142	0.2%	5,267	2.4%	5,323	1.1%
HCRA Financing <sup>2</sup>	3,177	3,556	11.9%	3,565	0.3%	3,690	3.5%	3,746	1.5%
Indigent Care Support	776	792	2.1%	792	0.0%	792	0.0%	792	0.0%
Provider Assessment/Other Revenue	801	785	-2.0%	785	0.0%	785	0.0%	785	0.0%

<sup>1</sup> Does not include Medicaid spending in other State agencies, transfers, or the local government share of total Medicaid program spending.

<sup>2</sup> FY 2015 HCRA financing includes \$30 million for New York State of Health.



## **STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018**

Beginning in FY 2014, certain OPWDD-related Medicaid costs were financed within available resources under the Global Cap to alleviate the financial impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services. In FY 2015, additional costs were funded under the cap to benefit the State Financial Plan. These costs were accommodated through the State's implementation of the MRT initiatives; cash management improvements; and the utilization of Federal resources associated with the ACA.

Fluctuation in enrollment, costs of provider health care services (particularly in managed care), and utilization levels drive higher Medicaid spending that must be managed within the Global Cap. The number of Medicaid recipients is expected to exceed 5.8 million by the end of FY 2015, a 6.3 percent increase from the current caseload of 5.5 million. This expected growth is mainly attributable to expanded eligibility pursuant to the ACA. Under the provisions of the ACA, which became effective in January 2014, the Federal government is expected to finance a greater share of Medicaid costs, the impact of which is expected to lower growth in the State share of Medicaid.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## PUBLIC HEALTH/AGING PROGRAMS

Public Health includes the CHP program that finances health insurance coverage for children of low-income families up to the age of 19, the GPHW program that reimburses local health departments for the cost of providing certain public health services, the Elderly Pharmaceutical Insurance Coverage (EPIC) program that provides prescription drug insurance to seniors, and the Early Intervention (EI) program that pays for services to infants and toddlers under the age of three with disabilities or developmental delays. Many public health programs, such as EI and GPHW programs, are run by county health departments and reimbursed by the State for a share of program costs. The State spending projections do not include the county share of public health funding. In addition, a significant portion of HCRA spending is included under the Public Health budget.

The State Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers 60 years of age and older. The Office primarily oversees community-based services (including in-home services and nutrition assistance) provided through a network of county agencies on aging and local providers.

PUBLIC HEALTH AND AGING (millions of dollars)									
	FY 2014 Results	FY 2015 Enacted	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>2,179</b>	<b>1,868</b>	<b>-14.3%</b>	<b>1,828</b>	<b>-2.1%</b>	<b>1,798</b>	<b>-1.6%</b>	<b>1,827</b>	<b>1.6%</b>
<b>Public Health</b>	<b>2,067</b>	<b>1,747</b>	<b>-15.5%</b>	<b>1,701</b>	<b>-2.6%</b>	<b>1,667</b>	<b>-2.0%</b>	<b>1,693</b>	<b>1.6%</b>
Child Health Plus	401	417	4.0%	374	-10.3%	314	-16.0%	327	4.1%
General Public Health Works	178	192	7.9%	198	3.1%	207	4.5%	207	0.0%
EPIC	126	119	-5.6%	117	-1.7%	122	4.3%	126	3.3%
Early Intervention	163	167	2.5%	167	0.0%	167	0.0%	167	0.0%
HCRA Program	426	453	6.3%	453	0.0%	453	0.0%	453	0.0%
F-SHRP <sup>1</sup>	389	0	-100.0%	0	n/a	0	0.0%	0	0.0%
All Other	384	399	3.9%	392	-1.8%	404	3.1%	413	2.2%
<b>Aging</b>	<b>112</b>	<b>121</b>	<b>8.0%</b>	<b>127</b>	<b>5.0%</b>	<b>131</b>	<b>3.1%</b>	<b>134</b>	<b>2.3%</b>

<sup>1</sup> The Federal-State Health Reform Partnership Program expired March 31, 2014.

The CHP spending is expected to grow in FY 2015 due to forecasted caseload growth under the ACA. As CHP enrollment increases, initial costs will be incurred by the State until enhanced Federal participation rates become effective beginning in FY 2016. The FY 2015 Enacted Budget holds CHP reimbursement rates in FY 2015 at FY 2014 levels.

GPHW spending growth in FY 2015 is primarily attributable to the timing of a one-time recoupment from NYC which resulted in lower FY 2014 spending relative to historical patterns. Beginning in FY 2015, spending growth is expected to be managed at moderate levels in part through lower projected county claiming, as well as through encouraging enrollment in other insurance for clinical prenatal care services currently supported through GPHW.

EPIC program spending is projected to decline through FY 2016 due to enrollment changes. Growth in FY 2017 and FY 2018 reflects the expansion of the EPIC program based on increased income limits for services.



## ***STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018***

Program growth for EI in FY 2015 is mainly due to additional funding provided with the Enacted Budget to reimburse certain pending claims. This growth will remain flat through the remainder of the Financial Plan, as enrollment is expected to be stable. Increased spending for HCRA programs in FY 2015 is attributable to an additional \$25 million annual subsidy for the Roswell Park Cancer Institute (RPCI), which is intended to offset the expiration of capital grant awards in order to maintain the current level of State funding for the RPCI.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## HCRA FINANCIAL PLAN

HCRA was established in 1996 to help finance a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including FHP and CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the HEAL NY program for capital improvements to health care facilities (funding was completed during FY 2014). HCRA authorization has been extended through FY 2017, pursuant to legislation included in the Enacted Budget.

HCRA receipts include surcharges and assessments on hospital revenues, a “covered lives” assessment paid by insurance carriers, and a portion of cigarette tax revenues. These resources are used to fund roughly 20 percent of the State Share of Medicaid, FHP, CHP, HEAL NY, EPIC, physician excess medical malpractice insurance, and Indigent Care payments, which provide funding to hospitals serving a disproportionate share of individuals without health insurance.

HCRA FINANCIAL PLAN FY 2014 THROUGH FY 2018 (millions of dollars)					
	FY 2014 Results	FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
<b>OPENING BALANCE</b>	<b>18</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL RECEIPTS</b>	<b>5,320</b>	<b>5,507</b>	<b>5,646</b>	<b>5,684</b>	<b>5,683</b>
Surcharges	2,788	2,962	3,111	3,176	3,263
Covered Lives Assessment	1,039	1,085	1,110	1,110	1,045
Cigarette Tax Revenue	1,027	970	923	880	842
Hospital Assessments	368	400	416	433	449
NYC Cigarette Tax Transfer/Other	98	90	86	85	84
<b>TOTAL DISBURSEMENTS</b>	<b>5,329</b>	<b>5,516</b>	<b>5,646</b>	<b>5,684</b>	<b>5,683</b>
Medicaid Assistance Account	<u>3,177</u>	<u>3,526</u>	<u>3,565</u>	<u>3,689</u>	<u>3,746</u>
Medicaid Costs	2,333	3,018	3,368	3,492	3,549
Family Health Plus	651	311	0	0	0
Workforce Recruitment & Retention	193	197	197	197	197
Hospital Indigent Care	776	792	792	792	792
HCRA Program Account	433	467	467	467	467
Child Health Plus	406	425	383	323	337
Elderly Pharmaceutical Insurance Coverage	143	132	130	135	139
SHIN-NY/APCD	0	40	65	65	0
New York State of Health <sup>1</sup>	0	30	114	81	75
Public Health Programs	27	0	0	0	0
HEAL NY	266	0	0	0	0
All Other	101	104	130	132	127
<b>ANNUAL OPERATING SURPLUS/(DEFICIT)</b>	<b>(9)</b>	<b>(9)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CLOSING BALANCE</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<sup>1</sup> FY 2015 spending will be financed from the Medical Assistance Account.





## **STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018**

HCRA receipts are estimated to grow 1.7 percent on average through FY 2018. Surcharge and assessment revenue is expected to increase due to expanded coverage under the ACA, and will be dedicated to finance additional administrative costs associated with the New York State of Health Exchange. This growth is partly offset by projected declines in cigarette tax revenue due to declining tobacco consumption.

HCRA spending is expected to increase by \$187 million in FY 2015 and total \$5.5 billion. The most significant areas of growth include additional financing of the State share of Medicaid costs; capital costs associated with the implementation of the new All Payers Claims Database (APCD) and Statewide Health Information Network for New York (SHIN-NY), which is expected to improve information capabilities and increase efficiency associated with health insurance claiming; and a \$25 million increase in annual funding for RPCI to offset the expiration of other capital grant award funding.

The Enacted Budget is expected to lower costs associated with certain programs financed with HCRA revenue, the most notable of which is a planned freeze of reimbursement rates associated with the CHP program for one year.

HCRA is expected to remain in balance over the multi-year projection period. Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to meet spending levels. Any potential spending reductions could affect General Fund Medicaid Funding or HCRA programs. Conversely, any unanticipated balances or excess resources in HCRA are expected to finance Medicaid costs that would otherwise be paid from the General Fund.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## MENTAL HYGIENE

The Department of Mental Hygiene is comprised of three independent agencies: OPWDD, the Office of Mental Health (OMH), and the Office of Alcoholism and Substance Abuse Services (OASAS). Services are administered to adults with serious and persistent mental illness; children with serious emotional disturbances; individuals with developmental disabilities and their families; persons with chemical dependencies; and individuals with compulsive gambling problems. These agencies provide services directly to their patients through State-operated facilities and indirectly through community service providers. The costs associated with providing these services are funded by reimbursement from Medicaid, Medicare, third-party insurance and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, which were issued to finance improvements to infrastructure at mental hygiene facilities throughout the State, with the remaining revenue used to support State operating costs.

Legislation enacted in FY 2013 established the Justice Center for the Protection of People with Special Needs, which has the primary responsibility for tracking, investigating and pursuing serious abuse/neglect complaints at facilities and provider settings operated, certified, or licensed by six State agencies.

MENTAL HYGIENE (millions of dollars)									
	FY 2014 Results	FY 2015 Enacted	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>2,777</b>	<b>2,925</b>	<b>5.3%</b>	<b>3,063</b>	<b>4.7%</b>	<b>3,078</b>	<b>0.5%</b>	<b>3,557</b>	<b>15.6%</b>
<b>People with Developmental Disabilities</b>	<b>1,364</b>	<b>1,463</b>	<b>7.3%</b>	<b>1,533</b>	<b>4.8%</b>	<b>1,463</b>	<b>-4.6%</b>	<b>1,812</b>	<b>23.9%</b>
Residential Services	1,372	1,429	4.2%	1,475	3.2%	1,554	5.4%	1,640	5.5%
Day Programs	598	616	3.0%	635	3.1%	669	5.4%	707	5.7%
Clinic	20	21	5.0%	22	4.8%	23	4.5%	24	4.3%
Other Local	104	112	7.7%	116	3.6%	122	5.2%	129	5.7%
Mental Hygiene Stabilization Fund	(730)	(445)	-39.0%	(267)	-40.0%	(267)	0.0%	0	-100.0%
Financial Plan Relief	0	(270)	N/A	(448)	65.9%	(638)	42.4%	(688)	7.8%
<b>Mental Health</b>	<b>1,101</b>	<b>1,143</b>	<b>3.8%</b>	<b>1,205</b>	<b>5.4%</b>	<b>1,278</b>	<b>6.1%</b>	<b>1,396</b>	<b>9.2%</b>
Adult Local Services	920	952	3.5%	1,008	5.9%	1,075	6.6%	1,179	9.7%
Children Local Services	181	191	5.5%	197	3.1%	203	3.0%	217	6.9%
<b>Alcohol and Substance Abuse</b>	<b>311</b>	<b>318</b>	<b>2.3%</b>	<b>324</b>	<b>1.9%</b>	<b>336</b>	<b>3.7%</b>	<b>348</b>	<b>3.6%</b>
Outpatient/Methadone	125	125	0.0%	127	1.6%	131	3.1%	134	2.3%
Residential	120	127	5.8%	130	2.4%	135	3.8%	142	5.2%
Prevention and Program Support	53	53	0.0%	54	1.9%	56	3.7%	58	3.6%
Crisis	13	13	0.0%	13	0.0%	14	7.7%	14	0.0%
<b>CQCAPD/Justice Center<sup>1</sup></b>	<b>1</b>	<b>1</b>	<b>0.0%</b>	<b>1</b>	<b>0.0%</b>	<b>1</b>	<b>0.0%</b>	<b>1</b>	<b>0.0%</b>

<sup>1</sup> The activities of the Commission on Quality of Care and Advocacy for Persons with Disabilities were subsumed by the Justice Center on June 30, 2013.



## **STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018**

Local assistance spending accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 6.4 percent annually. The main factor driving this level of growth is the phase-down of the Mental Hygiene Stabilization Fund, whereby certain OPWDD-related Medicaid costs are funded under the Medicaid Global Cap. When adjusting for the phase-down of the Mental Hygiene Stabilization Fund, local program spending is expected to increase by an average annual rate of 4.9 percent, and is mainly attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including costs associated with developing new OPWDD residential and non-residential services; expansions in community mental health services intended to reduce reliance on inpatient treatment; developing new opiate and heroin treatment and prevention programs; the New York/New York III Supportive Housing agreement; and community beds that are currently under development for adult home and nursing home residents with mental illness. Additional outyear spending is assumed in Financial Plan estimates for costs associated with efforts to move individuals to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

In FY 2015, additional OPWDD-related Medicaid costs were funded under the cap to benefit the State Financial Plan. These costs were accommodated through the State's implementation of the MRT initiatives; cash management improvements; and the utilization of Federal resources associated with the ACA.

The Enacted Budget replaces the statutorily-indexed COLA with a 2 percent increase, beginning in January 2015, to support salary increases for Direct Care and Direct Support workers and payments to Foster/Adoptive parents. Additionally, the Enacted Budget also authorizes another 2 percent increase beginning in April 2015 for the same individuals, with the April 2015 increase expanded to also include Clinical staff. In total, the Enacted Budget commits \$13 million in FY 2015, growing to \$122 million in FY 2016 to support salary increases for the lowest paid not-for-profit workers and Foster/Adoptive parents.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## SOCIAL SERVICES

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

TEMPORARY AND DISABILITY ASSISTANCE (millions of dollars)									
	FY 2014 Results	FY 2015 Enacted	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>1,351</b>	<b>1,232</b>	<b>-8.8%</b>	<b>1,259</b>	<b>2.2%</b>	<b>1,270</b>	<b>0.9%</b>	<b>1,281</b>	<b>0.9%</b>
SSI	739	653	-11.6%	676	3.5%	686	1.5%	695	1.3%
Public Assistance Benefits	487	459	-5.7%	459	0.0%	459	0.0%	459	0.0%
Welfare Initiatives	20	20	0.0%	18	-10.0%	18	0.0%	18	0.0%
All Other	105	100	-4.8%	106	6.0%	107	0.9%	109	1.9%

As of October 1, 2014, the State will assume responsibility for administration of the State's SSI Supplementation program from the Federal government, which will generate savings and result in an annual spending decline. DOB estimates a decline in projected costs for public assistance due to an expected 2.8 percent annual decrease in average public assistance caseload, which is projected to total 564,167 recipients in FY 2015. Approximately 249,131 families are expected to receive benefits through the Family Assistance program in FY 2015, a decrease of 3.6 percent from FY 2014. In the Safety Net program an average of 120,186 families are expected to be helped in FY 2015, a decrease of 4.2 percent from FY 2014. The caseload for single adults/childless couples supported through the Safety Net program is projected at 194,850 in FY 2015, a decrease of 0.8 percent from FY 2014.

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



## STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CHILDREN AND FAMILY SERVICES (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>1,750</b>	<b>1,545</b>	<b>-11.7%</b>	<b>1,753</b>	<b>13.5%</b>	<b>1,797</b>	<b>2.5%</b>	<b>1,853</b>	<b>3.1%</b>
Child Welfare Service	635	255	-59.8%	425	66.7%	425	0.0%	426	0.2%
Foster Care Block Grant	436	436	0.0%	436	0.0%	454	4.1%	474	4.4%
Adoption	156	159	1.9%	158	-0.6%	162	2.5%	166	2.5%
Day Care	170	311	82.9%	311	0.0%	311	0.0%	311	0.0%
Youth Programs	113	137	21.2%	159	16.1%	159	0.0%	159	0.0%
Medicaid	88	88	0.0%	90	2.3%	94	4.4%	98	4.3%
Committees on Special Education	43	40	-7.0%	42	5.0%	45	7.1%	47	4.4%
Adult Protective/Domestic Violence	31	32	3.2%	32	0.0%	32	0.0%	32	0.0%
All Other	78	87	11.5%	100	14.9%	115	15.0%	140	21.7%

The OCFS spending in FY 2015 is projected to decline from FY 2014 levels, mainly due to a decrease in spending on Child Welfare Services that is attributable to lower estimated claims. Increased Day Care spending includes a \$55 million subsidy increase and a drop in Federal aid that result in State share increase to maintain program funding. In addition, the Committees on Special Education growth is based on the five-year historical average of 4.5 percent pursuant to caseload changes and rate increases for both in-state and out-of-state placements.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## TRANSPORTATION

In FY 2015, the Department of Transportation (DOT) will provide \$4.8 billion to support the operating costs of the Statewide mass transit systems financed from dedicated taxes and fees. The MTA, due to the size and scope of its transit and commuter rail systems, receives the majority of the statewide mass transit operating aid. In addition, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit and commuter rail systems. Pursuant to legislation enacted in December 2011, MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD, and the General Fund now provides additional annual support, subject to appropriation, to the MTA to make up for the resulting loss of revenue.

TRANSPORTATION (millions of dollars)									
	FY 2014 Results	FY 2015 Enacted	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>4,722</b>	<b>4,817</b>	<b>2.0%</b>	<b>4,865</b>	<b>1.0%</b>	<b>4,936</b>	<b>1.5%</b>	<b>5,014</b>	<b>1.6%</b>
Mass Transit Operating Aid:	<u>2,101</u>	<u>2,161</u>	<u>2.9%</u>	<u>2,161</u>	<u>0.0%</u>	<u>2,161</u>	<u>0.0%</u>	<u>2,161</u>	<u>0.0%</u>
Metro Mass Transit Aid	1,964	2,015	2.6%	2,015	0.0%	2,015	0.0%	2,015	0.0%
Public Transit Aid	85	94	10.6%	94	0.0%	94	0.0%	94	0.0%
18-b General Fund Aid	27	27	0.0%	27	0.0%	27	0.0%	27	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,898	1,931	1.7%	2,004	3.8%	2,076	3.6%	2,154	3.8%
Dedicated Mass Transit	677	679	0.3%	654	-3.7%	653	-0.2%	652	-0.2%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	1	1	0.0%	1	0.0%	1	0.0%	2	100.0%

Increased operating aid to the MTA and other transit systems reflects the current receipts forecast and the timing of resources due to transactional delays during FY 2014.

The Enacted Budget includes legislative authorization to offset General Fund support for MTA-related debt service costs by transferring \$30 million in dedicated resources from the MMTOA account to the General Debt Service Fund. The Financial Plan also assumes that \$20 million in MMTOA resources will be available to offset MTA-related debt service costs on an annual basis beginning in FY 2016.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments includes the Aid and Incentives for Municipalities (AIM) program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams; miscellaneous financial assistance for certain counties, towns, and villages; and efficiency-based incentive grants provided to local governments.

LOCAL GOVERNMENT ASSISTANCE (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>756</b>	<b>779</b>	<b>3.0%</b>	<b>778</b>	<b>-0.1%</b>	<b>789</b>	<b>1.4%</b>	<b>792</b>	<b>0.4%</b>
AIM:									
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Restructuring/Efficiency	4	24	500.0%	34	41.7%	45	32.4%	48	6.7%
All Other Local Aid	37	40	8.1%	29	-27.5%	29	0.0%	29	0.0%

Spending for AIM efficiency incentive grants increases over the multi-year period reflecting the anticipated awards from the Financial Restructuring Board for Local Governments.

## AGENCY OPERATIONS

Agency operating costs include personal service, non-personal service, and GSCs. Personal service costs include the salaries of State employees of the Executive, Legislative, and Judicial branches; as well as the salaries of temporary/seasonal employees. Non-personal service costs reflect the cost of operating State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, IT, and professional business services), supplies and materials, equipment, and telephone service. GSCs reflect the cost of fringe benefits (i.e., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State, such as taxes on public lands and litigations. Certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and are not reflected in the State Operating Funds totals.

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

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



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS					
	FY 2014 Results	Forecast			
		FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Negotiated Base Salary Increases <sup>1</sup>					
CSEA/NYSCOPBA/Council 82/UUP	0%	2%	2%	TBD	TBD
PEF / NYSBPA	0%	2%	TBD	TBD	TBD
State Workforce <sup>2</sup>	118,492	118,961	118,961	118,961	118,961
ERS Pension Contribution Rate <sup>3</sup>					
Before Amortization (Normal/Admin/GLIP)	21.5%	20.6%	14.6%	12.6%	11.2%
After Amortization	12.5%	13.5%	14.2%	13.2%	12.2%
PFRS Pension Contribution Rate					
Before Amortization (Normal/Admin/GLIP)	29.9%	28.5%	20.9%	18.9%	17.1%
After Amortization	20.5%	21.5%	20.8%	19.8%	18.8%
Employee/Retiree Health Insurance Growth Rates	3.8%	3.3%	6.5%	6.5%	6.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.4%	14.4%	14.4%	14.1%	13.9%

<sup>1</sup> Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.

<sup>2</sup> Reflects workforce that is Subject to Direct Executive Control.

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

The majority of State agencies are expected to hold personal service and non-personal service spending constant over the plan period. Costs from collective bargaining agreements, which include 2 percent salary increases in FY 2015 and FY 2016 (for certain unions), applicable lump sum payments of \$225, and repayment of a portion of the deficit reduction adjustment made to employee salaries, are expected to be funded from operational savings.

Gaming, health care, and SUNY are three areas expected to experience limited programmatic growth over the ensuing four years. The growth in gaming is attributable to activities related to casino development and oversight. Increases in DOH are primarily driven by the State's implementation of the New York State of Health insurance benefit exchange, the State's insurance marketplace program as mandated by ACA. Beginning in FY 2015, program costs for New York State of Health are partially offset by Federal grants; however, DOH must fully absorb the start-up costs by FY 2016. SUNY spending is driven by tuition funding and reflects anticipated operating needs.





## STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

Other increases are technical in nature and reflect funding reclassifications or administrative reconciliations. For example, growth in Temporary and Disability Assistance reflects the reclassification of local assistance contracts to agency operation spending; while the consolidation of state agency IT functions into one central agency, IT Services, drives a higher cost in FY 2015 compared to FY 2014. In addition, the State's workforce is paid on a bi-weekly basis, weekly pay cycles that alternate between Administrative and Institutional payrolls. There are typically 26 pay periods in a fiscal year. In FY 2016, employees in the Mental Hygiene and DOCCS facilities will have one additional institutional payroll.

<b>STATE OPERATING FUNDS - AGENCY OPERATIONS</b>					
(millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Results	Enacted	Projected	Projected	Projected
<b>SUBJECT TO DIRECT EXECUTIVE CONTROL</b>	<b>9,741</b>	<b>9,924</b>	<b>10,216</b>	<b>10,074</b>	<b>10,045</b>
Mental Hygiene	2,915	2,878	2,892	2,890	2,890
Corrections and Community Supervision	2,584	2,572	2,576	2,580	2,582
State Police	648	651	647	647	647
Public Health	406	421	530	497	489
Tax and Finance	345	339	332	331	331
Children and Family Services	277	264	252	252	252
Environmental Conservation	235	234	235	235	213
Information Technology Services	220	421	427	427	427
Financial Services	195	202	202	202	202
Medicaid Admin	141	230	217	229	229
Parks, Recreation and Historic Preservation	186	178	178	178	178
Gaming	137	166	165	165	166
Temporary and Disability Assistance	139	150	161	161	161
General Services	164	150	149	149	149
Workers' Compensation Board	148	142	142	142	142
Disaster Assistance	1	(68)	0	0	0
27th Institutional Payroll	0	0	124	0	0
All Other	1,000	994	987	989	987
<b>UNIVERSITY SYSTEMS</b>	<b>5,777</b>	<b>5,821</b>	<b>5,940</b>	<b>6,077</b>	<b>6,185</b>
State University	5,698	5,731	5,849	5,984	6,090
City University	79	90	91	93	95
<b>INDEPENDENT AGENCIES</b>	<b>300</b>	<b>309</b>	<b>309</b>	<b>309</b>	<b>309</b>
Law	162	168	168	168	168
Audit & Control	138	141	141	141	141
<b>TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE</b>	<b>15,818</b>	<b>16,054</b>	<b>16,465</b>	<b>16,460</b>	<b>16,539</b>
Judiciary	1,838	1,926	1,926	1,926	1,926
Legislature	208	219	219	219	219
<b>Statewide Total</b>	<b>17,864</b>	<b>18,199</b>	<b>18,610</b>	<b>18,605</b>	<b>18,684</b>
Personal Service	12,300	12,593	12,831	12,808	12,856
	-0.8%	2.4%	1.9%	-0.2%	0.4%
Non-Personal Service	5,564	5,606	5,779	5,797	5,828
	5.4%	0.8%	3.1%	0.3%	0.5%



## STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

In FY 2015, \$12.6 billion or 13.6 percent of the State Operating Funds Budget is projected to be spent on personal service costs and supports roughly 98,700 full-time equivalent (FTE) employees under direct Executive control and another 15,100 employees of the Legislature and Judiciary. Roughly 75 percent of all personal service spending occurs in four areas: SUNY, the Mental Hygiene agencies, DOCCS, and Judiciary.

<b>STATE OPERATING FUNDS FY 2015 PERSONAL SERVICE SPENDING BY AGENCY (millions of dollars)</b>		
	<u>Dollars</u>	<u>FTEs</u>
<b>Subject to Direct Executive Control</b>	<b><u>7,134</u></b>	<b><u>98,719</u></b>
Mental Hygiene Agencies	2,270	33,961
Corrections and Community Supervision	2,090	28,171
State Police	559	5,439
Tax and Finance	275	4,368
Health	264	3,769
Environmental Conservation	177	2,254
Children and Family Services	158	2,595
Financial Services	147	1,299
Parks, Recreation and Historic Preservation	132	1,592
All Other	1,062	15,271
<b>University Systems</b>	<b><u>3,586</u></b>	<b><u>43,606</u></b>
State University	3,545	43,339
City University	41	267
<b>Independent Agencies</b>	<b><u>1,873</u></b>	<b><u>18,229</u></b>
Law	114	1,578
Audit & Control	110	1,582
Judiciary	1,483	15,069
Legislature <sup>1</sup>	166	0
<b>Total Spending / FTEs</b>	<b><u>12,593</u></b>	<b><u>160,554</u></b>
<sup>1</sup> Excludes employees of the Legislature.		
Note: CUNY employees are funded primarily through an agency trust fund. This represents approximately an additional 13,376 FTEs.		



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## GENERAL STATE CHARGES

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

GSCs also include fixed costs for several categories including State payments in lieu of taxes, payments for local assessments on State-owned land and judgments against the State pursuant to the Court of Claims Act.

GENERAL STATE CHARGES (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>6,958</b>	<b>7,206</b>	<b>3.6%</b>	<b>7,513</b>	<b>4.3%</b>	<b>7,707</b>	<b>2.6%</b>	<b>7,854</b>	<b>1.9%</b>
<b>Fringe Benefits</b>	<b>6,564</b>	<b>6,805</b>	<b>3.7%</b>	<b>7,115</b>	<b>4.6%</b>	<b>7,322</b>	<b>2.9%</b>	<b>7,461</b>	<b>1.9%</b>
Health Insurance	3,253	3,355	3.1%	3,560	6.1%	3,775	6.0%	4,004	6.1%
Employee Health Insurance	1,790	1,846	3.1%	1,959	6.1%	2,077	6.0%	2,203	6.1%
Retiree Health Insurance	1,463	1,509	3.1%	1,601	6.1%	1,698	6.1%	1,801	6.1%
Pensions	2,086	2,136	2.4%	2,301	7.7%	2,190	-4.8%	2,091	-4.5%
Social Security	944	967	2.4%	987	2.1%	1,008	2.1%	1,026	1.8%
All Other Fringe	281	347	23.5%	267	-23.1%	349	30.7%	340	-2.6%
<b>Fixed Costs</b>	<b>394</b>	<b>401</b>	<b>1.8%</b>	<b>398</b>	<b>-0.7%</b>	<b>385</b>	<b>-3.3%</b>	<b>393</b>	<b>2.1%</b>

GSCs are projected to increase at an average annual rate of 3.1 percent over the Financial Plan period due mainly to projected growth in the employer share of cost of employee and retiree health insurance and social security payments, which generally move in tandem with the State's personal service costs. Fixed costs are projected to average approximately \$395 million annually over the multi-year plan. The declines in FY 2016 and FY 2017 reflect the expected final litigation payments for certain settlements.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

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

<b>GENERAL FUND TRANSFERS TO OTHER FUNDS</b>					
(millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Results	Enacted	Projected	Projected	Projected
<b>TOTAL TRANSFERS TO OTHER FUNDS</b>	<b>9,095</b>	<b>8,102</b>	<b>8,998</b>	<b>10,011</b>	<b>10,596</b>
State Share of Mental Hygiene Medicaid	1,576	1,638	1,313	1,281	1,156
Debt Service	1,972	1,081	1,058	1,457	1,509
SUNY University Operations	971	977	980	980	980
Capital Projects	1,436	930	1,406	1,761	2,006
Dedicated Highway and Bridge Trust Fund	450	719	697	776	848
All Other Capital	986	211	709	985	1,158
<b>ALL OTHER TRANSFERS</b>	<b>3,140</b>	<b>3,476</b>	<b>4,241</b>	<b>4,532</b>	<b>4,945</b>
Mental Hygiene	2,135	2,216	3,039	3,320	3,732
Department of Transportation (MTA Tax)	329	335	335	335	336
SUNY - Disproportionate Share	173	209	228	228	228
Judiciary Funds	107	107	107	107	107
SUNY - Hospital Operations	67	88	88	88	88
Dedicated Mass Transportation Trust Fund	0	63	63	63	63
Mortgage Settlement Proceeds Trust Fund	0	58	0	0	0
Banking Services	41	50	52	54	55
Indigent Legal Services	28	40	40	40	40
Mass Transportation Operating Assistance	34	37	37	37	37
Alcoholic Beverage Control	18	20	20	20	20
Information Technology Services	40	14	6	0	0
Public Transportation Systems	12	15	15	15	15
Correctional Industries	10	12	11	11	11
All Other	146	212	200	214	213

A significant portion of the capital and operating expenses of DOT and the Department of Motor Vehicles (DMV) are funded from the DHBTF. The Fund receives various dedicated tax and fee revenues, including the petroleum business tax, motor fuel tax, and highway use taxes. 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 certain transportation bonds – exceed current and projected revenue deposits and bond proceeds.



## STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

### DEBT SERVICE

The State pays debt service on all outstanding State-supported bonds. These include General Obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (e.g., Empire State Development (ESD), DASNY, and the Thruway Authority, 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>FY 2014 Results</b>	<b>FY 2015 Enacted</b>	<b>Annual Change</b>	<b>Percent Change</b>
<b>General Fund</b>	<b>1,972</b>	<b>1,081</b>	<b>(891)</b>	<b>-45.2%</b>
Other State Support	4,428	4,567	139	3.1%
<b>State Operating/All Funds Total</b>	<b>6,400</b>	<b>5,648</b>	<b>(752)</b>	<b>-11.8%</b>

Total debt service is projected at \$5.6 billion in FY 2015, of which approximately \$1.1 billion is paid from the General Fund through transfers, and \$4.6 billion from other State funds. The General Fund transfer 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 and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

Enacted Budget estimates for debt service spending have been revised to reflect a number of factors, including actual bond sales through FY 2014 and revised estimates for future bonding levels, including increased debt service costs associated with additional capital commitments. Also, FY 2015 spending estimates assume the prepayment of \$350 million of debt service that is due during FY 2016. Excluding prepayments, debt service is projected to remain flat year-over-year.



# **STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018**

## **FINANCIAL PLAN TABLES**

The following tables present the multi-year projections for State Operating Funds and All Governmental Funds, as well as monthly cashflow detail for the General Fund. The Financial Plan projections for FY 2016 and thereafter, set forth in this AIS, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2% State Operating Funds Spending Benchmark.” Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH RECEIPTS ALL GOVERNMENTAL FUNDS FY 2015 THROUGH FY 2018 (millions of dollars)				
	FY 2015	FY 2016	FY 2017	FY 2018
	Enacted	Projected	Projected	Projected
<b>Taxes:</b>				
Withholdings	35,149	37,410	39,491	40,905
Estimated Payments	13,418	14,895	16,119	17,058
Final Payments	2,166	2,328	2,530	2,636
Other Payments	1,246	1,293	1,338	1,391
<b>Gross Collections</b>	<b>51,979</b>	<b>55,926</b>	<b>59,478</b>	<b>61,990</b>
State/City Offset	(448)	(448)	(448)	(448)
Refunds	(7,796)	(8,649)	(9,007)	(9,081)
<b>Reported Tax Collections</b>	<b>43,735</b>	<b>46,829</b>	<b>50,023</b>	<b>52,461</b>
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
<b>Personal Income Tax</b>	<b>43,735</b>	<b>46,829</b>	<b>50,023</b>	<b>52,461</b>
Sales and Use Tax	12,967	13,448	13,947	14,474
Cigarette and Tobacco Taxes	1,299	1,293	1,236	1,186
Motor Fuel Tax	487	484	485	481
Alcoholic Beverage Taxes	256	261	266	271
Highway Use Tax	136	145	139	141
Auto Rental Tax	119	124	128	135
Taxicab Surcharge	100	101	101	101
<b>Gross Utility Taxes and Fees</b>	<b>15,364</b>	<b>15,856</b>	<b>16,302</b>	<b>16,789</b>
LGAC/STBF (Dedicated Transfers)	0	0	0	0
<b>User Taxes and Fees</b>	<b>15,364</b>	<b>15,856</b>	<b>16,302</b>	<b>16,789</b>
Corporation Franchise Tax	2,798	4,533	4,257	4,442
Corporation and Utilities Tax	790	780	800	818
Insurance Taxes	1,534	1,596	1,572	1,553
Bank Tax	1,409	(10)	203	190
Petroleum Business Tax	1,140	1,100	1,098	1,098
<b>Business Taxes</b>	<b>7,671</b>	<b>7,999</b>	<b>7,930</b>	<b>8,101</b>
Estate Tax	1,179	1,139	1,044	994
Real Estate Transfer Tax	955	1,020	1,079	1,149
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	17	17	17	17
Other Taxes	1	1	1	1
<b>Gross Other Taxes</b>	<b>2,152</b>	<b>2,177</b>	<b>2,141</b>	<b>2,161</b>
Real Estate Transfer Tax (Dedicated)	0	0	0	0
<b>Other Taxes</b>	<b>2,152</b>	<b>2,177</b>	<b>2,141</b>	<b>2,161</b>
<b>Payroll Tax</b>	<b>1,266</b>	<b>1,332</b>	<b>1,403</b>	<b>1,478</b>
<b>Total Taxes</b>	<b>70,188</b>	<b>74,193</b>	<b>77,799</b>	<b>80,990</b>
Licenses, Fees, Etc.	757	758	760	760
Abandoned Property	655	655	655	655
Motor Vehicle Fees	1,300	1,300	1,300	1,300
ABC License Fee	56	65	61	62
Reimbursements	299	289	279	269
Investment Income	10	10	10	10
Other Transactions	22,595	22,137	21,309	20,122
<b>Miscellaneous Receipts</b>	<b>25,672</b>	<b>25,214</b>	<b>24,374</b>	<b>23,178</b>
<b>Federal Receipts</b>	<b>45,789</b>	<b>46,534</b>	<b>48,283</b>	<b>49,750</b>
<b>Total</b>	<b>141,649</b>	<b>145,941</b>	<b>150,456</b>	<b>153,918</b>

Source: NYS DOB.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2015 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
<b>Opening Fund Balance</b>	2,235	2,489	65	4,789
<b>Receipts:</b>				
Taxes	42,659	8,351	17,816	68,826
Miscellaneous Receipts	3,815	16,003	460	20,278
Federal Receipts	0	1	73	74
<b>Total Receipts</b>	46,474	24,355	18,349	89,178
<b>Disbursements:</b>				
Local Assistance Grants	42,118	19,063	0	61,181
Departmental Operations:				
Personal Service	5,890	6,703	0	12,593
Non-Personal Service	1,960	3,603	43	5,606
General State Charges	5,072	2,134	0	7,206
Debt Service	0	0	5,648	5,648
Capital Projects	0	0	0	0
<b>Total Disbursements</b>	55,040	31,503	5,691	92,234
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	16,488	8,104	4,467	29,059
Transfers to Other Funds	(8,102)	(998)	(17,132)	(26,232)
Bond and Note Proceeds	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	8,386	7,106	(12,665)	2,827
<b>Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements</b>	(180)	(42)	(7)	(229)
<b>Closing Fund Balance</b>	2,055	2,447	58	4,560

Source: NYS DOB.





# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2016 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
<b>Receipts:</b>				
Taxes	45,436	8,522	18,886	72,844
Miscellaneous Receipts	2,980	16,145	433	19,558
Federal Receipts	0	1	73	74
<b>Total Receipts</b>	<u>48,416</u>	<u>24,668</u>	<u>19,392</u>	<u>92,476</u>
<b>Disbursements:</b>				
Local Assistance Grants	44,827	19,314	0	64,141
Departmental Operations:				
Personal Service	5,986	6,845	0	12,831
Non-Personal Service	2,010	3,726	43	5,779
General State Charges	5,322	2,191	0	7,513
Debt Service	0	0	5,908	5,908
Capital Projects	0	1	0	1
<b>Total Disbursements</b>	<u>58,145</u>	<u>32,077</u>	<u>5,951</u>	<u>96,173</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	16,947	8,177	4,104	29,228
Transfers to Other Funds	(8,998)	(754)	(17,532)	(27,284)
Bond and Note Proceeds	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	<u>7,949</u>	<u>7,423</u>	<u>(13,428)</u>	<u>1,944</u>
<b>Use (Reservation) of Fund Balance:</b>				
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	(11)
<b>Total Use (Reservation) of Fund Balance</b>	<u>(11)</u>	<u>0</u>	<u>0</u>	<u>(11)</u>
<b>Adherence to 2% State Operating Funds Spending Benchmark*</b>				
	2,094	0	0	2,094
<b>Net Surplus (Deficit)</b>	<u>303</u>	<u>14</u>	<u>13</u>	<u>330</u>
<p>*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, budget gaps may result.</p>				
Source: NYS DOB.				



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2017 (millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
<b>Receipts:</b>				
Taxes	47,746	8,732	19,976	76,454
Miscellaneous Receipts	2,790	16,057	404	19,251
Federal Receipts	0	1	73	74
<b>Total Receipts</b>	<b>50,536</b>	<b>24,790</b>	<b>20,453</b>	<b>95,779</b>
<b>Disbursements:</b>				
Local Assistance Grants	47,077	19,273	0	66,350
Departmental Operations:				
Personal Service	5,952	6,856	0	12,808
Non-Personal Service	2,004	3,750	43	5,797
General State Charges	5,470	2,237	0	7,707
Debt Service	0	0	6,682	6,682
Capital Projects	0	2	0	2
<b>Total Disbursements</b>	<b>60,503</b>	<b>32,118</b>	<b>6,725</b>	<b>99,346</b>
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	17,710	8,270	4,454	30,434
Transfers to Other Funds	(10,011)	(709)	(18,167)	(28,887)
Bond and Note Proceeds	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	<b>7,699</b>	<b>7,561</b>	<b>(13,713)</b>	<b>1,547</b>
<b>Use (Reservation) of Fund Balance:</b>				
Prior-Year Labor Agreements (2007-2011)	(12)	0	0	(12)
<b>Total Use (Reservation) of Fund Balance</b>	<b>(12)</b>	<b>0</b>	<b>0</b>	<b>(12)</b>
<b>Adherence to 2% State Operating Funds Spending Benchmark*</b>				
	3,385	0	0	3,385
<b>Net Surplus (Deficit)</b>	<b>1,105</b>	<b>233</b>	<b>15</b>	<b>1,353</b>

\*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, budget gaps may result.

Source: NYS DOB.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

## CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2018 (millions of dollars)

	<u>General Fund</u>	<u>State Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
<b>Receipts:</b>				
Taxes	49,844	8,892	20,905	79,641
Miscellaneous Receipts	2,215	16,121	399	18,735
Federal Receipts	0	1	73	74
<b>Total Receipts</b>	<b>52,059</b>	<b>25,014</b>	<b>21,377</b>	<b>98,450</b>
<b>Disbursements:</b>				
Local Assistance Grants	49,671	19,574	0	69,245
Departmental Operations:				
Personal Service	5,975	6,881	0	12,856
Non-Personal Service	2,052	3,733	43	5,828
General State Charges	5,583	2,271	0	7,854
Debt Service	0	0	7,011	7,011
Capital Projects	0	2	0	2
<b>Total Disbursements</b>	<b>63,281</b>	<b>32,461</b>	<b>7,054</b>	<b>102,796</b>
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	18,391	8,391	4,417	31,199
Transfers to Other Funds	(10,596)	(630)	(18,710)	(29,936)
Bond and Note Proceeds	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	<b>7,795</b>	<b>7,761</b>	<b>(14,293)</b>	<b>1,263</b>
<b>Use (Reservation) of Fund Balance:</b>				
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	(11)
<b>Total Use (Reservation) of Fund Balance</b>	<b>(11)</b>	<b>0</b>	<b>0</b>	<b>(11)</b>
<b>Adherence to 2% State Operating Funds Spending Benchmark*</b>				
	4,916	0	0	4,916
<b>Net Surplus (Deficit)</b>	<b>1,478</b>	<b>314</b>	<b>30</b>	<b>1,822</b>

\*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, budget gaps may result.

Source: NYS DOB.



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2015 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
<b>Opening Fund Balance</b>	2,235	2,364	(629)	65	4,035
<b>Receipts:</b>					
Taxes	42,659	8,351	1,362	17,816	70,188
Miscellaneous Receipts	3,815	16,189	5,208	460	25,672
Federal Receipts	0	43,654	2,062	73	45,789
<b>Total Receipts</b>	<u>46,474</u>	<u>68,194</u>	<u>8,632</u>	<u>18,349</u>	<u>141,649</u>
<b>Disbursements:</b>					
Local Assistance Grants	42,118	58,138	2,474	0	102,730
Departmental Operations:					
Personal Service	5,890	7,365	0	0	13,255
Non-Personal Service	1,960	4,822	0	43	6,825
General State Charges	5,072	2,443	0	0	7,515
Debt Service	0	0	0	5,648	5,648
Capital Projects	0	0	5,991	0	5,991
<b>Total Disbursements</b>	<u>55,040</u>	<u>72,768</u>	<u>8,465</u>	<u>5,691</u>	<u>141,964</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from Other Funds	16,488	7,719	1,048	4,467	29,722
Transfers to Other Funds	(8,102)	(3,060)	(1,509)	(17,132)	(29,803)
Bond and Note Proceeds	0	0	306	0	306
<b>Net Other Financing Sources (Uses)</b>	<u>8,386</u>	<u>4,659</u>	<u>(155)</u>	<u>(12,665)</u>	<u>225</u>
<b>Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements</b>	<u>(180)</u>	<u>85</u>	<u>12</u>	<u>(7)</u>	<u>(90)</u>
<b>Closing Fund Balance</b>	<u>2,055</u>	<u>2,449</u>	<u>(617)</u>	<u>58</u>	<u>3,945</u>

Source: NYS DOB.



## STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2016 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
<b>Receipts:</b>					
Taxes	45,436	8,522	1,349	18,886	74,193
Miscellaneous Receipts	2,980	16,331	5,470	433	25,214
Federal Receipts	0	44,776	1,685	73	46,534
<b>Total Receipts</b>	<b>48,416</b>	<b>69,629</b>	<b>8,504</b>	<b>19,392</b>	<b>145,941</b>
<b>Disbursements:</b>					
Local Assistance Grants	44,827	60,238	2,635	0	107,700
Departmental Operations:					
Personal Service	5,986	7,528	0	0	13,514
Non-Personal Service	2,010	4,738	0	43	6,791
General State Charges	5,322	2,518	0	0	7,840
Debt Service	0	0	0	5,908	5,908
Capital Projects	0	1	7,115	0	7,116
<b>Total Disbursements</b>	<b>58,145</b>	<b>75,023</b>	<b>9,750</b>	<b>5,951</b>	<b>148,869</b>
<b>Other Financing Sources (Uses):</b>					
Transfers from Other Funds	16,947	7,834	1,545	4,104	30,430
Transfers to Other Funds	(8,998)	(2,425)	(1,508)	(17,532)	(30,463)
Bond and Note Proceeds	0	0	1,120	0	1,120
<b>Net Other Financing Sources (Uses)</b>	<b>7,949</b>	<b>5,409</b>	<b>1,157</b>	<b>(13,428)</b>	<b>1,087</b>
<b>Use (Reservation) of Fund Balance:</b>					
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	0	(11)
<b>Total Use (Reservation) of Fund Balance</b>	<b>(11)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11)</b>
<b>Adherence to 2% State Operating Funds Spending Benchmark*</b>					
	2,094	0	0	0	2,094
<b>Net Surplus (Deficit)</b>	<b>303</b>	<b>15</b>	<b>(89)</b>	<b>13</b>	<b>242</b>
*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, budget gaps may result.					
Source: NYS DOB.					



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2017 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
<b>Receipts:</b>					
Taxes	47,746	8,732	1,345	19,976	77,799
Miscellaneous Receipts	2,790	16,243	4,937	404	24,374
Federal Receipts	0	46,569	1,641	73	48,283
<b>Total Receipts</b>	<b>50,536</b>	<b>71,544</b>	<b>7,923</b>	<b>20,453</b>	<b>150,456</b>
<b>Disbursements:</b>					
Local Assistance Grants	47,077	62,268	2,224	0	111,569
Departmental Operations:					
Personal Service	5,952	7,549	0	0	13,501
Non-Personal Service	2,004	4,578	0	43	6,625
General State Charges	5,470	2,567	0	0	8,037
Debt Service	0	0	0	6,682	6,682
Capital Projects	0	2	6,366	0	6,368
<b>Total Disbursements</b>	<b>60,503</b>	<b>76,964</b>	<b>8,590</b>	<b>6,725</b>	<b>152,782</b>
<b>Other Financing Sources (Uses):</b>					
Transfers from Other Funds	17,710	7,927	1,896	4,454	31,987
Transfers to Other Funds	(10,011)	(2,274)	(1,567)	(18,167)	(32,019)
Bond and Note Proceeds	0	0	415	0	415
<b>Net Other Financing Sources (Uses)</b>	<b>7,699</b>	<b>5,653</b>	<b>744</b>	<b>(13,713)</b>	<b>383</b>
<b>Use (Reservation) of Fund Balance:</b>					
Prior-Year Labor Agreements (2007-2011)	(12)	0	0	0	(12)
<b>Total Use (Reservation) of Fund Balance</b>	<b>(12)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12)</b>
<b>Adherence to 2% State Operating Funds Spending Benchmark*</b>					
	3,385	0	0	0	3,385
<b>Net Surplus (Deficit)</b>	<b>1,105</b>	<b>233</b>	<b>77</b>	<b>15</b>	<b>1,430</b>
<p>*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, budget gaps may result.</p>					
Source: NYS DOB.					



# STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2018 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
<b>Receipts:</b>					
Taxes	49,844	8,892	1,349	20,905	80,990
Miscellaneous Receipts	2,215	16,307	4,257	399	23,178
Federal Receipts	0	48,005	1,672	73	49,750
<b>Total Receipts</b>	<u>52,059</u>	<u>73,204</u>	<u>7,278</u>	<u>21,377</u>	<u>153,918</u>
<b>Disbursements:</b>					
Local Assistance Grants	49,671	64,124	1,990	0	115,785
Departmental Operations:					
Personal Service	5,975	7,578	0	0	13,553
Non-Personal Service	2,052	4,570	0	43	6,665
General State Charges	5,583	2,604	0	0	8,187
Debt Service	0	0	0	7,011	7,011
Capital Projects	0	2	6,146	0	6,148
<b>Total Disbursements</b>	<u>63,281</u>	<u>78,878</u>	<u>8,136</u>	<u>7,054</u>	<u>157,349</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from Other Funds	18,391	8,391	2,070	4,417	33,269
Transfers to Other Funds	(10,596)	(2,403)	(1,617)	(18,710)	(33,326)
Bond and Note Proceeds	0	0	392	0	392
<b>Net Other Financing Sources (Uses)</b>	<u>7,795</u>	<u>5,988</u>	<u>845</u>	<u>(14,293)</u>	<u>335</u>
<b>Use (Reservation) of Fund Balance:</b>					
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	0	(11)
<b>Total Use (Reservation) of Fund Balance</b>	<u>(11)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(11)</u>
<b>Adherence to 2% State Operating Funds Spending Benchmark*</b>					
	4,916	0	0	0	4,916
<b>Net Surplus (Deficit)</b>	<u>1,478</u>	<u>314</u>	<u>(13)</u>	<u>30</u>	<u>1,809</u>

\*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, budget gaps may result.

Source: NYS DOB.

**CASHFLOW**  
**GENERAL FUND**  
**FY 2015**  
**(dollars in millions)**

	2014 April Results	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2015 January Projected	February Projected	March Projected	Total
<b>OPENING BALANCE</b>	2,235	5,533	2,652	2,602	2,465	1,840	4,159	2,650	1,104	3,116	5,155	5,795	2,235
<b>RECEIPTS:</b>													
Personal Income Tax	4,015	1,297	2,696	1,989	1,784	3,067	1,426	1,544	3,311	3,349	2,699	2,195	29,372
User Taxes and Fees	507	473	645	519	506	647	524	520	699	551	457	604	6,652
Business Taxes	148	8	922	73	41	952	116	77	903	154	98	1,946	5,438
Other Taxes	85	101	101	101	102	102	101	101	101	100	100	102	1,197
Total Taxes	4,755	1,879	4,364	2,682	2,433	4,768	2,167	2,242	5,014	4,154	3,354	4,847	42,659
Abandoned Property	1	0	0	1	4	50	20	140	25	35	85	294	655
ABC License Fee	7	5	5	5	5	5	5	5	3	4	3	4	56
Investment Income	0	0	1	0	0	1	0	0	4	0	0	4	10
Licenses, Fees, etc.	31	50	65	50	50	70	50	70	90	75	65	91	757
Motor Vehicle Fees	37	13	13	12	12	12	10	10	10	9	9	8	155
Reimbursements	2	5	45	10	10	50	10	20	55	15	30	47	299
Other Transactions	97	1,011	27	31	11	162	34	15	49	37	19	390	1,883
Total Miscellaneous Receipts	175	1,084	156	109	92	350	129	260	236	175	211	838	3,815
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,338	262	1,041	417	243	1,241	361	177	1,166	1,112	477	1,203	9,038
Tax in Excess of LGAC	212	57	464	228	177	295	235	236	319	246	3	156	2,628
Sales Tax Bond Fund	208	219	287	220	220	292	221	222	306	232	197	284	2,908
Real Estate Taxes in Excess of CW/CA Debt Service	57	62	66	70	80	75	67	60	52	55	60	57	761
All Other	90	88	57	36	2	113	38	2	35	56	228	408	1,153
Total Transfers from Other Funds	1,905	688	1,915	971	722	2,016	922	697	1,878	1,701	965	2,108	16,488
<b>TOTAL RECEIPTS</b>	<b>6,835</b>	<b>3,651</b>	<b>6,435</b>	<b>3,762</b>	<b>3,247</b>	<b>7,134</b>	<b>3,218</b>	<b>3,199</b>	<b>7,128</b>	<b>6,030</b>	<b>4,530</b>	<b>7,793</b>	<b>62,962</b>
<b>DISBURSEMENTS:</b>													
School Aid	282	2,660	1,748	90	555	1,586	936	1,496	1,662	425	487	6,529	18,456
Higher Education	13	18	836	259	140	60	466	41	191	35	337	488	2,884
All Other Education	20	304	175	206	159	83	248	72	44	293	209	321	2,134
Medicaid - DOH	1,101	1,034	1,037	927	1,149	756	976	1,117	611	1,025	1,091	774	11,598
Public Health	1	106	65	56	84	33	32	35	81	61	90	107	751
Mental Hygiene	5	1	272	1	1	273	157	0	278	121	85	250	1,444
Children and Families	27	122	141	76	76	246	76	76	229	88	62	322	1,541
Temporary & Disability Assistance	98	106	106	161	115	42	98	98	98	98	98	114	1,232
Transportation	0	24	0	0	24	0	0	24	14	0	12	0	98
Unrestricted Aid	0	13	391	1	1	105	8	1	188	1	3	67	779
All Other	22	3	217	50	55	46	102	107	123	111	122	243	1,201
Total Local Assistance Grants	1,569	4,391	4,988	1,827	2,359	3,230	3,099	3,067	3,519	2,258	2,596	9,215	42,118
Personal Service	447	526	445	588	450	448	537	463	614	458	458	456	5,890
Non-Personal Service	83	144	141	142	135	150	175	171	184	164	192	279	1,960
Total Departmental Operations	530	670	586	730	585	598	712	634	798	622	650	735	7,850
General State Charges	504	859	292	617	418	327	623	425	218	521	208	60	5,072
Debt Service	401	(154)	(2)	226	(3)	(99)	140	0	(32)	394	(19)	229	1,081
Capital Projects	9	80	(207)	139	61	161	(113)	0	68	49	106	577	930
State Share Medicaid	169	143	154	148	154	155	108	129	120	119	121	118	1,638
SUNY Operations	210	210	210	188	0	0	0	160	0	0	0	(1)	977
Other Purposes	145	333	464	24	298	443	158	330	425	28	228	600	3,476
Total Transfers to Other Funds	934	612	619	725	510	660	293	619	581	590	436	1,523	8,102
<b>TOTAL DISBURSEMENTS</b>	<b>3,537</b>	<b>6,532</b>	<b>6,485</b>	<b>3,899</b>	<b>3,872</b>	<b>4,815</b>	<b>4,727</b>	<b>4,745</b>	<b>5,116</b>	<b>3,991</b>	<b>3,890</b>	<b>11,533</b>	<b>63,142</b>
Excess/(Deficiency) of Receipts over Disbursements	3,298	(2,881)	(50)	(137)	(625)	2,319	(1,509)	(1,546)	2,012	2,039	640	(3,740)	(180)
<b>CLOSING BALANCE</b>	<b>5,533</b>	<b>2,652</b>	<b>2,602</b>	<b>2,465</b>	<b>1,840</b>	<b>4,159</b>	<b>2,650</b>	<b>1,104</b>	<b>3,116</b>	<b>5,155</b>	<b>5,795</b>	<b>2,055</b>	<b>2,055</b>

Source: NYS DOB.





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**PRIOR  
FISCAL YEARS**

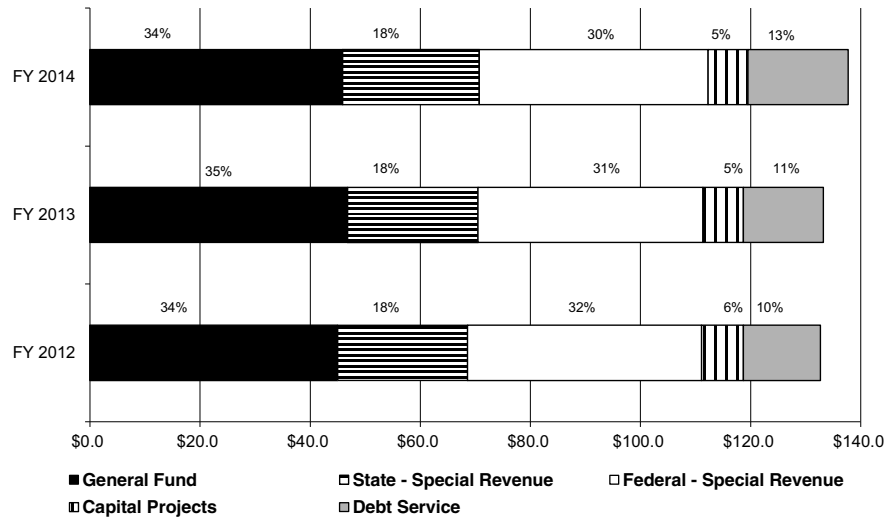
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# Prior Fiscal Years

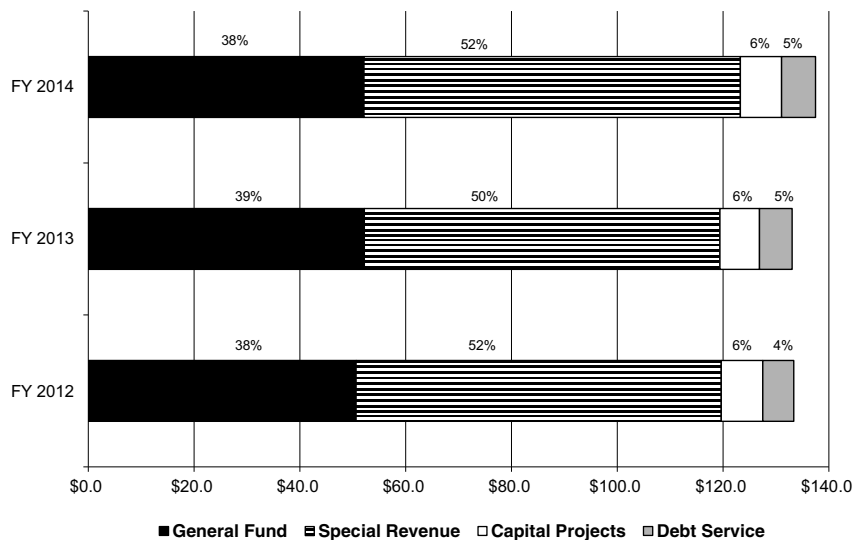
The following six tables show the composition of the State's governmental funds, State Operating Funds and the General Fund as of March 31, 2014. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years.

**Governmental Funds Receipts**  
**State Fiscal Years 2012, 2013 and 2014**  
 (billions of dollars)



Note: Percentage total may not add due to rounding.

**Governmental Funds Disbursements**  
**State Fiscal Years 2012, 2013 and 2014**  
 (billions of dollars)

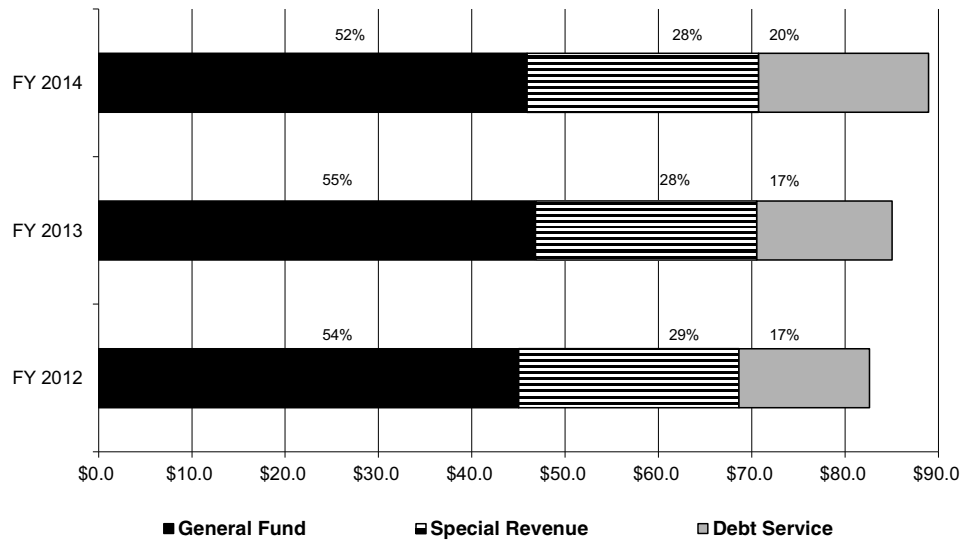


Note: Percentage total may not add due to rounding.



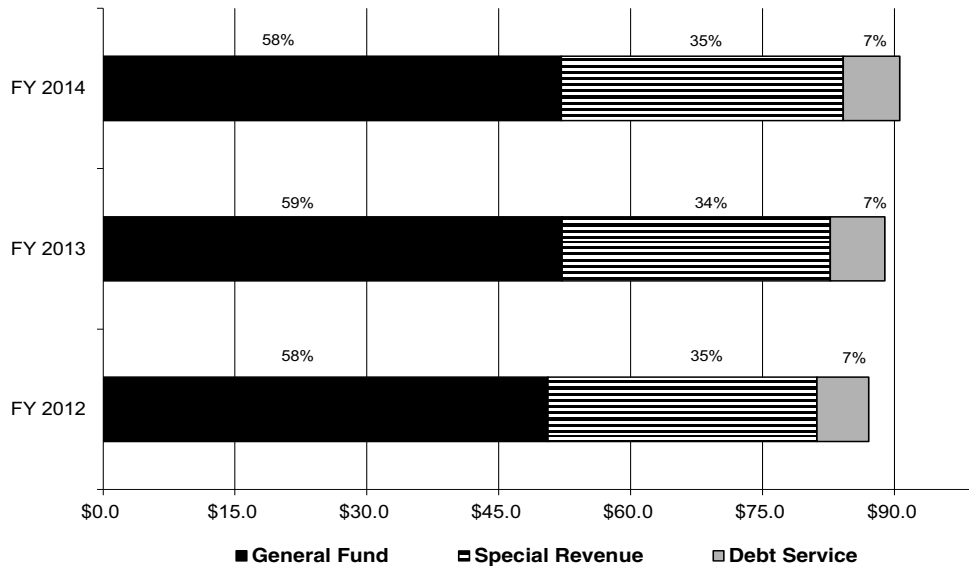
## PRIOR FISCAL YEARS

**State Operating Funds Receipts**  
**State Fiscal Years 2012, 2013 and 2014**  
 (billions of dollars)



Note: Percentage total may not add due to rounding.

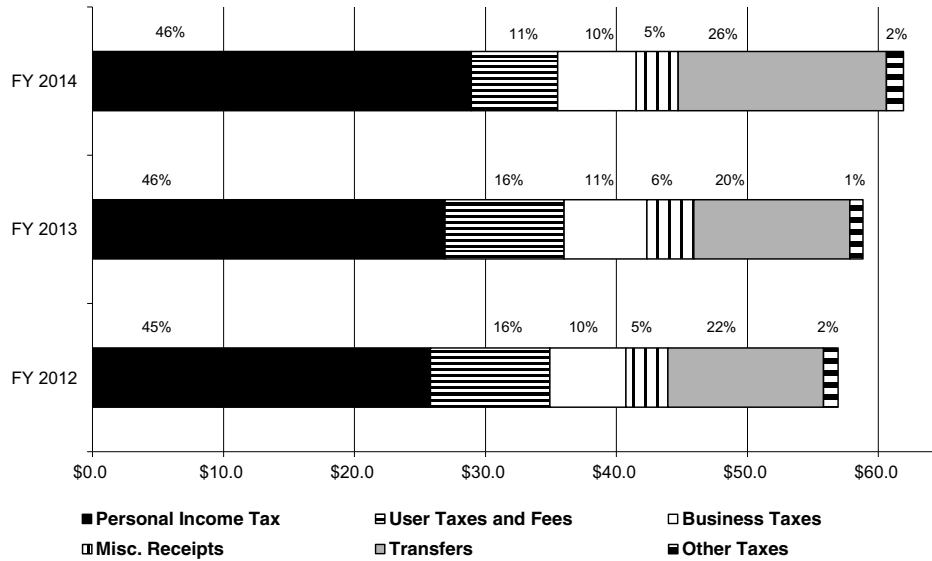
**State Operating Funds Disbursements**  
**State Fiscal Years 2012, 2013 and 2014**  
 (billions of dollars)



Note: Percentage total may not add due to rounding.

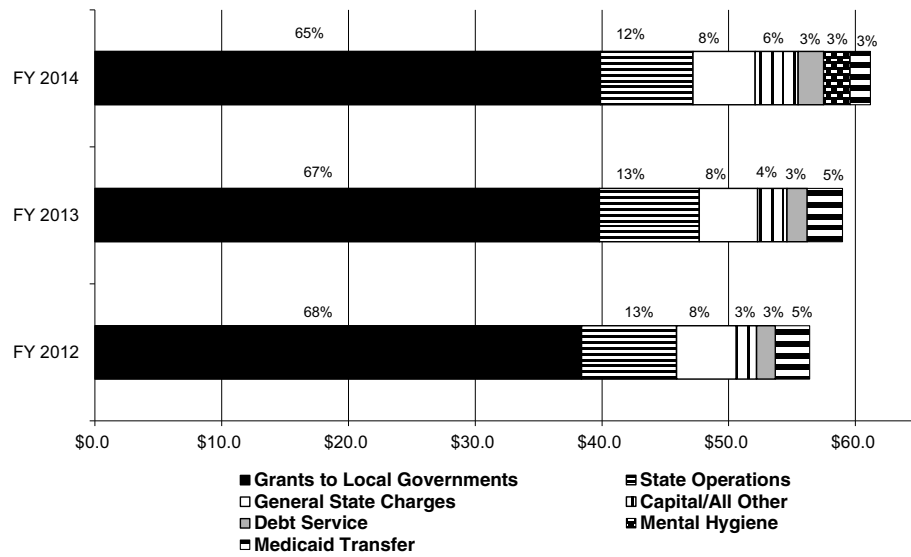


**General Fund Receipts and Transfers by Source**  
**State Fiscal Years 2012, 2013 and 2014**  
 (billions of dollars)



Note: Percentage total may not add due to rounding.

**General Fund Disbursements and Transfers by Type**  
**State Fiscal Years 2012, 2013 and 2014**  
 (billions of dollars)



Note: Percentage total may not add due to rounding.



## **PRIOR FISCAL YEARS**

The State reports its financial results on the cash basis of accounting, showing receipts and disbursements; and the GAAP basis (including modified accrual and full accrual), as prescribed by GAAP, showing revenues and expenditures. With the exception of FY 2014 financial results, the State's GAAP-basis financial results set forth in this section have been audited. Note that the FY 2014 financial results included in this AIS are preliminary and unaudited.

### **CASH-BASIS RESULTS FOR PRIOR FISCAL YEARS**

#### **GENERAL FUND FY 2012 THROUGH FY 2014**

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

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

#### **RECENT TRENDS**

With State receipts slowly recovering, the State has allowed limited spending growth to meet the demand for services. In addition, rainy day reserve fund balances have been supported and maintained. The following table summarizes General Fund results for the prior three fiscal years.



<b>COMPARISON OF GENERAL FUND RECEIPTS AND DISBURSEMENTS</b>			
<b>FY 2012 THROUGH FY 2014</b>			
<b>(millions of dollars)</b>			
	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>OPENING FUND BALANCE</b>	<u>1,376</u>	<u>1,787</u>	<u>1,610</u>
<b>Personal Income Tax <sup>(1)</sup></b>	25,843	26,884	28,864
<b>User Taxes and Fees:</b>			
Sales and Use Tax <sup>(2)</sup>	8,346	8,423	5,885
Cigarette and Tobacco Tax	471	443	426
Alcoholic Beverage Taxes	238	246	250
<b>Subtotal</b>	<u>9,055</u>	<u>9,112</u>	<u>6,561</u>
<b>Business Taxes:</b>			
Corporation Franchise Tax	2,724	2,624	3,245
Corporation and Utilities Taxes	618	686	615
Insurance Taxes	1,257	1,346	1,298
Bank Tax	1,161	1,597	888
<b>Subtotal</b>	<u>5,760</u>	<u>6,253</u>	<u>6,046</u>
<b>Other Taxes:</b>			
Estate and Gift Taxes	1,078	1,015	1,238
Pari-mutuel Tax	17	18	17
Other Taxes	1	1	1
<b>Subtotal</b>	<u>1,096</u>	<u>1,034</u>	<u>1,256</u>
<b>Miscellaneous Receipts &amp; Federal Grants</b>	3,222	3,566	3,220
<b>Transfers from Other Funds:</b>			
PIT in excess of Revenue Bond debt service	8,097	8,328	8,822
Sales Tax in excess of Revenue Bond debt service	0	0	2,936
Sales Tax in Excess of LGAC Debt Service	2,396	2,416	2,568
All Other Transfers	1,431	1,190	1,595
<b>Subtotal</b>	<u>11,924</u>	<u>11,934</u>	<u>15,921</u>
<b>TOTAL RECEIPTS</b>	<u>56,900</u>	<u>58,783</u>	<u>61,868</u>
<b>Grants to Local Governments:</b>			
School Aid	16,778	17,110	17,238
Medicaid	10,300	11,110	11,487
All Other Local Aid	11,341	11,540	11,215
<b>State Operations:</b>			
<b>Personal Service</b>	5,781	6,130	5,563
<b>Non-Personal Service</b>	1,713	1,726	1,746
<b>General State Charges</b>	4,720	4,550	4,899
<b>Transfers to Other Funds:</b>			
In Support of Debt Service	1,516	1,647	1,971
In Support of Capital Projects	798	916	1,436
State Share Medicaid	2,722	2,846	1,576
Mental Hygiene Facilities <sup>(3)</sup>	0	0	2,135
SUNY Operations <sup>(4)</sup>	0	340	971
All Other Transfers	820	1,045	1,006
<b>Subtotal</b>	<u>5,856</u>	<u>6,794</u>	<u>9,095</u>
<b>TOTAL DISBURSEMENTS</b>	<u>56,489</u>	<u>58,960</u>	<u>61,243</u>
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	<u>411</u>	<u>(177)</u>	<u>625</u>
<b>CLOSING FUND BALANCE</b>	<u>1,787</u>	<u>1,610</u>	<u>2,235</u>

Sources: NYS Office of the State Comptroller. Financial Plan categorical detail by NYS Division of the Budget.

<sup>(1)</sup> Excludes personal income tax receipts that flow into the Revenue Bond Tax Fund in the first instance and are then transferred to the General Fund after debt service obligation is satisfied.

<sup>(2)</sup> Excludes sales tax in excess of LGAC Debt Service and Sales Tax Revenue Bond Fund.

<sup>(3)</sup> Reflects higher costs associated with operating mental hygiene facilities in lieu of reduced Federal revenue.

<sup>(4)</sup> Effective with the academic year that began on July 2012, the State changed the process through which SUNY receives the State share of its operating support from direct General Fund spending to General Fund transfers.



### FY 2014

The State ended FY 2014 in balance on a cash basis in the General Fund, and maintained a closing balance of \$2.24 billion, consisting of \$1.1 billion in the Tax Stabilization Reserve, \$350 million in the Rainy Day Reserve, \$87 million in the Community Projects Fund, \$21 million in the Contingency Reserve, \$45 million reserved for potential retroactive labor settlements, \$58 million that has been transferred to a fiduciary fund to account for proceeds realized from a settlement between J.P. Morgan and the State, and \$543 million in an undesignated fund balance. The FY 2014 closing balance was \$625 million greater than the FY 2013 closing balance, reflecting an increase in the level of available resources to the State.

General Fund receipts, including transfers from other funds, totaled \$61.9 billion in FY 2014, an increase of \$3.1 billion (5.2 percent) from the prior fiscal year. Tax receipts, including the transfer of tax receipts to the General Fund after payment of debt service, were \$3.2 billion (5.8 percent) higher than in the prior fiscal year, reflecting an increase in all major tax categories. Miscellaneous receipts and Federal grants were \$347 million lower than the prior fiscal year, reflecting one-time receipts from settlements during FY 2013. Non-tax transfers were \$242 million greater than the prior fiscal year, due to the timing of certain transactions.

General Fund disbursements, including transfers to other funds, totaled \$61.2 billion in FY 2014, an increase of \$2.3 billion (3.9 percent) from the prior fiscal year. This reflects expected growth in various local assistance programs, including education and Medicaid; increased transfers in support of capital projects and debt service payments; partly offset by reduced costs for agency operations.

### FY 2013

The State ended FY 2013 in balance on a cash basis in the General Fund, and maintained a closing balance of \$1.61 billion, consisting of \$1.1 billion in the Tax Stabilization Reserve, \$175 million in the Rainy Day Reserve, \$93 million in the Community Projects Fund, \$21 million in the Contingency Reserve, \$77 million reserved for potential retroactive labor settlements, and \$113 million in an undesignated fund balance. The FY 2013 closing balance was \$177 million lesser than the FY 2012 closing balance, which largely reflects the use of designated resources to address costs associated with retroactive labor agreements.

General Fund receipts, including transfers from other funds, totaled \$58.8 billion in FY 2013. Total receipts during FY 2013 were \$1.9 billion (3.3 percent) higher than in the prior fiscal year. Total tax receipts were \$1.5 billion higher than the previous fiscal year, mainly due to growth in PIT collections (\$1.0 billion) and business tax collections (\$493 million). General Fund miscellaneous receipts also increased, largely due to one-time receipts from a settlement between the Department of Financial Services and Standard Chartered Bank.





General Fund disbursements, including transfers to other funds, totaled \$59.0 billion in FY 2013, \$2.5 billion (4.4 percent) higher than in the prior fiscal year. This reflects expected growth in various local assistance programs, including education and Medicaid, both of which are subject to an annual cap; increased personal service costs associated with retroactive labor settlements; and increased transfers in support of debt service payments.

## FY 2012

The State ended FY 2012 in balance on a cash basis in the General Fund, and maintained a closing balance of \$1.79 billion, consisting of \$1.1 billion in the Tax Stabilization Reserve, \$175 million in the Rainy Day Reserve, \$102 million in the Community Projects Fund, \$21 million in the Contingency Reserve, \$283 million reserved for potential retroactive labor settlements, and \$75 million in an undesignated fund balance. The FY 2012 closing balance was \$411 million greater than the FY 2011 closing balance, which largely reflects actions to establish designated resources that can be used to address costs associated with potential retroactive labor agreements, and to build the State's general emergency reserve fund balances. The State made a \$100 million deposit to the Tax Stabilization Reserve at the close of the FY 2012, the first deposit to the State's "rainy day" reserves (including the Tax Stabilization Reserve fund and the Rainy Day Reserve fund) since FY 2008.

General Fund receipts, including transfers from other funds, totaled \$56.9 billion in FY 2012. Total receipts during FY 2012 were \$2.5 billion (4.5 percent) higher than in the prior fiscal year. Total tax receipts were \$3.1 billion higher than the previous fiscal year, mainly due to growth in PIT collections (\$2.4 billion) and business tax collections (\$481 million). A decrease in the level of excess balances transferred from other funds partly offset the annual increase in tax receipts.

General Fund disbursements, including transfers to other funds, totaled \$56.5 billion in FY 2012, \$1.1 billion (2.0 percent) higher than in the prior fiscal year. Excluding the impact of a \$2.1 billion school aid deferral from March 2010 to the statutory deadline of June 2010, annual spending grew by \$3.2 billion. Spending growth is largely due to the phase-out of extraordinary Federal aid (including the enhanced Federal share of Medicaid, Federal American Recovery and Reinvestment Act of 2009 (ARRA) Stabilization funding, and the Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund) that temporarily reduced State-share spending in FY 2011. Annual General Fund spending for agency operations in FY 2012 was lower than in FY 2011, consistent with management expectations and continued efforts in managing the workforce and controlling costs. Annual growth in GSCs was mainly due to employee fringe benefit costs and workers' compensation payments; the pre-payment of pension costs during the final quarter of FY 2012; and lower reimbursement from non-General Funds.



### STATE OPERATING FUNDS FY 2012 THROUGH FY 2014

State Operating Funds is composed of the General Fund, State special revenue funds and debt service funds. The State Operating Funds perspective is primarily intended as a measure of State-financed spending. Similar to the General Fund, spending growth in State Operating Funds in recent years has also been limited.

#### FY 2014

State Operating Funds receipts totaled \$88.9 billion in FY 2014, an increase of \$3.9 billion over the FY 2013 results. Disbursements totaled \$90.6 billion in FY 2014, an increase of \$1.8 billion from the FY 2013 results. The State ended FY 2014 with a State Operating Funds cash balance of \$4.8 billion. In addition to the \$2.2 billion General Fund balance described above, the State's special revenue funds had a closing balance of \$2.3 billion and the debt service funds had a closing balance of \$234 million. The special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of moneys needed for debt service payments to bond holders.

#### FY 2013

State Operating Funds receipts totaled \$85.1 billion in FY 2013, an increase of \$2.5 billion over the FY 2012 results. Disbursements totaled \$88.8 billion in FY 2013, an increase of \$1.7 billion from the FY 2012 results. The State ended FY 2013 with a State Operating Funds cash balance of \$4.4 billion. In addition to the \$1.6 billion General Fund balance described above, the State's special revenue funds had a closing balance of \$2.4 billion and the debt service funds had a closing balance of \$381 million. The special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of moneys needed for debt service payments to bond holders.

#### FY 2012

State Operating Funds receipts totaled \$82.6 billion in FY 2012, an increase of \$3.8 billion over the FY 2011 results. Disbursements totaled \$87.2 billion in FY 2012, an increase of \$2.8 billion from the FY 2011 results. The State ended FY 2012 with a State Operating Funds cash balance of \$3.8 billion. In addition to the \$1.8 billion General Fund balance described above, the State's special revenue funds had a closing balance of \$1.6 billion and the debt service funds had a closing balance of \$428 million. The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of moneys needed for debt service payments to bond holders.



<b>CASH FINANCIAL PLAN STATE OPERATING FUNDS FY 2014 (millions of dollars)</b>				
	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Total</b>
<b>Opening fund balance</b>	1,610	2,370	379	4,359
<b>Receipts:</b>				
Taxes	42,727	8,175	17,433	68,335
Miscellaneous receipts	3,219	16,603	699	20,521
Federal grants	0	0	71	71
<b>Total receipts</b>	45,946	24,778	18,203	88,927
<b>Disbursements:</b>				
Grants to local governments	39,940	19,466	0	59,406
State operations:				
Personal Service	5,563	6,737	0	12,300
Non-Personal Service	1,746	3,781	37	5,564
General State charges	4,899	2,059	0	6,958
Debt service	0	0	6,400	6,400
Capital projects	0	3	0	3
<b>Total disbursements</b>	52,148	32,046	6,437	90,631
<b>Other financing sources (uses):</b>				
Transfers from other funds	15,921	8,350	5,211	29,482
Transfers to other funds	(9,094)	(1,132)	(17,122)	(27,348)
Bond and note proceeds	0	0	0	0
<b>Net other financing sources (uses)</b>	6,827	7,218	(11,911)	2,134
<b>Change in fund balance</b>	625	(50)	(145)	430
<b>Closing fund balance</b>	2,235	2,320	234	4,789
Source: NYS OSC (reflecting amounts published in the Cash Basis Report).				



## PRIOR FISCAL YEARS

<b>CASH FINANCIAL PLAN</b>				
<b>STATE OPERATING FUNDS</b>				
<b>FY 2013</b>				
<b>(millions of dollars)</b>				
	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Total</b>
<b>Opening fund balance</b>	<u>1,787</u>	<u>1,632</u>	<u>428</u>	<u>3,847</u>
<b>Receipts:</b>				
Taxes	43,283	8,146	13,502	64,931
Miscellaneous receipts	3,504	15,584	913	20,001
Federal grants	<u>62</u>	<u>0</u>	<u>78</u>	<u>140</u>
<b>Total receipts</b>	<u>46,849</u>	<u>23,730</u>	<u>14,493</u>	<u>85,072</u>
<b>Disbursements:</b>				
Grants to local governments	39,760	18,818	0	58,578
State operations:				
Personal Service	6,130	6,273	0	12,403
Non-Personal Service	1,726	3,510	44	5,280
General State charges	4,550	1,887	0	6,437
Debt service	0	0	6,138	6,138
Capital projects	<u>0</u>	<u>8</u>	<u>0</u>	<u>8</u>
<b>Total disbursements</b>	<u>52,166</u>	<u>30,496</u>	<u>6,182</u>	<u>88,844</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	11,934	8,151	6,320	26,405
Transfers to other funds	(6,794)	(647)	(14,680)	(22,121)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net other financing sources (uses)</b>	<u>5,140</u>	<u>7,504</u>	<u>(8,360)</u>	<u>4,284</u>
<b>Change in fund balance</b>	<u>(177)</u>	<u>738</u>	<u>(49)</u>	<u>512</u>
<b>Closing fund balance</b>	<u>1,610</u>	<u>2,370</u>	<u>379</u>	<u>4,359</u>
Source: NYS OSC (reflecting amounts published in the Cash Basis Report).				



<b>CASH FINANCIAL PLAN STATE OPERATING FUNDS FY 2012 (millions of dollars)</b>				
	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Total</b>
<b>Opening fund balance</b>	1,376	2,139	454	3,969
<b>Receipts:</b>				
Taxes	41,754	8,244	12,962	62,960
Miscellaneous receipts	3,162	15,399	955	19,516
Federal grants	60	0	80	140
<b>Total receipts</b>	<u>44,976</u>	<u>23,643</u>	<u>13,997</u>	<u>82,616</u>
<b>Disbursements:</b>				
Grants to local governments	38,419	18,848	0	57,267
State operations:				
Personal Service	5,781	6,266	0	12,047
Non-Personal Service	1,713	3,646	45	5,404
General State charges	4,720	1,873	0	6,593
Debt service	0	0	5,864	5,864
Capital projects	0	6	0	6
<b>Total disbursements</b>	<u>50,633</u>	<u>30,639</u>	<u>5,909</u>	<u>87,181</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	11,924	7,860	6,490	26,274
Transfers to other funds	(5,856)	(1,371)	(14,604)	(21,831)
Bond and note proceeds	0	0	0	0
<b>Net other financing sources (uses)</b>	<u>6,068</u>	<u>6,489</u>	<u>(8,114)</u>	<u>4,443</u>
<b>Change in fund balance</b>	<u>411</u>	<u>(507)</u>	<u>(26)</u>	<u>(122)</u>
<b>Closing fund balance</b>	<u>1,787</u>	<u>1,632</u>	<u>428</u>	<u>3,847</u>
Source: NYS OSC (reflecting amounts published in the Cash Basis Report).				



### ALL FUNDS FY 2012 THROUGH FY 2014

The All Funds Financial Plan records the operations of the four governmental fund types: the General Fund, special revenue funds, capital projects funds, and debt service funds. It is the broadest measure of State governmental activity, and includes spending from Federal funds and capital projects funds.

#### FY 2014

All Funds receipts for FY 2014 totaled \$137.7 billion, an increase of \$4.5 billion over FY 2013 results. All Funds tax receipts during FY 2014 were \$3.4 billion higher than receipts collected during the prior year, with 80 percent of the growth attributable to higher PIT collections (\$2.7 billion), due largely to strength in withholding as a result of a strong bonus season in the financial sector, as well as higher extension payments due to taxpayers accelerating income into the 2012 tax year in order to avoid increased Federal rates in 2013. The overall gains in year-over-year PIT collections were partly offset by growth in refunds and other offsets related to tax year 2012. Other growth in tax receipts includes higher user tax collections (\$484 million) associated with recurring and non-recurring taxable purchases such as auto sales, entertainment activities, and expenses for post-Sandy repair work; and higher other taxes (\$375 million), which is attributable to growth in RETT liability (particularly in New York City) and growth in estate tax receipts, both in terms of volume and average amount. Decreased business tax receipts (\$205 million) were driven by lower gross collections for insurance and bank taxes due to weak 2013 liability payments. Growth in miscellaneous receipts are mainly attributable to the additional Tribal-State revenues pursuant to the recently settled compact agreements (\$482 million); partly offset by lower abandoned property collections (\$181 million) and the loss of Medicaid payments from Monroe County (\$151 million), which entered the State's Medicaid local cap program in February 2013, thereby eliminating the need for the State to intercept a portion of the county's sales tax collections in lieu of payment. The remaining growth in receipts is in Federal grants (\$946 million), and is generally a result of increased Federal program spending, as described in greater detail below.

All Funds disbursements for FY 2014 totaled \$137.5 billion, an increase of \$4.4 billion over FY 2013 results. More than half of the \$4.4 billion annual increase in All Funds spending during FY 2014 was attributable to higher Federal spending (\$2.4 billion), mainly in the areas of Medicaid (\$908 million), driven by typical growth factors and increased Federal spending due to the impact of the ACA that went into effect on January 1, 2014; disaster assistance (\$525 million) associated with Sandy-related storm recovery activities; public assistance programs (\$586 million) as a result of spendout of higher prior year grant awards and education (\$520 million), where payments assumed for FY 2013 were not paid until the early part of FY 2014.

Growth in local assistance spending was driven mainly by budgeted spending growth in the areas of Medicaid (\$363 million) and school aid (\$257 million); as well as for transit operating aid costs (\$419 million) based on the timing of available resources; and for higher education spending (\$185 million) due to the timing of certain payments and increased support for CUNY fringe benefits. Partly offsetting the overall local spending growth was reduced annual costs associated with OPWDD-related Medicaid Payments (\$835 million), reflecting the shifting of certain program costs to DOH in order to be managed under the Global Cap, a shift which was integrated into the FY 2014 Enacted Budget in order to mitigate



the impact of reduced Federal reimbursement rates for Medicaid eligible expenses incurred at OPWDD-operated facilities that went into effect April 1, 2013.

Agency operations spending growth reflects higher non-personal service costs (\$284 million) due largely to increased spending by SUNY as a result of the expansion of services being provided at campuses and teaching hospitals; and higher fringe benefits costs (\$521 million) generated by higher pension costs from a \$119 million prepayment in FY 2014 and a one percent increase in the State's amortization contribution rate. The debt service annual increase (\$262 million) reflects prepayment of FY 2015 debt costs in FY 2014 in order to generate savings. Capital projects spending increased by \$211 million from the prior year, which was attributable to growth associated with economic development initiatives; initial grants awarded for the State and Municipal Facilities program; the updating of mental hygiene facilities; the ongoing development of infrastructure within the mental hygiene provider community; and spending to remediate storm-related damage.

The State ended FY 2014 with an All Funds cash balance of \$4.0 billion. The \$4.8 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly \$629 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

## FY 2013

All Funds receipts for FY 2013 totaled \$133.2 billion, an increase of \$511 million over FY 2012 results. Annual growth in tax receipts and miscellaneous receipts was partly offset by a decline in Federal grants. All Funds disbursements for FY 2013 totaled \$133.1 billion, a decrease of \$407 million over FY 2012 results. The annual decline largely reflects the growth in State Operating Funds previously described, more than offset by declines in Federal Operating Funds and Capital Project Funds. The annual decrease in Federal Operating Funds spending is due to the phasing-out of approximately \$2.7 billion in funding available from the Federal ARRA between FY 2012 and FY 2013, partially offset by nearly \$1 billion in Federal disaster assistance spending in FY 2013. The capital projects spending decline reflects the recent completion of economic development projects, including the SUNY College for Nanoscale and Science Engineering, Global Foundries, and the Aqueduct Video Lottery Facility.

The State ended FY 2013 with an All Funds cash balance of \$3.9 billion. The \$4.4 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly \$485 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

## FY 2012

All Funds receipts for FY 2012 totaled \$132.7 billion, a decrease of \$577 million over FY 2011 results. Annual growth in tax receipts and miscellaneous receipts was more than offset by a decline in Federal grants. All Funds disbursements for FY 2012 totaled \$133.5 billion, a decrease of \$1.3 billion over FY 2011 results. The annual changes largely reflect the impact of Federal ARRA aid.



## PRIOR FISCAL YEARS

The State ended FY 2012 with an All Funds cash balance of \$3.4 billion. The \$3.8 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly \$449 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

<b>CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2014 (millions of dollars)</b>					
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
<b>Opening fund balance</b>	1,610	2,373	(486)	379	3,876
<b>Receipts:</b>					
Taxes	42,727	8,175	1,355	17,433	69,690
Miscellaneous receipts	3,219	16,776	3,540	699	24,234
Federal grants	0	41,405	2,313	71	43,789
<b>Total receipts</b>	<u>45,946</u>	<u>66,356</u>	<u>7,208</u>	<u>18,203</u>	<u>137,713</u>
<b>Disbursements:</b>					
Grants to local governments	39,940	56,391	2,242	0	98,573
State operations:					
Personal Service	5,563	7,394	0	0	12,957
Non-Personal Service	1,746	5,021	0	37	6,804
General State charges	4,899	2,381	0	0	7,280
Debt service	0	0	0	6,400	6,400
Capital projects	0	3	5,509	0	5,512
<b>Total disbursements</b>	<u>52,148</u>	<u>71,190</u>	<u>7,751</u>	<u>6,437</u>	<u>137,526</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	15,921	7,644	1,817	5,211	30,593
Transfers to other funds	(9,094)	(2,988)	(1,417)	(17,122)	(30,621)
Bond and note proceeds	0	0	0	0	0
<b>Net other financing sources (uses)</b>	<u>6,827</u>	<u>4,656</u>	<u>400</u>	<u>(11,911)</u>	<u>(28)</u>
<b>Change in fund balance</b>	<u>625</u>	<u>(178)</u>	<u>(143)</u>	<u>(145)</u>	<u>159</u>
<b>Closing fund balance</b>	<u>2,235</u>	<u>2,195</u>	<u>(629)</u>	<u>234</u>	<u>4,035</u>
Source: NYS OSC (reflecting amounts published in the Cash Basis Report).					





<b>CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2013 (millions of dollars)</b>					
	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>Total</b>
<b>Opening fund balance</b>	<u>1,787</u>	<u>1,594</u>	<u>(449)</u>	<u>428</u>	<u>3,360</u>
<b>Receipts:</b>					
Taxes	43,283	8,145	1,370	13,502	66,300
Miscellaneous receipts	3,504	15,757	3,857	913	24,031
Federal grants	<u>62</u>	<u>40,576</u>	<u>2,126</u>	<u>79</u>	<u>42,843</u>
<b>Total receipts</b>	<u>46,849</u>	<u>64,478</u>	<u>7,353</u>	<u>14,494</u>	<u>133,174</u>
<b>Disbursements:</b>					
Grants to local governments	39,760	53,793	2,144	0	95,697
State operations:					
Personal Service	6,130	6,881	0	0	13,011
Non-Personal Service	1,726	4,401	0	44	6,171
General State charges	4,550	2,125	0	0	6,675
Debt service	0	0	0	6,138	6,138
Capital projects	<u>0</u>	<u>8</u>	<u>5,396</u>	<u>0</u>	<u>5,404</u>
<b>Total disbursements</b>	<u>52,166</u>	<u>67,208</u>	<u>7,540</u>	<u>6,182</u>	<u>133,096</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	11,934	7,478	1,172	6,319	26,903
Transfers to other funds	(6,794)	(3,969)	(1,456)	(14,680)	(26,899)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>434</u>	<u>0</u>	<u>434</u>
<b>Net other financing sources (uses)</b>	<u>5,140</u>	<u>3,509</u>	<u>150</u>	<u>(8,361)</u>	<u>438</u>
<b>Change in fund balance</b>	<u>(177)</u>	<u>779</u>	<u>(37)</u>	<u>(49)</u>	<u>516</u>
<b>Closing fund balance</b>	<u>1,610</u>	<u>2,373</u>	<u>(486)</u>	<u>379</u>	<u>3,876</u>

Source: NYS OSC (reflecting amounts published in the Cash Basis Report as restated).



## PRIOR FISCAL YEARS

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2012 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
<b>Opening fund balance</b>	<u>1,376</u>	<u>2,149</u>	<u>(167)</u>	<u>454</u>	<u>3,812</u>
<b>Receipts:</b>					
Taxes	41,754	8,244	1,337	12,962	64,297
Miscellaneous receipts	3,162	15,565	4,155	955	23,837
Federal grants	<u>60</u>	<u>42,355</u>	<u>2,115</u>	<u>80</u>	<u>44,610</u>
<b>Total receipts</b>	<u>44,976</u>	<u>66,164</u>	<u>7,607</u>	<u>13,997</u>	<u>132,744</u>
<b>Disbursements:</b>					
Grants to local governments	38,419	55,503	2,566	0	96,488
State operations:					
Personal Service	5,779	6,894	0	0	12,673
Non-Personal Service	1,715	4,588	0	45	6,348
General State charges	4,720	2,135	0	0	6,855
Debt service	0	0	0	5,864	5,864
Capital projects	<u>0</u>	<u>6</u>	<u>5,270</u>	<u>0</u>	<u>5,276</u>
<b>Total disbursements</b>	<u>50,633</u>	<u>69,126</u>	<u>7,836</u>	<u>5,909</u>	<u>133,504</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	11,924	7,096	1,031	6,490	26,541
Transfers to other funds	(5,856)	(4,689)	(1,436)	(14,604)	(26,585)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>352</u>	<u>0</u>	<u>352</u>
<b>Net other financing sources (uses)</b>	<u>6,068</u>	<u>2,407</u>	<u>(53)</u>	<u>(8,114)</u>	<u>308</u>
<b>Change in fund balance</b>	<u>411</u>	<u>(555)</u>	<u>(282)</u>	<u>(26)</u>	<u>(452)</u>
<b>Closing fund balance</b>	<u>1,787</u>	<u>1,594</u>	<u>(449)</u>	<u>428</u>	<u>3,360</u>

Source: NYS OSC (reflecting amounts published in the Cash Basis Report as restated).

**GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS**

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

The following table summarizes recent governmental funds results on a GAAP basis. The State expects to issue the Basic Financial Statements for FY 2014 by July 29, 2014.

<b>COMPARISON OF ACTUAL GAAP-BASIS OPERATING RESULTS SURPLUS/(DEFICIT) (millions of dollars)</b>						
<b>Fiscal Year Ended</b>	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>All Governmental Funds</b>	<b>Accum. General Fund Surplus/(Deficit)</b>
March 31, 2013	1,129	(308)	(186)	(499)	136	(739)
March 31, 2012	137	56	80	346	619	(1,868)
March 31, 2011	1,529	742	198	(568)	1,901	(2,009)

<b>SUMMARY OF NET POSITION (millions of dollars)</b>			
<b>Fiscal Year Ended</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
March 31, 2013	26,271	(922)	25,349
March 31, 2012	26,333	(658)	25,675
March 31, 2011	27,648	(618)	27,030

The CAFR can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller's website at [www.osc.state.ny.us](http://www.osc.state.ny.us). The Basic Financial Statements (including Other Supplementary Information) can also be accessed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website at [www.emma.msrb.org](http://www.emma.msrb.org).

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# **ECONOMICS AND DEMOGRAPHICS**

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# *Economics and Demographics*

The demographic and statistical data in this section, which have been obtained from the sources indicated, do not represent all of the factors which may have a bearing on the State's fiscal and economic affairs. Further, such information requires economic and demographic analysis in order to assess its significance, and may be interpreted differently by individual experts. Note that DOB has chosen to provide certain economic and demographic analysis updated through the date of this AIS, although continuing disclosure requirements for this AIS require analysis only through March 31, 2014.

## **THE U.S. ECONOMY**

Unusually harsh winter weather had a substantial negative impact on the national economy through the beginning of 2014, depressing household spending and leaving retailers and producers with excess inventory. The U.S. Bureau of Economic Analysis estimates that real U.S. gross domestic product (GDP) contracted 1.0 percent in the first quarter of calendar year 2014, following prior quarter growth of 2.6 percent. DOB now estimates real GDP growth of only 2.5 percent for the full calendar year 2014.

The transition to more seasonal weather in early March 2014 was accompanied by a limited rebound in economic activity. March light vehicle sales accelerated to 16.3 million, the highest since November 2013. Retail sales excluding autos and gasoline rebounded as well, but monthly sales growth averaged only 0.2 percent over the four months that ended in March 2014. Real household spending growth of 3.1 percent is projected for the second quarter of 2014, but the large inventory remaining from the second half of 2013 is expected to continue to put downward pressure on production for the next two quarters. DOB now estimates real growth of about 3 percent for the second quarter of 2014, representing an upward revision due to weather changes.

Private sector hiring has improved after a winter lull, but the private national labor market has not exhibited a sustained acceleration in three years. However, public sector hiring is still expected to pick up modestly over the remainder of the year as the government becomes less of a drag on economic growth. As a result, the DOB projects a modest overall improvement in hiring. One factor believed to be holding back hiring has been slow growth in private investment in plants and equipment. The scheduled expiration of bonus depreciation likely accelerated some investment into the fourth quarter of 2013, resulting in a slow start to 2014, but the most recent data indicate some improvement ahead. Overall growth in real private nonresidential investment is estimated to be 4.6 percent for 2014.

Income growth has also been revised down for 2014, consistent with slightly lower output growth. The weather likely had a negative impact on wages, but dividend and interest income posted weak results as well. Income growth is expected to improve over the remainder of the year as the economy regains momentum, with that improvement supporting stronger growth in household spending by the second half of 2014. Personal income and wage growth of 3.8 percent and 3.7 percent, respectively, are projected for 2014, following growth of 2.8 percent and 3.1 percent for 2013. Income growth remains well below historical averages, even after adjusting for inflation.

Both the housing and foreign sectors proved to be weaker than anticipated. After a November 2013 surge, housing starts fell an average 3.5 percent over the four months ending in March 2014. Home sales have fared no better. Real residential investment is now projected to grow a downwardly revised 3.4 percent for 2014, although double-digit quarterly growth is expected by the second half of the year aided by improving credit conditions, rising employment and income, and better weather. The global economy has also proved to be more fragile than expected, with export growth now projected to be



## ECONOMICS AND DEMOGRAPHICS

virtually flat for the first quarter of 2014. Anemic growth in Europe, along with slowing growth in other emerging markets, particularly China, has resulted in a downward revision to 4.9 percent for real U.S. export growth in 2014.

ECONOMIC INDICATORS FOR THE UNITED STATES (calendar year)						
	2009	2010	2011	2012	2013	2014 <sup>1</sup>
<b>Gross Domestic Product</b>						
Nominal (\$ billions)	14,417.9	14,958.3	15,533.8	16,244.6	16,799.8	17,464.6
Percent Change	(2.1)	3.7	3.8	4.6	3.4	4.0
Real (\$ billions)	14,417.9	14,779.4	15,052.4	15,470.7	15,761.3	16,149.6
Percent Change	(2.8)	2.5	1.8	2.8	1.9	2.5
<b>Personal Income</b>						
(\$ billions)	12,082.1	12,435.2	13,191.3	13,743.8	14,135.3	14,671.6
Percent Change	(2.8)	2.9	6.1	4.2	2.8	3.8
<b>Nonagricultural Employment</b>						
(millions)	131.2	130.3	131.8	134.1	136.4	138.7
Percent Change	(4.3)	(0.7)	1.2	1.7	1.7	1.7
<b>Unemployment Rate (%)</b>						
	9.3	9.6	8.9	8.1	7.4	6.5
<b>Consumer Price Index</b>						
(1982-84=100)	214.6	218.1	224.9	229.6	233.0	236.9
Percent Change	(0.3)	1.6	3.1	2.1	1.5	1.7

Sources: US Department of Commerce, Bureau of Economic Analysis; US Department of Labor, Bureau of Labor Statistics. Table reflects revisions by source agencies to figures for prior years.

<sup>1</sup>As projected by the NYS DOB, based on National Income and Product Account data through March 2014.

The Federal Reserve is still expected to complete the gradual tapering of the growth of its historically large balance sheet by the end of the year, despite this somewhat weaker outlook. Now under Janet Yellen's leadership as chair, the Federal Reserve has dropped its 6.5 percent unemployment rate benchmark in favor of a broader set of labor market, inflation, and financial market indicators. The national unemployment rate now stands at 6.3 percent for April 2014, falling from 6.7 percent in March 2014. But underpinning that decline was a drop in the labor force of over 800 thousand, highlighting the difficulty in relying on a single measure to gauge the strength of the labor market. The Federal Reserve is not expected to begin raising its short-term interest rate target until the second quarter of 2015.

Despite a weak start to the year, the DOB outlook continues to call for quarterly growth in real U.S. GDP approaching 3 percent by the fourth quarter of 2014, accompanied by monthly employment gains exceeding 220,000 per month. But there are significant risks to this forecast. The global economy has become a bigger concern not only due to slower growth in China and other emerging markets, but also because of the growing tension between the U.S., the Euro Zone and Russia over Ukraine. A highly interdependent global economy makes the impact of regional conflict difficult to contain. Slower global growth than anticipated could result in slower export growth, which could in turn result in weaker corporate profits and investment, and fewer jobs. The prospect of international conflict has kept energy





## ***ECONOMICS AND DEMOGRAPHICS***

prices volatile, which, along with equity price volatility, presents risk to household spending. Finally, the response of global financial markets to the unwinding of central bank accommodation remains a risk, particularly given the lack of experience upon which to draw.



## THE NEW YORK ECONOMY

The State's private sector labor market has continued to perform well, exhibiting robust growth in professional and business services, private educational services, and tourism-related leisure and hospitality services. Real estate and construction activity also remains strong. Private sector employment is projected to grow 1.6 percent in calendar year 2014, followed by 1.5 percent growth in 2015. However, with government and finance sector employment expected to continue to contract through the remainder of the year, State wage growth of 5.1 percent is projected for calendar year 2014, followed by growth of 4.5 percent for calendar year 2015. Total personal income growth of 5.0 percent is projected for calendar year 2014, followed by 4.9 percent growth for calendar year 2015.

The recent weakening in several national economic indicators, largely in response to unusually harsh winter weather, is a risk to the New York forecast going forward. State labor market growth has held up well so far, but a weaker labor market than projected could result in lower wages, as well as lower household spending. As the nation's financial capital, financial market volatility poses a particularly large degree of uncertainty for New York. Events over the past year have demonstrated how sensitive markets can be to shifting expectations surrounding Federal Reserve policy. The resulting market gyrations are likely to have a larger impact on the State economy than on the nation as a whole. Should financial and real estate markets be weaker than we expect, taxable capital gains realizations could be negatively affected.

Recent changes in Federal tax policy have added to economic uncertainty in creating a more challenging environment in which to forecast State income. Increases in tax rates at the national level in turn affect employer and taxpayer behavior, resulting in the shifting of income between tax years. These shifts tend to make it more difficult to identify the underlying trends in key economic indicators. In addition, both the bonus and non-bonus components of employee pay have become more difficult to estimate as Wall Street continues to adjust its compensation practices in the wake of new financial reform measures. Securities industry revenues have in the past been a useful predictor of bonus payouts, but that relationship has become much more erratic in recent years.

ECONOMIC INDICATORS FOR NEW YORK STATE (calendar year)					
	2010	2011	2012	2013	2014 <sup>1</sup>
Personal Income (\$ billions)	960.8	1,012.4	1,041.9	1,062.4	1,115.9
Percent Change	3.9	5.4	2.9	2.0	5.0
Nonagricultural Employment (thousands)	8,318.7	8,420.0	8,531.6	8,659.5	8,772.3
Percent Change	0.1	1.2	1.3	1.5	1.3
Unemployment Rate (%)	8.6	8.3	8.5	7.7	6.9

Sources: US Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor.  
Table reflects revisions by source agencies to data for prior years.

<sup>1</sup>As projected by Division of the Budget, based on National Income and Product Account data and employment data available through March 2014.



New York is the third most populous state in the nation and has a relatively high level of personal wealth. The State's economy is diverse, with a comparatively large share of the nation's financial activities, information, education, and health services employment, and a very small share of the nation's farming and mining activity. The State's location and its air transport facilities and natural harbors have made it an important link in international commerce. Travel and tourism constitute an important part of the economy. Like the rest of the nation, New York has a declining proportion of its workforce engaged in manufacturing, and an increasing proportion engaged in service industries.

*Manufacturing:* Manufacturing employment continues to decline as a share of total State employment, as in most other states, and as a result New York's economy is less reliant on this sector than in the past. However, it remains an important sector of the State economy, particularly for the upstate region, which hosts high concentrations of manufacturers of transportation and other types of equipment.

*Trade, Transportation, and Utilities:* As defined under the North American Industry Classification System (NAICS), the trade, transportation, and utilities supersector accounts for the second largest component of State nonagricultural employment, but only the fifth largest when measured by wage share. This sector accounts for less proportional employment and wages for the State than for the nation as a whole.

*Financial Activities:* New York City is the nation's leading center of banking and finance and, as a result, this is a far more important sector in the State than in the nation as a whole. Although this sector accounts for under one-tenth of all nonagricultural jobs in the State, it contributes about one-fifth of total wages.

*Other Service Sectors:* The remaining service-producing sectors include information, professional and business services, private education and healthcare, leisure and hospitality services, and other services. These industries combined account for half of all nonagricultural jobs in New York. Information, education and health, and other services account for a higher proportion of total State employment than for the nation as a whole.

*Agriculture:* Farming is an important part of the economy in rural areas, although it constitutes only about 0.2 percent of total State output. Principal agricultural products of the State include milk and dairy products, greenhouse and nursery products, fruits, and vegetables. New York ranks among the nation's leaders in the production of these commodities.

*Government:* Federal, State, and local governments together comprise the third largest sector in terms of nonagricultural jobs, with the bulk of the employment accounted for by local governments. Public education is the source of about 40 percent of total State and local government employment.



## ECONOMICS AND DEMOGRAPHICS

THE 2013 COMPOSITION OF NONAGRICULTURAL EMPLOYMENT AND WAGES (Percent)				
	Employment		Wages	
	State	United States	State	United States
Natural Resources and Mining	0.1	0.6	0.1	1.4
Construction	3.6	4.3	3.8	4.6
Manufacturing	5.1	8.8	5.0	10.5
Trade, Transportation, and Utilities	17.1	19.0	12.5	15.9
Information	2.9	2.0	4.8	3.3
Financial Activities	7.6	5.8	19.9	9.2
Professional and Business Services	13.5	13.6	18.0	17.5
Educational and Health Services	20.1	15.5	14.4	13.4
Leisure and Hospitality	9.3	10.4	4.6	4.6
Other Services	4.3	4.0	2.9	3.1
Government	16.2	16.0	14.1	16.6

Source: NYS Department of Labor; US Department of Labor, Bureau of Labor Statistics; US Department of Commerce, Bureau of Economic Analysis.

The importance of the different sectors of the State's economy relative to the national economy is shown in the above table, which compares nonagricultural employment and wages by sector for the State and the nation as a whole. Construction accounts for smaller shares of employment for the State than for the nation, while the combined service industries account for a larger share. The financial activities sector share of total wages is particularly large for the State relative to the nation. Thus, the State is likely to be less affected than the nation as a whole during an economic recession that is concentrated in manufacturing and construction, but likely to be more affected by any economic downturn that is concentrated in the services sector.



**ECONOMIC AND DEMOGRAPHIC TRENDS**

In calendar years 1990 through 1998, the State’s rate of economic growth was somewhat slower than that of the nation. In particular, during the 1990-91 recession and post-recession period, the economies of the State and much of the rest of the Northeast were more heavily damaged than the nation as a whole and were slower to recover. However, the situation subsequently improved. In 1999, for the first time in 13 years, State employment growth surpassed that of the nation, and in 2000 the rates were essentially the same. In 2001, the September 11<sup>th</sup> attack resulted in a downturn in New York that was more severe than for the nation as a whole. In contrast, the State labor market fared better than that of the nation as a whole during the most recent downturn that began in 2008, though New York experienced a historically large wage decline in 2009. The State unemployment rate was higher than the national rate from 1991 to 2004, but the gap between them closed by the middle of 2006, with the State rate falling below that of the nation for much of the 2009-2011 recession, and remaining below that of the nation through the end of 2011. The State unemployment rate rose above the national rate again in early 2012, where it remains.

The following table compares population change in the State and in the United States since 1960.

<b>COMPARATIVE POPULATION FIGURES</b>					
	<b>State</b>			<b>US</b>	
	<b>Total Population (000s)</b>	<b>% Change from Preceding Period</b>	<b>Percentage of U.S. Population</b>	<b>Total Population (000s)</b>	<b>% Change from Preceding Period</b>
1960	16,782	13.2	9.4	179,323	18.5
1970	18,241	8.7	9.0	203,302	13.4
1980	17,558	(3.7)	7.8	226,546	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2
2010	19,378	2.1	6.3	308,746	9.7
2013	19,651	1.4	6.2	316,129	2.4

Source: US Department of Commerce, Census Bureau.

Total State nonagricultural employment has declined as a share of national nonagricultural employment. The following historical table compares these levels and the rate of unemployment for the State and the nation.



## ECONOMICS AND DEMOGRAPHICS

### NONAGRICULTURAL EMPLOYMENT AND UNEMPLOYMENT RATE FOR NEW YORK AND THE UNITED STATES

	Employment (000s)		State as Percent of US Employment	Unemployment Rate (%)	
	State	US		State	US
1960	6,182	54,296	11.4	N/A	5.5
1970	7,156	71,006	10.1	N/A	4.9
1980	7,207	90,533	8.0	7.5	7.1
1990	8,203	109,527	7.5	5.3	5.6
2000	8,628	132,019	6.5	4.5	4.0
2010	8,557	130,275	6.6	8.6	9.6
2013	8,908	136,368	6.5	7.7	7.4

Source: US Department of Labor and NYS Department of Labor.

Note: Nonagricultural employment and unemployment rates are generated from separate surveys.

State per capita personal income has historically been significantly higher than the national average, although the ratio has varied substantially over time. Because New York City is an employment center for a multi-state region, State personal income measured on a residence basis understates the relative importance of the State to the national economy and the size of the base to which State taxation applies. The following table compares per capita personal incomes for the State and the nation.

PER CAPITA PERSONAL INCOME (Income in Dollars)			
	NYS	US	NYS/US
1960	2,822	2,268	1.24
1970	4,868	4,084	1.19
1980	10,985	10,091	1.09
1990	23,710	19,354	1.23
2000	34,623	30,319	1.14
2010	49,529	40,163	1.23
2013	54,063	44,543	1.21

Source: US Department of Commerce, Bureau of Economic Analysis.

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**CAPITAL PROGRAM  
AND  
FINANCING PLAN**

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# Capital Program and Financing Plan

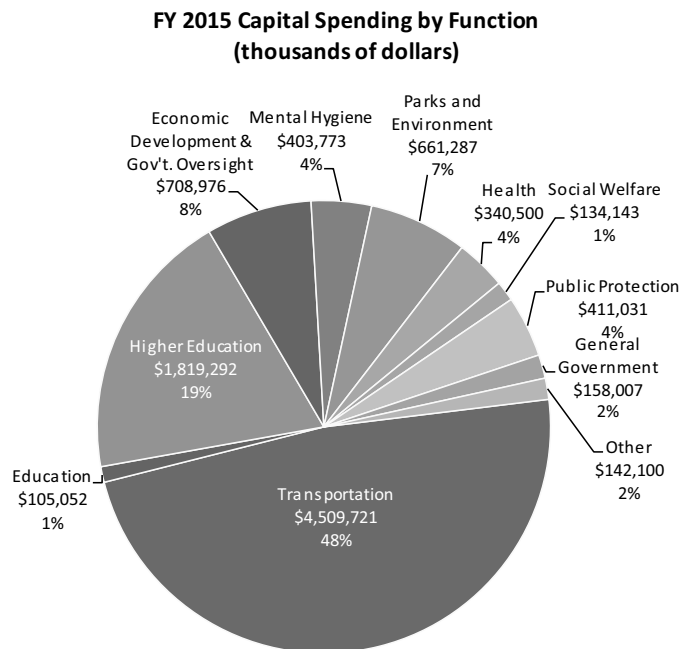
The DOB prepares a Multi-Year Capital Program and Financing Plan with the Executive Budget and updates it following enactment of the budget (the “Enacted Capital Plan”). The Enacted Capital Plan outlines the anticipated capital spending over a five-year period, the way it will be financed, the impact on debt measures, and the anticipated debt issuances required to support the planned capital spending. The Enacted Capital Plan can be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 474-8282, or at [www.budget.ny.gov](http://www.budget.ny.gov).

## CAPITAL PLAN

DOB has also formulated 10-year capital commitment and disbursement projections. The total commitment and disbursement levels over the 10-year capital planning horizon reflect, among other things, projected capacity under the State's statutory debt limit, anticipated levels of Federal aid, and the timing of capital activity based on known needs and historical patterns. The following capital projects information relates to the current fiscal year.

## FY 2015 CAPITAL PROJECTS SPENDING

Spending on capital projects is projected to total \$9.4 billion in FY 2015, which includes \$928 million in “off-budget spending” directly from the proceeds of bonds issued by public authorities. Overall, capital spending in FY 2015 is projected to increase by \$290 million (3 percent) from FY 2014.



In FY 2015, transportation spending is projected to total \$4.5 billion, which represents 48 percent of total capital spending, with higher education comprising the next largest share at 19 percent. Economic development and government oversight spending represents 8 percent and spending for parks and the environment spending represents 7 percent. The remaining 18 percent is comprised of spending for mental hygiene, health, social welfare, public protection and all other capital programs.



## CAPITAL PROGRAM AND FINANCING PLAN

Transportation spending is projected to remain flat in FY 2015, as expedited high priority projects under the New York Works initiative are completed and spending on core infrastructure returns to traditional spending levels.

Parks and environment spending will decrease by \$155 million (-19 percent) in FY 2015 reflecting lower year-to-year spending for Superstorm Sandy remediation costs, continued phasedown of general obligation bond authorizations, and the completion of signature projects at parks and historic sites.

Economic development and government oversight spending is projected to increase by \$197 million (38 percent). This spending reflects the continued implementation of programs created to promote regional economic development including spending for the Buffalo Billion initiative, Regional Economic Development Councils and SUNY and CUNY 2020 Challenge Grants.

Spending for health is projected to decrease by \$100 million (-23 percent). The significant reduction is due to the phase out of the HEAL NY Program, offset by spending for the new Health Care Restructuring Program.

Spending for social welfare is projected to decrease by \$5 million (-3 percent) due to the timing of capital disbursements.

Education spending is projected to increase by \$25 million (31 percent) in FY 2015, which represents continued spending for Expanding Our Children's Education and Learning (EXCEL).

Higher Education spending is projected to increase by \$97 million (6 percent). This is primarily due to additional investments in Senior and Community College infrastructure projects and new initiatives.

Spending increases of \$129 million (46 percent) for public protection primarily reflect the State's continued investments in preparedness; new spending for interoperable communications equipment and systems; as well as funding for a new College of Emergency Preparedness, Homeland Security and Cybersecurity.

Mental hygiene capital spending is anticipated to decrease by \$7 million (-2 percent). Program spending continues to focus on rehabilitation projects at State and not-for-profit facilities and ongoing development of community residences.

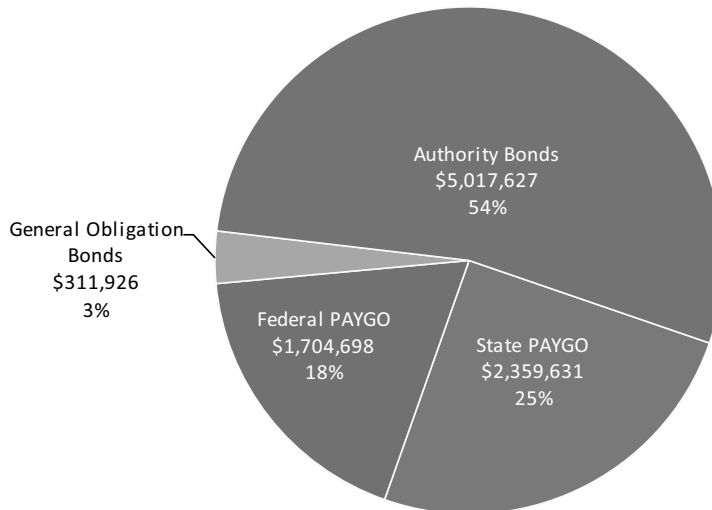
General government capital spending is projected to increase by \$63 million (66 percent) primarily attributable to costs associated with State technology projects and the Office of General Services (OGS') renovation of Building 5 at the Harriman State Campus in Albany.

Spending for agencies in the All Other category is projected to increase by \$44 million (45 percent) primarily due to investments related to the State and Municipal Facilities Program.



## FINANCING FY 2015 CAPITAL PROJECTS SPENDING

FY 2015 Capital Spending by Financing Source  
(thousands of dollars)



In FY 2015, the State plans to finance 57 percent of capital projects spending with long-term bonds, most of which will be issued on behalf of the State through public authorities (54 percent) and the remainder of which will be issued as General Obligation bonds (3 percent). Authority bonds do not include debt issued by authorities backed by their own non-State resources or on behalf of private clients. Federal aid is expected to fund 18 percent of the State's FY 2015 capital spending, primarily for transportation. State cash resources will finance the remaining 25 percent of capital spending. Year-to-year, total PAYGO support is projected to decrease by \$247 million, with State PAYGO increasing by \$26 million and Federal PAYGO support decreasing by \$323 million. Bond-financed spending is projected to increase by \$536 million.

## FINANCING PLAN

New York State is one of the largest issuers of municipal debt, ranking second among the states, behind California, in the amount of debt outstanding. The State ranks fifth in the U.S. in debt per capita, behind Connecticut, Massachusetts, Hawaii, and New Jersey. As of March 31, 2014, total State-related debt outstanding totaled \$55.2 billion excluding capital leases and mortgage loan commitments, equal to approximately 5.2 percent of New York personal income. The State's debt levels are typically measured by DOB using two categories: *State-supported debt* and *State-related debt*.

**State-supported debt** represents obligations of the State that are paid from traditional State resources (i.e., tax revenue) and have a budgetary impact. It includes General Obligation debt, to which the full faith and credit of the State has been pledged, and lease purchase and contractual obligations of public authorities and municipalities, where the State's legal obligation to make payments to those public authorities and municipalities is subject to and paid from annual appropriations made by the Legislature.



## CAPITAL PROGRAM AND FINANCING PLAN

These include the State PIT Revenue Bond program and the State Sales Tax Revenue Bond program. Since 2002, the State has financed most of its capital program with PIT Revenue Bonds, a revenue bond program that has reduced its cost of borrowing and created efficiencies by permitting the consolidation of bond sales. Prior to 2002, the State had primarily financed its capital spending with lower-rated lease purchase and contractual service obligations of public authorities. The State expects to transition to using only three credits – General Obligation bonds, PIT Revenue Bonds, and Sales Tax Revenue Bonds, the latter of which was authorized in the FY 2014 Enacted Budget.

Legislation enacted in 2013 changed the method of paying debt service on outstanding SUNY Dormitory Facilities Lease Revenue Bonds (the "Lease Revenue Bonds") and established a new revenue-based credit, the SUNY Dormitory Facilities Revenue Bonds (the "Facilities Revenue Bonds") for future issuances. The legislation also provided for the assignment of the revenues derived from the use and occupancy of SUNY's dormitory facilities (the "Dormitory Facilities Revenues") for the payment of debt service on both the Lease Revenue Bonds and the Facilities Revenue Bonds from SUNY to DASNY. As a result, annual debt service on the outstanding Lease Revenue Bonds is no longer supported by a State appropriation, except under extraordinary circumstances (i.e., the generation of insufficient Dormitory Facilities Revenues implicating the need for SUNY payments from sources other than Dormitory Facilities Revenues for debt service on the Lease Revenue Bonds). DOB is not aware of such an extraordinary circumstance having ever occurred in the past and does not anticipate that it would occur in the future. DOB expects that both the outstanding Lease Revenue Bonds and the new Facilities Revenue Bonds will be payable solely from Dormitory Facilities Revenues which are the property of DASNY, not the State. Accordingly, DOB has not included any annual debt service expense of the Lease Revenue Bonds or the Facilities Revenue Bonds in the State Financial Plan. However, since the outstanding Lease Revenue Bonds were incurred as State-supported debt, DOB will continue to count these bonds as State-supported debt for purposes of the Debt Reform Act caps and has included these bonds as State-supported debt in all figures, tables and charts in this AIS. See "State-supported Debt Outstanding - SUNY Dormitory Facilities Bonds" presented later in this section, for more information.

**State-related debt** is a broader measure of State debt which includes all debt that is reported in the State's GAAP-basis financial statements, except for unamortized premiums and accumulated accretion on capital appreciation bonds. These financial statements are audited by external independent auditors and published by OSC on an annual basis. The debt reported in the GAAP-basis financial statements includes General Obligation debt, other State-supported debt as defined in the State Finance Law, debt issued by the Tobacco Securitization Finance Corporation, certain debt of the Municipal Bond Bank Agency (MBBA) issued to finance prior year school aid claims and capital leases and mortgage loan commitments. In addition, State-related debt reported by DOB includes State-guaranteed debt, moral obligation financings and certain contingent-contractual obligation financings, where debt service is paid from non-State sources in the first instance, but State appropriations are available to make payments if necessary. These numbers are not included in the State's GAAP-basis financial statements.

The State's debt does not encompass, and does not include, debt that is issued by, or on behalf of, local governments and secured (in whole or in part) by State local assistance aid payments. For example, certain State aid to public schools paid to school districts or New York City has been pledged by those local entities to help finance debt service for locally-sponsored and locally-determined financings. Additionally, certain of the State's public authorities issue debt supported by non-State resources (i.e., NYSTA toll revenue bonds, Triborough Bridge and Tunnel Authority (TBTA) or MTA revenue bonds or



## **CAPITAL PROGRAM AND FINANCING PLAN**

newly authorized DASNY dormitory facilities revenue bonds) or issue debt on behalf of private clients (i.e., DASNY school district revenue bonds). This debt, however, is not treated by DOB as either State-supported debt or State-related debt because it (i) is not issued by the State (nor on behalf of the State), and (ii) does not result in a State obligation to pay debt service. Instead, this debt is accounted for in the respective financial statements of the local governments or other entity responsible for the issuance of such debt and is similarly treated.

The issuance of General Obligation debt and debt of the Local Government Assistance Corporation (LGAC) is undertaken by OSC. All other State-supported and State-related debt is issued by the State's financing authorities (known as "Authorized Issuers" in connection with the issuance of PIT and Sales Tax Revenue Bonds) acting under the direction of DOB. The Authorized Issuers for PIT Revenue Bonds are NYSTA, DASNY, ESD, the Environmental Facilities Corporation (EFC), and the Housing Finance Agency (HFA) and the Authorized Issuers for Sales Tax Revenue Bonds are NYSTA, DASNY, and ESD. Prior to any issuance of new State-supported debt and State-related debt, approval is required by the State Legislature, DOB, the issuer's board, and in certain instances, the Public Authorities Control Board (PACB) and the State Comptroller.

The State has never defaulted on any of its General Obligation indebtedness, PIT Revenue Bonds, Sales Tax Revenue Bonds, or its obligations under lease purchase or contractual obligation financing arrangements. The following table summarizes the State's outstanding debt obligations for each of the past three fiscal years.



## CAPITAL PROGRAM AND FINANCING PLAN

<b>OUTSTANDING STATE-SUPPORTED AND STATE-RELATED DEBT <sup>1</sup></b>			
(millions of dollars)			
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
<b>State-Supported Debt</b>	<b>52,773</b>	<b>52,535</b>	<b>52,460</b>
Personal Income Tax Revenue Bonds	23,074	26,501	28,776
Sales Tax Revenue Bonds	0	0	960
General Obligation	3,494	3,524	3,191
Local Government Assistance Corporation	3,119	2,836	2,592
Service Contract & Lease Purchase	11,312	8,585	7,583
Other Revenue Bonds	11,774	11,089	9,358
<b>Contingent-Contractual Obligation Financings</b>	<b>3,193</b>	<b>2,832</b>	<b>2,404</b>
DASNY/MCCFA - Secured Hospital Program	503	421	351
Tobacco Settlement Financing Corporation	2,690	2,411	2,053
<b>Moral Obligation Financings</b>	<b>20</b>	<b>13</b>	<b>7</b>
Housing Finance Agency	18	11	7
MCCFA - Hospitals and Nursing Homes	2	2	0
<b>Other State Financings</b>	<b>623</b>	<b>600</b>	<b>584</b>
MBBA Prior Year School Aid Claims	368	294	281
Capital Leases <sup>2 3</sup>	178	232	232
Mortgage Loan Commitments <sup>3</sup>	77	74	71
<b>State Guaranteed Debt</b>			
Job Development Authority	19	15	12
<b>TOTAL STATE-RELATED DEBT <sup>4</sup></b>	<b>56,628</b>	<b>55,995</b>	<b>55,467</b>

Source: NYS DOB. Except Mortgage Loan Commitments which are taken from the CAFR for FY 2012 and FY 2013 Mortgage Loan Commitments and Capital Leases are estimated by DOB for FY 2014.

<sup>1</sup>Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received.

<sup>2</sup>A portion of SUNY's capital leases are included in State-supported debt.

<sup>3</sup>FY 2012 and FY 2013 Capital Leases and Mortgage Loan Commitments have been restated due to the implementation of GASB statement 61.

<sup>4</sup>Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.



### STATE-SUPPORTED DEBT OUTSTANDING

State-supported debt represents obligations of the State that are paid from traditional State resources and have a budgetary impact. It includes General Obligation debt, State PIT Revenue Bonds, Sales Tax Revenue Bonds, LGAC bonds and lease purchase and service contract obligations of public authorities and municipalities. Payment of all obligations, except for General Obligation debt, is subject to annual appropriations by the State Legislature, but the State's credits have different security features, as described in this section. The Debt Reform Act of 2000 limits the amount of new State supported debt issued since April 1, 2000. See "Financial Plan Overview — Capital Commitment Plan and Debt Reform Act Limit" for more information.

### STATE PIT REVENUE BOND PROGRAM

Since 2002, the PIT Revenue Bond Program has been the primary financing vehicle used to fund the State's capital program. Legislation enacted in 2001 provided for the issuance of State PIT Revenue Bonds by the State's Authorized Issuers. The legislation requires 25 percent of State PIT receipts (excluding refunds owed to taxpayers) to be deposited into the RBTF for purposes of making debt service payments on these bonds, with the excess amounts returned to the General Fund. The first State PIT Revenue Bonds were issued on May 9, 2002, and since that time, all of the Authorized Issuers have issued State PIT Revenue Bonds.

Legislation enacted in 2007 increased the amount of PIT receipts to be deposited into the RBTF by removing an exclusion for PIT amounts deposited to the STAR Fund. In the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the State PIT Revenue Bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of (i) 25 percent of annual PIT receipts or (ii) \$6 billion. Debt service on State PIT Revenue Bonds is subject to legislative appropriation, as part of the annual debt service bill.

As of March 31, 2014, approximately \$28.8 billion of State PIT Revenue Bonds were outstanding. The projected PIT Revenue Bond coverage ratios, noted below, are based upon estimates of PIT receipts deposited into the RBTF and include projected debt issuances. Assuming average issuances of approximately \$3.4 billion annually over the next four years, PIT coverage is expected to decline from 3.7 times in FY 2015 to 3.5 times in FY 2018. The projected PIT Revenue Bond coverage ratios assume that projects previously financed through the Mental Health Revenue Bond program and the DHBTB Revenue Bond program will be issued under the PIT Revenue Bond program. Revenues that would have been dedicated to bonds issued under the old programs are transferred to the RBTF to offset debt service costs for projects financed with PIT Revenue bonds, but are not counted towards debt service coverage.



## CAPITAL PROGRAM AND FINANCING PLAN

### PROJECTED PIT REVENUE BOND COVERAGE RATIOS FY 2015 THROUGH 2018 (thousands of dollars)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Projected RBTF Receipts	10,933,925	11,707,550	12,505,850	13,115,600
Projected New PIT Bonds Issuances	3,268,117	3,979,278	3,516,752	2,832,655
Projected Total PIT Bonds Outstanding	30,751,668	33,328,550	35,249,558	36,339,205
Projected Maximum Annual Debt Service	2,938,662	3,253,222	3,563,407	3,799,811
Projected PIT Coverage Ratio	3.7	3.6	3.5	3.5

### SALES TAX REVENUE BOND PROGRAM

Legislation included in the FY 2014 Enacted Budget created a new Sales Tax Revenue Bond program. This new bonding program replicates certain credit features of PIT and LGAC revenue bonds and is expected to continue to provide the State with increased efficiencies and a lower cost of borrowing.

The legislation created the Sales Tax Revenue Bond Tax Fund, a sub-fund within the General Debt Service Fund that will provide for the payment of these bonds. The Sales Tax Revenue Bonds are secured by dedicated revenues consisting of one cent of the State's four cent sales and use tax. With a limited exception, upon the satisfaction of all of the obligations and liabilities of LGAC, this will increase to 2 cents of sales and use tax receipts. Such sales tax receipts in excess of debt service requirements will be transferred to the State's General Fund.

The Sales Tax Revenue Bond Fund has appropriation-incentive and General Fund "reach back" features comparable to PIT and LGAC bonds. A "lock box" feature restricts transfers back to the General Fund in the event of non-appropriation or non-payment. In addition, in the event that sales tax revenues are insufficient to pay debt service, a "reach back" mechanism requires the State Comptroller to transfer moneys from the General Fund to meet debt service requirements.

DOB sold the first Sales Tax Revenue Bond issue on October 24, 2013 and it is anticipated that the Sales Tax Revenue Bonds will be used interchangeably with PIT Revenue Bonds to finance State capital needs. As of March 31, 2014, \$960 million of Sales Tax Revenue Bonds were outstanding. Assuming average issuances of approximately \$1.2 billion annually over the next four years, Sales Tax coverage based only upon the 1 cent pledge is expected to decline from 16.5 times in FY 2014 to 6.7 times in FY 2018, as shown in the following chart.





## CAPITAL PROGRAM AND FINANCING PLAN

PROJECTED SALES TAX REVENUE BOND COVERAGE RATIOS				
FY 2015 THROUGH 2018				
(thousands of dollars)				
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Projected Sales Tax Receipts	3,023,100	3,138,450	3,254,950	3,379,450
Projected New Sales Tax Revenue Bonds Issuances	1,178,773	1,214,136	1,250,560	1,288,077
Projected Total Sales Tax Revenue Bonds Outstanding	2,099,466	3,236,070	4,367,872	5,480,821
Projected Maximum Annual Debt Service	182,724	286,329	395,731	508,097
Projected Sales Tax Coverage Ratio	16.5	11.0	8.2	6.7

Also included in the FY 2014 Enacted Budget was legislation that authorized the use of State Sales Tax Revenue Bonds and PIT Revenue Bonds to finance any capital purpose, including projects that were previously financed through the State's Mental Health Facilities Improvement Revenue Bond program and the DHBTF program. This change allows the State to transition to the use of three primary credits – PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds to finance the State's capital needs.

### GENERAL OBLIGATION FINANCINGS

With limited exceptions for emergencies, the State Constitution prohibits the State from undertaking a long-term General Obligation borrowing (i.e., borrowing for more than one year) unless it is authorized in a specific amount for a single work or purpose by the Legislature. There is no constitutional limitation on the amount of long-term General Obligation debt that may be so authorized and subsequently incurred by the State. However, the Debt Reform Act imposed statutory limitations on new State-supported debt issued on and after April 1, 2000. The State Constitution provides that General Obligation bonds, which can be paid without an appropriation, must be paid in equal annual principal installments or installments that result in substantially level or declining debt service payments, mature within 40 years after issuance, and begin to amortize not more than one year after the issuance of such bonds. However, general obligation housing bonds must be paid within 50 years after issuance, with principal commencing no more than three years after issuance. The Debt Reform Act limits the maximum term of State-supported bonds, including General Obligation bonds, to 30 years, and the State currently has no bonds outstanding with a remaining final maturity that is more than 30 years.

General Obligation debt is currently authorized for transportation, environment and housing purposes. Transportation-related bonds are issued for State and local highway and bridge improvements, mass transportation, rail, aviation, canal, port and waterway programs and projects. Environmental bonds are issued to fund environmentally sensitive land acquisitions, air and water quality improvements, municipal non-hazardous waste landfill closures and hazardous waste site cleanup projects.



## **CAPITAL PROGRAM AND FINANCING PLAN**

Most General Obligation debt-financed spending in the Enacted Capital Plan is authorized under nine previously approved bond acts (five for transportation and four for environmental and recreational programs). The majority of projected general obligation bond-financed spending supports authorizations for the 2005 Rebuild and Renew New York Bond Act. DOB projects that spending authorizations from the remaining bond acts will be virtually depleted by the end of the Plan. The FY 2015 Enacted Budget included a \$2 billion Smart Schools general obligation bond act that will be brought before voters in November 2014. If approved by voters, proceeds will fund enhanced education technology in schools, with eligible projects including infrastructure improvements to bring high-speed broadband to schools and communities in their school district and the purchase of classroom technology for use by students. Additionally, Smart Schools will enable long-term investments in full-day pre-kindergarten through the construction of new pre-kindergarten classroom space.

As of March 31, 2014, approximately \$3.2 billion of General Obligation bonds were outstanding. See “Exhibit B — State-Related Bond Authorizations” for information regarding the levels of authorized, unissued, and outstanding General Obligation debt by bond act.

The State Constitution permits the State to undertake short-term General Obligation borrowings without voter approval in anticipation of the receipt of (i) taxes and revenues, by issuing general obligation tax and revenue anticipation notes (TRANS), and (ii) proceeds from the sale of duly authorized but unissued General Obligation bonds, by issuing bond anticipation notes (BANs). General Obligation TRANS must mature within one year from their date of issuance and cannot be refunded or refinanced beyond such period. However, since 1990, the State’s ability to issue general obligation TRANS that mature in the same State fiscal year in which they were issued has been limited due to the enactment of the fiscal reform program which created LGAC. BANs may only be issued for the purposes and within the amounts for which bonds may be issued pursuant to General Obligation authorizations, and must be paid from the proceeds of the sale of bonds in anticipation of which they were issued or from other sources within two years of the date of issuance or, in the case of BANs for housing purposes, within five years of the date of issuance. In order to provide flexibility within these maximum term limits, the State had previously used the BANs authorization to conduct a commercial paper program to fund disbursements eligible for General Obligation bond financing.



### NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

In 1990, as part of a State fiscal reform program, legislation was enacted creating LGAC, a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments that had been traditionally funded through the State's annual issuance of general obligation TRANs that mature in the same State fiscal year that they are issued ("seasonal borrowing"). The legislation also dedicated revenues equal to one cent of the State's four cent sales and use tax to pay debt service on these bonds. As of June 1995, LGAC had issued State-supported bonds and notes to provide net proceeds of \$4.7 billion, completing the program. The issuance of these long-term obligations is amortized over a period of no more than 30 years from the dates of their original issuance, with the final debt service payment on April 1, 2025. As of March 31, 2014, approximately \$2.6 billion of LGAC bonds were outstanding.

The LGAC legislation eliminated seasonal borrowing except in cases where the Governor and the legislative leaders have certified the need for additional seasonal borrowing, based on emergency or extraordinary factors, or factors unanticipated at the time of adoption of the budget, and provide a schedule for eliminating it over time. Any seasonal borrowing is required by law to be eliminated by the fourth fiscal year after the limit was first exceeded (i.e., no seasonal borrowing in the fifth year). The provision limiting the State's seasonal borrowing practices was included as a covenant with LGAC's bondholders in the General Bond Resolution and General Subordinate Lien Bond Resolution authorizing such bonds. No restrictions were placed upon the State's ability to issue deficit TRANs (issued in one year and maturing in the following year).

The LGAC changes, as well as other changes in revenue and spending patterns, have allowed the State to meet its cash flow needs throughout the fiscal year without relying on seasonal borrowings. However, the State has taken extraordinary measures in recent years to manage its cash flow, including payment deferrals and permitting the State to borrow from other funds of the State (i.e., non-General Fund) for a limited period.

Legislation enacted in 2003 requires LGAC to certify, in addition to its own cash needs, \$170 million annually to provide an incentive for the State to seek an annual appropriation to provide local assistance payments to New York City or its assignee. In May 2004, LGAC amended its General Bond Resolution and General Subordinate Lien Bond Resolution to make clear that any failure to certify or make payments to the City or its assignee has no impact on LGAC's own bondholders; and that if any such act or omission were to occur with respect to any bonds issued by The City of New York or its assignee, that act or omission would not constitute an event of default with respect to LGAC bonds. The FY 2015 Enacted Budget includes a local assistance appropriation of \$170 million from the Local Government Assistance Tax Fund to the City.



## **CAPITAL PROGRAM AND FINANCING PLAN**

### **STATE-SUPPORTED LEASE-PURCHASE AND OTHER CONTRACTUAL-OBLIGATION FINANCINGS**

Prior to the 2002 commencement of the State's PIT Revenue Bond program, public authorities or municipalities issued other lease-purchase and contractual-obligation debt. These types of debt, where debt service is payable from moneys received from the State and is subject to annual State appropriation, are not general obligations of the State.

Debt service payable to certain public authorities from State appropriations for such lease-purchase and contractual obligation financings may be paid from general resources of the State or from dedicated tax and other sources (i.e., personal income taxes, motor vehicle and motor fuel related-taxes, and patient income). Although these financing arrangements involve a contractual agreement by the State to make payments to a public authority, municipality or other entity, the State's obligation to make such payments is expressly made subject to appropriation by the Legislature and the actual availability of money to the State for making the payments.

Legislation first enacted in FY 2011, and extended through FY 2017, authorizes the State to set aside moneys in reserve for debt service on general obligation, lease-purchase, and service contract bonds. Pursuant to a certificate filed by the Director of the Budget with the State Comptroller, the Comptroller is required to transfer from the General Fund such reserved amounts on a quarterly basis in advance of required debt service payment dates.

### **DEDICATED HIGHWAY AND BRIDGE TRUST FUND BONDS**

DHBTB bonds were issued for State transportation purposes and are backed by dedicated motor fuel, gas and other transportation related taxes and fees. As of March 31, 2014, approximately \$6.1 billion of DHBTB bonds were outstanding. The State currently has no plans to issue additional DHBTB bonds.

### **MENTAL HEALTH FACILITIES IMPROVEMENT BONDS**

Mental Health Facilities Improvement bonds were issued to support capital projects to preserve and maintain both State and community-based facilities operated and/or licensed by OMH, OPWDD, and OASAS. As of March 31, 2014, approximately \$1.8 billion of Mental Health Facilities Improvement bonds were outstanding.

A major source of patient revenues for these bonds are Federal Medicaid payments for services delivered by OPWDD. Debt service coverage for FY 2015 is currently projected at approximately 7.5 times for existing Mental Health Facilities Improvements Revenue Bonds. As noted previously, the Federal CMS have engaged the State regarding claims for services provided to individuals in developmental centers operated by OPWDD. In addition, to the reductions in rates that commenced on April 1, 2013, on February 8, 2013, the U.S. Department of Health & Human Services Office of the Inspector General, at the direction of the Federal CMS, began a review to determine the allowability of Medicaid costs for services provided in prior years to the Medicaid population in New York State-Operated ICF/DD. The initial review period includes claims for services provided during the period April 1, 2010 through March 31, 2011. As a result of this review, CMS may seek to recover Federal funds for



any payments that it determines to be in excess of Federal requirements. The State has prospectively resolved CMS concerns regarding its payments to ICF/DDs with a state plan change effective April 1, 2013, and continues to have discussions with CMS to resolve these concerns related to the April 1, 2010 through March 31, 2011 period. Adverse action by the Federal government relative to the allowability of Medicaid costs or services in years prior to FY 2014 would result in a significant loss of Federal aid. The prospective resolution of this matter resulted in a reduction in Federal aid of \$1.1 billion annually. A comparable amount of Federal aid is at risk for any prior period that may be pursued by CMS. Matters of this type are sometimes resolved with a prospective solution (as already commenced by New York State), and the State is not aware of any similar attempts by the Federal government to retroactively recover Federal aid of this magnitude that was paid pursuant to an approved State plan. The State continues to seek CMS approval to proceed with the development of a sustainable system of service funding and delivery for individuals with developmental disabilities. However, there can be no assurance that Federal action in this matter will not result in materially adverse changes to the State Financial Plan.

### SUNY DORMITORY FACILITIES BONDS

Legislation enacted in 2013 changed the method of paying debt service on outstanding SUNY Dormitory Facilities Lease Revenue Bonds (the "Lease Revenue Bonds") and established a new revenue-based financing credit, the SUNY Dormitory Facilities Revenue Bonds (the "Facilities Revenue Bonds") to finance the SUNY residence hall program in the future. The Facilities Revenue Bonds, unlike the Lease Revenue Bonds, will not include a SUNY general obligation pledge, thereby eliminating any recourse to the State with respect to the payment of the Facilities Revenue Bonds. The legislation also provided for the assignment of the revenues derived from the use and occupancy of SUNY's dormitory facilities (the "Dormitory Facilities Revenues") for the payment of debt service on both the Lease Revenue Bonds and the Facilities Revenue Bonds from SUNY to DASNY. As a result, annual debt service on the outstanding Lease Revenue Bonds is no longer supported by a State appropriation, except under extraordinary circumstances (i.e., the generation of insufficient Dormitory Facilities Revenues implicating the need for SUNY payments from sources other than Dormitory Facilities Revenues for debt service on the Lease Revenue Bonds). DOB is not aware of such an extraordinary circumstance having ever occurred in the past and does not anticipate that it would occur in the future. However, since the outstanding Lease Revenue Bonds were incurred as State-supported debt, until these are defeased or are paid off to maturity, DOB will continue to count these bonds as outstanding State-supported debt for purposes of the Debt Reform Act caps and has included these bonds as State-supported debt in all figures, tables and charts in this AIS. In recognition of the fact that debt service payments on the Lease Revenue Bonds are no longer supported by an appropriation, the debt service payments on such Lease Revenue Bonds in the approximate annual amount of \$100 million is not included in State debt service payments reported in this AIS. Annual debt service payments related to the Lease Revenue Bonds was \$117 million in FY 2014 and is projected to be \$109 million in FY 2015 and FY 2016, \$106 million in FY 2017, and \$101 million in FY 2018. As of March 31, 2014, approximately \$1.2 billion of Lease Revenue Bonds were outstanding.



### STATE-RELATED DEBT OUTSTANDING

State-related debt is a broader measure of debt that includes State-supported debt, as discussed above, and contingent-contractual obligations, moral obligations, State-guaranteed debt and other debt.

### CONTINGENT-CONTRACTUAL OBLIGATION FINANCING

Contingent-contractual debt, included in State-related debt, is debt where the State enters into a statutorily authorized contingent-contractual obligation via a service contract to pay debt service in the event there are shortfalls in revenues from other non-State resources pledged or otherwise available to pay the debt service. As with State-supported debt, except for General Obligation bonds, all payments are subject to annual appropriation. The bankruptcy and deteriorating financial conditions of certain hospitals in the Secured Hospitals Program (described below) resulted in the State paying approximately \$12 million of debt service payments in FY 2014.

### SECURED HOSPITAL PROGRAM

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State Medical Care Facilities Financing Agency (MCFFA) and by DASNY through the Secured Hospital Program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of March 31, 2014, there was approximately \$351 million of bonds outstanding for this program. See “Financial Plan Overview — Other Matters Affecting the Financial Plan — Secured Hospital Program” for more information.

### TOBACCO SETTLEMENT FINANCING CORPORATION (TSFC)

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments through the TSFC, a corporation created under the legislation that is a subsidiary of the MBBA, through an asset-backed securitization transaction. To lower costs, the legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. To reduce the chance that the State’s contractual payments will be required in the event that tobacco receipts and bond reserves are not sufficient to pay debt service, the TSFC bonds were structured to meet or exceed all rating agency tobacco bond stress tests. The \$4.2 billion of upfront payments received by the State from the securitization were used to help restore State budget balance in FY 2004 (\$3.8 billion) and FY 2005 (\$400 million).

The bonds carry a final nominal maturity of 19 years and have an expected final maturity of 13 years, based on optional redemptions (i.e., an expected final maturity in calendar year 2018). The expected final maturity may deviate due to the optional nature of the redemptions and adjustments to tobacco settlement payments due from participating manufacturers. Various manufacturers, including the



## CAPITAL PROGRAM AND FINANCING PLAN

original participating manufacturers, have made reduced payments annually starting in 2006 to states and territories, or deposit payments into a special disputed payments account. On September 11, 2013, an arbitration panel found that the State was “diligent” in enforcing its qualifying statute relating to the first payment that was withheld. As a result of the arbitration decision, the State received approximately \$50 million in April 2014. Arbitration proceedings have not been started for the following years and no assurance can be made as to the outcome of future proceedings. See “Litigation and Arbitration — Tobacco Master Settlement Agreement (MSA)” for more information. As of March 31, 2014, approximately \$2.1 billion of TSFC bonds were outstanding. DOB does not anticipate that the State will be called upon to make any payment, pursuant to the contingency contract, in FY 2015.

### MORAL OBLIGATION FINANCINGS

Moral obligation financing generally involves the issuance of debt by a public authority to finance a revenue producing project or other activity. The debt is secured, in the first instance, by project revenues, but includes statutory provisions requiring the State, subject to appropriation by the Legislature, to make up any deficiencies which may occur in the issuer’s debt service reserve fund. There has never been a payment default on any moral obligation debt of any public authority. DOB does not expect the State to increase statutory authorizations for moral obligation bond programs. From 1976 through 1987, the State was called upon to appropriate and make payments totaling \$162.8 million to make up deficiencies in the debt service reserve funds of HFA pursuant to moral obligation provisions. In the same period, the State also expended additional funds to assist the Project Finance Agency, Urban Development Corporation (UDC) and other public authorities which had moral obligation debt outstanding. The State has not been called upon to make any payments pursuant to any moral obligations since FY 1987 and no such requirements are anticipated during FY 2015.

### STATE-GUARANTEED FINANCINGS

Pursuant to specific constitutional authorization, the State may also directly guarantee certain public authority obligations. Payments of debt service on State guaranteed bonds and notes are legally enforceable obligations of the State. The only current authorization provides for the State guarantee of the repayment of certain borrowings for designated projects of the New York State Job Development Authority (JDA). The State has never been called upon to make any direct payments pursuant to any such guarantees.

Due to concerns regarding the economic viability of its programs, JDA’s loan and loan guarantee activities were suspended in 1995. JDA resumed its lending activities in 1997 under a revised set of lending programs and underwriting guidelines. In April 2004, JDA issued approximately \$42 million of State-guaranteed bonds to refinance certain of its outstanding bonds and notes in order to restructure and improve JDA’s capital finances. As of March 31, 2014, JDA had approximately \$12 million of bonds outstanding. DOB does not anticipate that the State will be called upon to make any payments pursuant to the State guarantee in FY 2015.



## CAPITAL PROGRAM AND FINANCING PLAN

### OTHER STATE FINANCINGS

Other State financings relate to the issuance of debt by a public authority, including capital leases, mortgage loan commitments and MBBA prior year school aid claims. Regarding the MBBA prior year school aid claims, the municipality assigns specified State and local assistance payments it receives to the issuer or the bond trustee to ensure that debt service payments are made. The State has no legal obligation to make any debt service payments or to continue to appropriate local assistance payments that are subject to the assignment.

### BORROWING PLAN

STATE DEBT ISSUANCES BY FINANCING PROGRAM					
(millions of dollars)					
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Personal Income Tax Revenue Bonds	2,853	3,268	3,979	3,517	2,833
Sales Tax Revenue Bonds	960	1,179	1,214	1,250	1,288
General Obligation Bonds	0	312	1,310	421	398
<b>Total Issuances</b>	<u>3,813</u>	<u>4,759</u>	<u>6,503</u>	<u>5,188</u>	<u>4,519</u>

Source: NYS DOB.

Debt issuances totaling \$4.8 billion are planned to finance new capital project spending in FY 2015, an increase of \$946 million (25 percent) from FY 2014, which increase is primarily attributable to a delay in the sale of bonds from FY 2014 until FY 2015. It is anticipated that the State will finance capital projects through PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds in FY 2014. PIT and Sales Tax issuances will include capital projects previously financed through the DHBTF Bonds credit and Mental Health Facilities Improvement Revenue Bonds credit.

The bond issuances will finance capital commitments for transportation infrastructure (\$1.3 billion), education (\$1.8 billion), mental hygiene and health care facilities (\$716 million), economic development (\$377 million), the environment (\$285 million), and State facilities and equipment (\$317 million).

Over the next four years, new debt issuances are projected to total \$21.0 billion. New issuances are primarily for transportation infrastructure (\$5.9 billion), education facilities (\$8.0 billion), economic development (\$2.3 billion), the environment (\$1.2 billion), mental hygiene and health care facilities (\$2.3 billion), and State facilities and equipment (\$1.4 billion).

The State expects to finance all of its bond-financed capital needs in FY 2015 through only three highly-rated programs – PIT Revenue Bonds, Sales Tax Revenue Bonds, and General Obligation bonds. Assuming an issuance plan consistent with the prior table the State projects debt outstanding levels through FY 2018 to be as follows:





## CAPITAL PROGRAM AND FINANCING PLAN

PROJECTED DEBT OUTSTANDING BY CREDIT (millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personal Income Tax Revenue Bonds	28,776	30,752	33,329	35,250	36,339
Sales Tax Revenue Bonds	960	2,099	3,236	4,368	5,481
General Obligation Bonds	3,191	3,199	4,217	4,274	4,326
Local Government Assistance Corp.	2,592	2,345	2,058	1,758	1,466
Other Revenue Bonds	9,358	8,526	7,768	7,031	6,316
Service Contract & Lease Purchase	7,583	6,676	5,777	4,976	4,067
<b>TOTAL STATE-SUPPORTED</b>	<b>52,460</b>	<b>53,597</b>	<b>56,385</b>	<b>57,657</b>	<b>57,995</b>

### STATE-RELATED DEBT SERVICE REQUIREMENTS

The following table presents the current and future debt service (principal and interest) requirements on State-related debt outstanding as of March 31, 2014. The requirements of LGAC and other financing obligations of public authorities are based on the gross amounts due from the authorities to bondholders within the fiscal year when such authorities make the payments. The amounts shown do not reflect other associated costs or revenues anticipated to be available, such as interest earnings, capitalized interest or debt service reserve fund releases. Thus, the requirements shown are generally in excess of the amounts expected to be actually paid by the State during its fiscal year.

ESTIMATED DEBT SERVICE REQUIREMENTS ON EXISTING STATE-RELATED DEBT BY CREDIT STRUCTURE <sup>1</sup> (millions of dollars)						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
Personal Income Tax Revenue Bonds	2,517	2,668	2,624	2,640	2,620	13,069
Sales Tax Revenue Bonds	18	67	67	67	82	300
General Obligation Bonds	472	437	403	369	324	2,005
Local Government Assistance Corporation	375	392	392	371	288	1,818
Other State-Supported Bonds	3,005	2,297	2,179	2,030	2,030	11,542
Tobacco Bonds <sup>2</sup>	397	400	447	399	398	2,042
All Other State-Related Bonds <sup>3</sup>	105	103	110	95	84	497
<b>Total Debt Service</b>	<b>6,889</b>	<b>6,364</b>	<b>6,222</b>	<b>5,971</b>	<b>5,826</b>	<b>31,273</b>

Source: NYS DOB.

<sup>1</sup> Reflects debt issued as of March 31, 2014. Estimated debt service requirements are calculated based on swap rates in effect for all bonds that were synthetically fixed under an interest rate exchange agreement. Debt service requirements for variable rate bonds for which there are no related interest rate exchange agreements were calculated at rates of 3.50 percent.

<sup>2</sup> Estimated debt service numbers are based on available information as of March 31, 2014. Since 2006 certain monies expected to flow to the State under the Master Settlement Agreement have been withheld and placed in a Dispute Payment Account. Pending the outcome of a resolution between participating manufacturers and the states, the debt service numbers will be adjusted accordingly.

<sup>3</sup> Excludes Mortgage Loan Commitments and Capital Leases.



## INTEREST RATE EXCHANGE AGREEMENTS AND NET VARIABLE RATE OBLIGATIONS

Chapter 81 of the Laws of 2002 authorized issuers of State-supported debt to issue a limited amount of variable rate debt instruments and to enter into a limited amount of interest rate exchange agreements. The current limit on debt instruments which result in a net variable rate exposure (i.e., both variable rate debt and interest rate exchange agreements) is no more than 15 percent of total outstanding State-supported debt. Interest rate exchange agreements are also limited to a total notional amount of no more than 15 percent of total outstanding State-supported debt. The outstanding State-supported debt of \$52.5 billion as of March 31, 2014 results in a cap on variable rate exposure and a cap on interest rate exchange agreements of about \$8 billion each (15 percent of total outstanding State-supported debt). As discussed below, as of March 31, 2014, both the amount of outstanding variable rate debt instruments and interest rate exchange agreements were less than the authorized totals of 15 percent of total outstanding State-supported debt.

### INTEREST RATE EXCHANGE AGREEMENTS

As of March 31, 2014, the State’s Authorized issuers have a notional amount of \$2.0 billion in interest rate exchange agreements. The following table shows the amount of outstanding interest rate exchange agreements which are subject to the statutory cap. Overall, the State’s swap exposure is expected to decline from 3.8 percent in FY 2014 to 2.7 percent in FY 2018.

INTEREST RATE EXCHANGE CAP (millions of dollars)					
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Interest Rate Exchange Cap	7,869	8,040	8,458	8,649	8,699
Notional Amounts of Interest Rate Exchange Agreements	2,014	1,927	1,820	1,683	1,548
Percent of Interest Rate Exchange Agreements to Debt Outstanding	3.8%	3.6%	3.2%	2.9%	2.7%

Currently the State’s swaps portfolio is comprised of synthetic fixed rate swaps. A synthetic fixed swap includes two separate transactions: (1) a variable rate bond is sold to bondholders, and (2) an interest rate exchange agreement between the State and a counterparty is executed. The interest rate exchange agreement results in the State paying a fixed interest rate (i.e., synthetic fixed rate) to the counterparty and the counterparty agrees to pay the State a variable rate (65 percent of the London InterBank Offered Rate (LIBOR) for all State swaps). The variable rate the State pays to bondholders and the variable rate the State is receiving from the counterparty off-set each other, leaving the State with the synthetic fixed rate payment. The synthetic fixed rate was less than the fixed rate the State would have paid to issue traditional fixed rate bonds at the time of issuance.

At this time, the State has no plans to increase its swap exposure, and may take further actions to reduce swap exposures commensurate with variable rate restructuring efforts.



## CAPITAL PROGRAM AND FINANCING PLAN

### NET VARIABLE RATE OBLIGATIONS

The State's net variable rate exposure (including a policy reserve) is projected to average 1.6 percent of outstanding debt from FY 2014 through FY 2018. The debt that is charged against the variable rate cap represents the State's unhedged variable rate bonds. The variable rate bonds that are issued in connection with a swap - \$2.0 billion - are not included in the variable rate cap, as discussed previously in the "Interest Rate Exchange Agreements" section.

The State's current policy is to count 35 percent of the notional amount of outstanding 65 percent of LIBOR fixed rate swaps in its variable rate exposure. This policy reserve accounts for the potential that tax policy or market conditions could result in significant differences between payments owed on the bonds and the amount received by the State under its 65 percent of LIBOR swaps, and that the factors affecting such payments can be consistent with variable rate exposure.

VARIABLE RATE EXPOSURE (millions of dollars)					
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Variable Rate Exposure Cap	7,869	8,040	8,458	8,649	8,699
Current Unhedged Variable Rate Obligations	204	193	182	173	161
Synthetic Variable Rate Swaps	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Net Variable Rate Exposure	204	193	182	173	161
Net Variable Rate Exposure to Debt Outstanding	0.4%	0.4%	0.3%	0.3%	0.3%
Current Policy Reserve for LIBOR Swaps	705	674	637	589	542
Net Variable Rate Exposure (with Policy Reserve)	909	868	819	762	703
Net Variable Rate Exposure (with Policy Reserve) to Debt Outstanding	1.7%	1.6%	1.5%	1.3%	1.2%

The State has no plans to issue additional variable rate debt at this time, and may further reduce existing variable rate exposure.



### **STATE BOND CAPS AND DEBT OUTSTANDING**

Bond caps are legal authorizations to issue bonds to finance the State's capital projects. The caps can authorize bond financing of capital appropriations. As the bond cap for a particular programmatic purpose is reached, subsequent legislative changes are required to raise the statutory cap to the level necessary to meet the bondable capital needs, as permitted by a single or multi-year appropriation. The aggregate bond caps have increased by \$7.6 billion in FY 2015.

Debt authorizations for capital programs are either approved or enacted at one time, expected to be fully issued over time, or enacted annually by the Legislature and are usually consistent with bondable capital projects appropriations. Authorization does not, however, indicate intent to sell bonds for the entire amount of those authorizations, because capital appropriations often include projects that do not materialize or are financed from other sources. The amount of bonds authorized may be increased or decreased from time to time by the Legislature. In the case of General Obligation debt, increases in the authorization must be approved by the voters. See "Exhibit B — State-Related Bond Authorizations" herein for additional information.

### **FOR MORE INFORMATION**

Additional information on the State's debt portfolio is available on DOB's public website ([www.budget.ny.gov](http://www.budget.ny.gov)). The Investor's Guide section of the site contains information on New York State bonds including: the State's bond issuance schedule which is updated periodically; swap and variable rate capacity reports; variable rate trading activity; and State PIT Revenue Bond and Sales Tax Revenue Bond debt service and debt outstanding.

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# **AUTHORITIES AND LOCALITIES**

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# *Authorities and Localities*

## **PUBLIC AUTHORITIES**

For the purposes of this section, “authorities” refer to public benefit corporations or public authorities, created pursuant to State law, which are reported in the State’s CAFR. Authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State’s access to the public credit markets through bond issuances constituting State-supported or State-related debt issuances by certain of its authorities could be impaired and the market price of the outstanding debt issued on its behalf may be materially and adversely affected if these authorities were to default on their respective State-supported or State-related debt issuances.

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

There are statutory arrangements that, under certain circumstances, authorize State local assistance payments otherwise payable to localities to be made instead to the issuing public authorities in order to secure the payment of debt service on their revenue bonds and notes. However, the State has no constitutional or statutory obligation to provide assistance to localities beyond amounts that have been appropriated therefore in any given year. Some public authorities also receive moneys from State appropriations to pay for the operating costs of certain programs.

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## AUTHORITIES AND LOCALITIES

As of December 31, 2013 (with respect to Job Development Authority or (“JDA”), as of March 31, 2013), each of the 19 authorities listed in the following table had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately \$175 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities.

<b>OUTSTANDING DEBT OF CERTAIN AUTHORITIES<sup>(1)</sup></b>			
<b>AS OF DECEMBER 31, 2013<sup>(2)</sup></b>			
<b>(millions of dollars)</b>			
<b>Authority</b>	<b>State-Related Debt</b>	<b>Authority and Conduit</b>	<b>Total</b>
	<b>Bonding</b>	<b>Bonding</b>	
Dormitory Authority <sup>(3)</sup>	25,277	21,019	46,296
Metropolitan Transportation Authority	346	24,352	24,698
Port Authority of NY & NJ	0	21,876	21,876
Thruway Authority	10,056	4,830	14,886
UDC/ESD	11,090	903	11,993
Housing Finance Agency	859	11,077	11,936
Triborough Bridge and Tunnel Authority	0	8,292	8,292
Job Development Authority <sup>(2)</sup>	15	7,011	7,026
Long Island Power Authority <sup>(4)</sup>	0	6,967	6,967
Environmental Facilities Corporation	645	6,158	6,803
Energy Research and Development Authority	0	3,434	3,434
State of New York Mortgage Agency	0	2,781	2,781
Local Government Assistance Corporation	2,592	0	2,592
Tobacco Settlement Financing Corporation	2,053	0	2,053
Power Authority	0	1,675	1,675
Battery Park City Authority	0	1,059	1,059
Municipal Bond Bank Agency	281	291	572
Niagara Frontier Transportation Authority	0	144	144
Bridge Authority	0	117	117
<b>TOTAL OUTSTANDING</b>	<b>53,214</b>	<b>121,986</b>	<b>175,200</b>

Source: Office of the State Comptroller. Debt classifications by Division of the Budget.

<sup>(1)</sup> Includes only authorities with \$100 million or more in outstanding debt which are reported as component units or joint ventures of the State in the Comprehensive Annual Financial Report (CAFR). Includes short-term and long-term debt. Reflects original par amounts for bonds and financing arrangements or original gross proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received.

<sup>(2)</sup> All Job Development Authority (JDA) debt outstanding reported as of March 31, 2013. This includes \$7 billion in conduit debt issued by JDA's blended component units consisting of \$6.5 billion issued by New York Liberty Development Corporation (\$1.2 billion of which is also included in the amount reported for Port Authority of NY and NJ) and \$511 million issued by the Brooklyn Arena Local Development Corporation. In addition, JDA has \$15 million in State-guaranteed bonds outstanding.

<sup>(3)</sup> Includes debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995.

<sup>(4)</sup> Includes \$2.02 billion of Utility Debt Securitization Authority (UDSA) bonds. Chapter 173 of the Laws of 2013 established UDSA for the sole purpose of retiring certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of restructuring bonds. UDSA is reported as a blended component unit of LIPA in LIPA's audited financial statements.





## LOCALITIES

While the fiscal condition of New York City and other local governments in the State is reliant, in part, on State aid to balance their annual budgets and meet their cash requirements, the State is not legally responsible for their financial condition and viability. Indeed, the provision of State aid to localities, while one of the largest disbursement categories in the State budget, is not constitutionally obligated to be maintained at current levels or to be continued in future fiscal years and the State Legislature may amend or repeal statutes relating to the formulas for and the apportionment of State aid to localities.

## THE CITY OF NEW YORK

The fiscal demands on the State may be affected by the fiscal condition of New York City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of New York City, and its related issuers, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and its related issuers is available by contacting Ben Schanback, Investor Relations, (212) 788-0920, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City and its related issuers.

DEBT OF NEW YORK CITY <sup>(1)</sup> AS OF JUNE 30 OF EACH YEAR (millions of dollars)									
Year	General Obligation Bonds	Obligations of TFA <sup>(1)</sup>	Obligations of Municipal Assistance Corporation	Obligations of STAR Corp. <sup>(2)</sup>	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other <sup>(3)</sup> Obligations	Treasury Obligations	Total
2004	31,378	13,364	1,758	0	1,256	0	2,561	(52)	50,265
2005	33,903	12,977	0	2,551	1,283	0	3,746	(39)	54,421
2006	35,844	12,233	0	2,470	1,334	0	3,500	0	55,381
2007	34,506	14,607	0	2,368	1,317	2,100	3,394	0	58,292
2008	36,100	14,828	0	2,339	1,297	2,067	2,556	0	59,187
2009	39,991	16,913	0	2,253	1,274	2,033	2,442	0	64,906
2010	41,555	20,094	0	2,178	1,265	2,000	2,402	0	69,494
2011	41,785	23,820	0	2,117	1,260	2,000	2,556	0	73,538
2012	42,286	26,268	0	2,054	1,253	3,000	2,457	0	77,318
2013	41,592	29,203	0	1,985	1,245	3,000	2,360	0	79,385

Source: Office of the State Comptroller.

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

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

<sup>(3)</sup> Includes bonds issued by the Fiscal Year 2005 Securitization Corporation, the New York City Educational Construction Fund and the Industrial Development Agency. Also included are bonds issued by the Dormitory Authority of the State of New York for education, health, and court capital projects and other long-term leases which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.

The staffs of the Financial Control Board for the City of New York ("FCB"), the Office of the State Deputy Comptroller ("OSDC"), the City Comptroller and the Independent Budget Office issue periodic reports on



## ***AUTHORITIES AND LOCALITIES***

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



### OTHER LOCALITIES

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. Between 2004 and January 2014, the State Legislature passed 24 special acts authorizing, or amending authorizations for, bond issuances to finance local government operating deficits, most recently for Rockland County, the City of Long Beach and the City of Yonkers. When local governments are authorized to issue bonds to finance operating deficits, the local government generally is subject to certain additional fiscal oversight during the time the bonds are outstanding, including an annual budget review by OSC. In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality.

The Buffalo Fiscal Stability Authority has exercised Control Period powers with respect to the City of Buffalo since the City's 2004 fiscal year, but transitioned to Advisory Period powers commencing on July 1, 2012.

In January 2011, the Nassau County Interim Finance Authority ("NIFA") declared that it was entering a Control Period, citing the "substantial likelihood and imminence" that Nassau County would incur a major operating funds deficit of 1 percent or more during the County's 2011 fiscal year. Nassau County challenged NIFA's determination and authority to impose a Control Period in State Supreme Court but did not prevail. NIFA is now exercising Control Period powers over Nassau County.

Various actions taken by NIFA or Nassau County have been the subject of Federal and State court decisions. For example, NIFA's imposition of a wage freeze has been the subject of litigation, and the New York State Court of Appeals has held that Nassau County could not transfer the responsibility for certain tax refunds to local governments and school districts. On May 10, 2014, NIFA approved labor contracts that include wage increases for various collective bargaining units, ending NIFA's 3-year imposition of the wage freeze.

Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Newburgh operates under fiscal monitoring by the State Comptroller pursuant to special State legislation. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's FY 2014 or thereafter.

The City of Yonkers no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The Yonkers City School District is dependent upon the City of Yonkers as it lacks separate taxing authority for school operations. In January 2014, the Yonkers Board of Education identified an improper accrual of State aid that resulted in an unanticipated shortfall in available funds for operation of the Yonkers City School District. In response, the Yonkers City School District Deficit Financing Act was enacted, which authorizes the City of Yonkers to issue debt of up to \$45 million to liquidate current deficits in the school district's general fund as of June 30, 2014. The FY 2015 Enacted Budget also provides \$28 million to the City of Yonkers and Yonkers City School District for the school year 2015, subject to an Inter-Municipal Agreement to be executed between the City of Yonkers and the



## AUTHORITIES AND LOCALITIES

Yonkers City School District and approved by the State Budget Director, to consolidate and combine various overlapping and duplicative non-academic functions under the general management and direction of the City of Yonkers.

Legislation enacted in 2013 created the Financial Restructuring Board for Local Governments (the “Restructuring Board”). The Restructuring Board consists of ten members, including the Director of the State Budget, who is the Chair, the Attorney General, the State Comptroller, the Secretary of State and six members appointed by the Governor. The Restructuring Board, upon the request of a “fiscally eligible municipality,” is authorized to perform a number of functions including reviewing the municipality’s operations and finances, making recommendations on reforming and restructuring the municipality’s operations, proposing that the municipality agree to fiscal accountability measures, and making available certain grants and loans. To date, the Restructuring Board has agreed to accept the requests for review of eight fiscally eligible municipalities. The Restructuring Board is also authorized, upon the joint request of the fiscally eligible municipality and a public employee organization, to resolve labor impasses between municipal employers and employee organizations for police, fire and certain other employees in lieu of binding arbitration before a public arbitration panel.

In June of 2013, OSC unveiled its Fiscal Stress Monitoring System—a system that is intended to identify stress conditions in local communities, utilizing a number of fiscal and environmental indicators. The goal is to provide an early warning of potential fiscal distress. Fiscal indicators consider measures of budgetary solvency while environmental indicators consider measures such as population, poverty, and tax base trends. Individual entities are then scored according to their performance on these indicators. An entity’s score on the fiscal components will determine whether or not it is classified in one of three levels of stress: significant, moderate or susceptible. Entities that do not meet established scoring thresholds are classified as “No Designation.”

The first set of scores was issued in 2013 for 1,043 calendar year local governments based on data filed for the 2012 fiscal year. Of these, 12 local governments were found to be in significant fiscal stress, including five counties, two cities, four towns and one village. Using data from 2013, 12 school districts and four additional villages were designated to be in significant fiscal stress. The vast majority of non-calendar year local governments (92.1 percent) and school districts (87.1 percent) are categorized as “No Designation.”

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control, but which can adversely affect their financial condition. For example, the State or Federal government may reduce (or, in some cases, eliminate) funding of local programs, thus requiring local governments to pay these expenditures using their own resources. Similarly, past cash flow problems for the State have resulted in delays in State aid payments to localities. In some cases, these delays have necessitated short-term borrowing at the local level.

Other factors that have had, or could have, an impact on the fiscal condition of local governments and school districts include: the loss of temporary Federal stimulus funding; recent State aid trends; constitutional and statutory limitations on the imposition by local governments and school districts of property, sales and other taxes; and for some communities, the significant upfront costs for rebuilding and clean-up in the wake of a natural disaster. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long range economic trends. Other large scale



## ***AUTHORITIES AND LOCALITIES***

potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, or the loss of skilled manufacturing jobs may also adversely affect localities and necessitate requests for State assistance.

Ultimately, localities as well as local public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State.

The following table summarizes the debt of New York City and its related issuers, and other New York State localities, from 1980 to 2012.



## AUTHORITIES AND LOCALITIES

DEBT OF NEW YORK LOCALITIES <sup>(1)</sup> (millions of dollars)						
Locality Fiscal Year Ending	Combined		Other Localities Debt <sup>(3)</sup>		Total Locality Debt <sup>(3)</sup>	
	New York City Debt <sup>(2)</sup>		Bonds <sup>(4)</sup>	Notes <sup>(4)</sup>	Bonds <sup>(3)(4)</sup>	Notes <sup>(4)</sup>
	Bonds	Notes				
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,082	4,005	58,326	4,520
2003	47,376	1,110	23,951	6,429	71,327	7,539
2004	50,265	0	26,684	4,979	76,949	4,979
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,753	4,755	86,134	4,755
2007	58,192	100	32,271	4,567	90,463	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,908	99,395	6,941
2010	69,494	0	36,103	7,361	105,597	7,361
2011	73,538	0	36,230	7,312	109,768	7,312
2012	77,318	0	36,595	7,121	113,913	7,121

Source: Office of the State Comptroller.

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

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

<sup>(2)</sup> Includes bonds issued by New York City and its related issuers, the Transitional Finance Authority, the Municipal Assistance Corporation, STAR Corporation, TSASC, Inc., the Hudson Yards Infrastructure Corporation, (as shown in the table "Debt of New York City and its related issuers" in the section of this document entitled "Authorities and Localities - The City of New York"). Also included are the bonds of the Fiscal Year 2005 Securitization Corporation, the Industrial Development Agency, the New York City Educational Construction Fund, the Samurai Funding Corporation, and the Dormitory Authority of the State of New York for education, health and court capital projects, and other long-term leases which will be repaid from revenues of the City or revenues which would otherwise be available to the City if not needed for debt service.

<sup>(3)</sup> Includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Starting in 2001, debt for other localities includes installment purchase contracts.

<sup>(4)</sup> Does not include the indebtedness of certain localities that did not file annual financial reports with the Comptroller.

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# **STATE GOVERNMENT EMPLOYMENT**

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# State Government Employment

As of March 31, 2014, the State had approximately 180,000 FTE annual salaried employees funded from all funds including some part-time and temporary employees, independently-elected agencies and university systems, but excluding seasonal, legislative and judicial employees. The workforce is now substantially smaller than it was in 1990, when it peaked at approximately 230,000 positions. The State workforce is projected to total 180,574 positions at the end of FY 2015. The State workforce subject to direct Executive control is expected to total 118,961 full time equivalent positions at the end of FY 2015.

The State Public Employment Relations Board defines negotiating units for State employees. GOER conducts collective bargaining negotiations with the State's unions, with the exception of employees of the Judiciary, public authorities, CUNY and the Legislature. Such negotiations include terms and conditions of employment, except pension benefits. The State has settled collective bargaining agreements with 90 percent of the State workforce for the contract period commencing in FY 2012. Five-year agreements were reached with CSEA, UUP, NYSCOPBA, and Council 82. Four-year agreements were reached with PEF and NYSPBA. For the fiscal years prior to the contract period commencing in FY 2012, the State's agreement with NYSPBA covered fiscal years 2006 through 2011, and the State agreement with NYSCOPBA and Council-82 included fiscal years 2010 and 2011.

While approximately 94 percent of the State workforce is unionized, the remainder of the workforce is designated as "managerial" or "confidential" (M/C) and is excluded from collective bargaining. The results of collective bargaining negotiations have historically been applied to all State employees within the Executive Branch. However, general salary increases were withheld from M/C employees in FY 2010 and FY 2011. Under the State's Taylor Law, the general statute governing public employee-employer relations in the State, employees are prohibited from striking. A strike against the State last occurred in 1979 by employees of DOCCS.

HISTORICAL SUMMARY OF EXECUTIVE BRANCH WORKFORCE		
ANNUAL SALARIED FTEs		
ALL FUNDS		
Date	Subject to Direct Executive Control	Grand Total
3/31/2008	137,680	195,239
3/31/2009	136,495	195,329
3/31/2010	131,741	191,195
3/31/2011	125,787	183,921
2/29/2012*	119,579	179,598
3/31/2013	119,756	180,802
3/31/2014	118,492	180,041

\*Reflects a payroll prior to fiscal year-end due to concurrent implementation of the State's Statewide Financial System (SFS) which resulted in anomalies to the accounting of FTEs with the actual FY 2012 year-end payroll.



# STATE GOVERNMENT EMPLOYMENT

<b>WORKFORCE SUMMARY</b>			
<b>ALL FUNDS</b>			
<b>FY 2013 THROUGH FY 2015</b>			
	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
	<b>Actuals</b>	<b>Actuals</b>	<b>Estimate</b>
	<b>(03/31/13)</b>	<b>(03/31/14)</b>	<b>(03/31/15)</b>
<b>Major Agencies</b>			
Children and Family Services, Office of	3,068	2,951	3,071
Corrections and Community Supervision, Department of	29,443	28,975	29,142
Education Department, State	2,618	2,611	2,692
Environmental Conservation, Department of	2,901	2,917	2,919
Financial Services, Department of	1,242	1,271	1,322
General Services, Office of	1,306	1,449	1,564
Health, Department of	4,546	4,701	5,000
Information Technology Services, Office of	3,726	3,689	3,804
Labor, Department of	3,615	3,417	3,247
Mental Health, Office of	14,538	14,593	14,616
Motor Vehicles, Department of	2,243	2,237	2,205
Parks, Recreation and Historic Preservation, Office of	1,731	1,748	1,737
People with Developmental Disabilities, Office for	20,116	19,271	18,311
State Police, Division of	5,222	5,386	5,439
Taxation and Finance, Department of	4,352	4,280	4,368
Temporary and Disability Assistance, Office of	1,834	1,790	1,918
Transportation, Department of	8,687	8,540	8,337
Workers' Compensation Board	1,167	1,145	1,220
<b>Subtotal - Major Agencies</b>	<b>112,355</b>	<b>110,971</b>	<b>110,912</b>
<b>Minor Agencies</b>	<b>7,401</b>	<b>7,521</b>	<b>8,049</b>
<b>Subtotal - Subject to Direct Executive Control</b>	<b>119,756</b>	<b>118,492</b>	<b>118,961</b>
<b>University Systems</b>			
City University of New York	13,437	13,864	13,643
State University Construction Fund	150	146	152
State University of New York	43,243	43,326	43,342
<b>Subtotal - University Systems</b>	<b>56,830</b>	<b>57,336</b>	<b>57,137</b>
<b>Independently Elected Agencies</b>			
Audit and Control, Department of	2,476	2,498	2,643
Law, Department of	1,740	1,715	1,833
<b>Subtotal - Independently Elected Agencies</b>	<b>4,216</b>	<b>4,213</b>	<b>4,476</b>
<b>Grand Total</b>	<b>180,802</b>	<b>180,041</b>	<b>180,574</b>
Source: NYS DOB.			

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# **STATE RETIREMENT SYSTEMS**

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# State Retirement Systems

## GENERAL

This section summarizes key information regarding the New York State and Local Retirement System (“NYSLRS” or the “Systems”) and the Common Retirement Fund (“CRF”), a pooled investment vehicle in which the assets of the Systems are held and invested. Greater detail, including the independent auditor’s report for the fiscal year ending March 31, 2013, is included in NYSLRS’ Comprehensive Annual Financial Report (“NYSLRS’ CAFR”) for the fiscal year ended March 31, 2013. The Systems Actuary’s Annual Report to the Comptroller on Actuarial Assumptions - the contents of which explain the methodology used to determine employer contribution rates to the Systems - issued from 2007 through 2013, as well as NYSLRS’ CAFR and Asset Listing for 2013 and for each of the nine prior fiscal years, and benefit plan booklets describing how each of the Systems’ tiers works are all available and can be accessed at [www.osc.state.ny.us/retire/publications](http://www.osc.state.ny.us/retire/publications). The Systems’ audited Financial Statements for the fiscal year ending March 31, 2013, and the two prior fiscal years, can also be accessed at that web page. For the fiscal year ended March 31, 2014, the Systems’ audited Financial Statement will be available on the OSC website after July 31, 2014 and the NYSLRS’ CAFR and Asset Listing will be available by September 30, 2014.

The State Comptroller is the administrative head of NYSLRS, which has the powers and privileges of a corporation and comprises the New York State and Local Employees’ Retirement System (“ERS”) and the New York State and Local Police and Fire Retirement System (“PFRS”). The State Comptroller promulgates rules and regulations for the administration and transaction of the business of the Systems. Pursuant to the State’s Retirement and Social Security Law and Insurance Law, NYSLRS is subject to the supervision of the Superintendent of the New York State Department of Financial Services. The State Comptroller is also the trustee and custodian of the CRF, a trust created pursuant to the Retirement and Social Security Law to hold the Systems’ assets, and, as such, is responsible for investing the assets of the Systems. Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management of the Office of the State Comptroller (“Division”). Division employees, outside advisors, consultants and legal counsel provide the State Comptroller with advice and oversight of investment decisions. Outside advisors and internal investment staff must sign off on investment decisions before final action by the State Comptroller. The Investment Advisory Committee and the Real Estate Advisory Committee, both made up of outside advisors, assist the State Comptroller in his investment duties. The Investment Advisory Committee advises the State Comptroller on investment policies relating to the CRF, reviews the portfolio of the CRF and makes such recommendations as the Committee deems necessary. The Real Estate Advisory Committee reviews and must approve mortgage and real estate investments for consideration by the State Comptroller.



### THE SYSTEMS

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 32 percent of the membership during FY 2014. There were 3,029 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2014, approximately 644,000 persons were members of the Systems and approximately 422,000 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be “a contractual relationship, the benefits of which shall not be diminished or impaired.”

### COMPARISON OF BENEFITS BY TIER

The Systems’ members are categorized into six tiers depending on date of membership. As of March 31, 2014, approximately 79 percent of ERS members were in Tiers 3 and 4 and approximately 86 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included significant changes to the benefit structure for ERS members joining on or after January 1, 2010 and PFRS members joining on or after January 9, 2010. Tier 6 was enacted in 2012 and included further changes to the benefit structure for ERS and PFRS members joining on or after April 1, 2012.

Benefits paid to members vary depending on tier. Tiers vary with respect to vesting, employee contributions, retirement age, reductions for early retirement, and calculation and limitation of “final average salary” – generally the average of an employee’s three consecutive highest years’ salary (for Tier 6 members, final average salary is determined by taking the average of an employee’s five consecutive highest years’ salary). ERS members in Tiers 3 and 4 can begin receiving full retirement benefits at age 62, or at age 55 with at least 30 years of service. The amount of the benefit is based on years of service, age at retirement and the final average salary earned. The majority of PFRS members in Tier 2 are in special plans that permit them to retire after 20 or 25 years regardless of age. Charts comparing the key benefits provided to members of ERS and PFRS in most of the tiers of the Systems can be accessed at <http://www.osc.state.ny.us/retire/employers/tier-6/index.php>.



### 2010 RETIREMENT INCENTIVE PROGRAM

Legislation enacted in June 2010 provided the State and local employers with the option to offer a temporary Retirement Incentive Program for certain ERS members for periods ending no later than December 31, 2010. This program did not apply to PFRS members. The Program had two distinct parts:

- Part A was a targeted incentive. Employers identified eligible titles. Part A provided one additional month of service credit for each year of credited service an eligible member had at retirement. The maximum additional incentive service credit was three years.
- Part B was not targeted. It was open to all eligible Tier 2, 3 and 4 members unless an employer deemed a member's position critical to the maintenance of public health and safety. Part B allowed members who were at least age 55 and had 25 years or more of service credit to retire without a benefit reduction.

Participating members whose employer offered both parts of the program, and who met the eligibility requirements of both parts, had to choose between the two. The number of State employees who retired under the Early Retirement Incentive ("ERI") is approximately 6,400. Three hundred ninety-nine (399) participating employers elected to participate in Part A of the ERI. Two hundred eleven (211) participating employers elected to participate in Part B of the ERI. Five thousand four hundred fifty-three (5,453) members from participating employers retired under the ERI. The cost of the incentive is borne by the State and each participating employer electing the incentive over a five-year period commencing with a payment in FY 2012. In 2014, the State paid in full its non-Judiciary retirement incentive liability. The amortized amount receivable relating to the ERI, including accrued interest, from the State as of March 31, 2014 is \$41.23 million and the amount due from participating employers is \$58.34 million.

### CONTRIBUTIONS AND FUNDING

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 83.5 percent of the 1,805 Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members in Tier 6 of both ERS and PFRS earning \$45,000 or less must contribute 3 percent of their gross annual wages; members earning between \$45,001 and \$55,000 will contribute 3.5 percent; members earning between \$55,001 and \$75,000 will contribute 4.5 percent; members earning between \$75,001 and \$100,000 will contribute 5.75 percent; and, those earning in excess of \$100,000 will contribute 6 percent of their gross annual salary.

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from



## STATE RETIREMENT SYSTEMS

potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 percent. The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period. Thus, because of the significant investment loss in FY 2009, employer contribution rates increased for FY 2011, FY 2012, FY 2013 and FY 2014. The amount of future annual employer contribution rates will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the Systems as of each April 1. Final contribution rates for FY 2015 were released in late August 2013. The average ERS rate decreased from 20.9 percent of salary in FY 2014 to 20.1 percent of salary in FY 2015, while the average PFRS rate decreased from 28.9 percent of salary in FY 2014 to 27.6 percent of salary in FY 2015. Information regarding average rates for FY 2015 may be found in the 2013 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at [www.osc.state.ny.us/retire/publications](http://www.osc.state.ny.us/retire/publications).

Legislation enacted in May 2003 realigned the Systems' billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2014, the amortized amount receivable, including accrued interest, pursuant to Chapter 260 from the State is \$95 million and from participating employers is \$27.4 million. The State paid approximately \$1.926 billion in contributions (including Judiciary) for FY 2014 including amortization payments of approximately \$386.42 million associated with Chapter 260 of the Laws of 2004, Chapter 57 of the Laws of 2010 and the 2010 retirement incentive program. In FY 2014, the State paid off the Judiciary's 2005 amortization liability.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013 and FY 2014, the interest rates are 5 percent, 3.75 percent, 3 percent and 3.67 percent, respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions. As of March 31, 2014, the amortized amount receivable, including accrued interest, for the 2011 amortization is \$187.78 million from the State and \$31.71 million from 45 participating employers; the amortized amount receivable, including accrued interest, for the 2012





amortization is \$467.67 million from the State and \$171.90 million from 118 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is \$712.36 million from the State and \$337.54 million from 136 participating employers; and the amortized amount receivable, including accrued interest, for the 2014 amortization is \$939.82 million for the State and \$230.90 million from 110 participating employers.

The FY 2014 Enacted Budget included an alternate contribution program (the “Alternate Contribution Stabilization Program”) that provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would be available for amortization under the 2010 legislation. In addition, the maximum payment period is increased from ten years to twelve years. The election is available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State is not eligible to participate in the Alternate Contribution Stabilization Program. The amortized amount receivable, including interest, from 29 participating employers is \$274.91 million.

Eligible employers had a one-time only option to elect to participate in the Alternate Contribution Stabilization Program, which began with FY 2014. For those eligible employers electing the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve year period at an interpolated twelve year U.S. Treasury Security rate (3.76 percent for FY 2014). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future.

The total State payment (including Judiciary) related to the FY 2014 bill was approximately \$2.744 billion. Multiple prepayments (including interest credit) have reduced this amount by approximately \$1.545 billion. The State (including Judiciary) opted to amortize the maximum amount permitted, which reduced the required March 1, 2014 payment by \$937.0 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under “Pension Assets and Liabilities”.

The total State payment (including Judiciary) related to the FY 2015 bill is estimated to be approximately \$2.833 billion. Multiple prepayments to date (including interest credit) have reduced this amount by approximately \$725.6 million. If the State (including Judiciary) opts to amortize the maximum amount permitted, it would reduce the required March 1, 2015 payment by \$742.5 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under “Pension Assets and Liabilities”.



### PENSION ASSETS AND LIABILITIES

The Systems' assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the State Comptroller as trustee of the CRF. The Systems report that the net position restricted for pension benefits as of March 31, 2013 was \$164.2 billion (including \$4.4 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of \$10.8 billion or 7 percent from the FY 2012 level of \$153.4 billion. The increase in net position restricted for pension benefits from FY 2012 to FY 2013 reflects, in large part, equity market performance<sup>5</sup>. The valuation used by the Systems Actuary was based on audited net assets available for benefits as of March 31, 2013. The audited Financial Statement reports a gain of 10.38 percent for FY 2013.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2010, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 43 percent equities (30 percent domestic and 13 percent international); 22 percent bonds, cash and mortgages; 8 percent inflation indexed bonds and 27 percent alternative investments (10 percent private equity, 6 percent real estate, 4 percent absolute return or hedge funds, 4 percent opportunistic and 3 percent real assets). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process.<sup>6</sup>

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$198.6 billion on April 1, 2012 to \$204.5 billion (including \$93.7 billion for current retirees and beneficiaries) on April 1, 2013. The funding method used by the Systems anticipates that the plan net position, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from plan net position on April 1, 2013 in that the determination of actuarial assets utilized a smoothing method which recognized 20 percent of the unexpected gain for FY 2013, 40 percent of the unexpected loss for FY 2012, 60 percent of the unexpected gain for FY 2011 and 80 percent of the unexpected gain for FY 2010<sup>7</sup>. Effective April 1, 2013, the asset valuation method smooths gains and losses based on the market value of all investments. Prior valuation of non-fixed income assets smoothed gains and losses based on market value, but fixed income assets were based on amortized cost. Actuarial assets increased from \$147.8 billion on April 1, 2012 to \$155.4 billion on April

<sup>5</sup> On May 12, 2014, the State Comptroller released a statement indicating that the value of the Systems' invested assets posted an estimated 13.02 percent return for the fiscal year ended March 31, 2014. This report reflects unaudited data for assets invested for the Systems. The value of invested assets changes daily.

<sup>6</sup> More detail on the CRF's asset allocation as of March 31, 2013, long-term policy allocation and transition target allocation can be found on page 76 of the NYSLRS' CAFR for the fiscal year ending March 31, 2013.

<sup>7</sup> The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period.



1, 2013. The funded ratio, as of April 1, 2013, calculated by the Systems Actuary in August 2013 using the entry age normal funding method and actuarial assets, was 89 percent<sup>8</sup>.

In June 2012, GASB approved two related Statements that make changes to the accounting and financial reporting of pensions by state and local governments and pension plans. These statements impact neither the Systems' actuarial funding method nor the calculation of rates.

Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions.

The standards for public plans' financial statements go into effect for fiscal years beginning on or after June 15, 2013 (e.g. NYSLRS March 31, 2015 financial statement). The standards for employers are effective for fiscal years beginning on or after June 15, 2014. For example, it would be effective for the State's fiscal year ending March 31, 2016.

Under the new standards, participating employers will be required to report a new liability (Net Pension Liability) in their financial statements. The Systems are currently evaluating the impact of the new standards and implementation considerations.

Statement 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans. Statement 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new Statements also replace the requirements of Statement No. 50, Pension Disclosures, for those governments and pension plans.

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

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<sup>8</sup> Detail on the funded ratios of ERS and PFRS as of April 1 for each of the 5 years previous to the fiscal year ended March 31, 2013 can be found on page 56 of the NYSLRS' CAFR for the fiscal year ending March 31, 2013. Detail regarding employers' Annual Required Contributions for FY 2013 and each of the five previous fiscal years can be found on page 57 of the NYSLRS' CAFR for the fiscal year ending March 31, 2013.



## STATE RETIREMENT SYSTEMS

CONTRIBUTIONS AND BENEFITS NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS <sup>(1)</sup> (millions of dollars)					
Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid <sup>(3)</sup>
	All Participating Employers <sup>(1)(2)</sup>	Local Employers <sup>(1)(2)</sup>	State <sup>(1)(2)</sup>	Employees	
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938
2013	5,336	3,385	1,950	269	9,521

Sources: State and Local Retirement Systems.

<sup>(1)</sup> Contributions recorded include the full amount of unpaid amortized contributions.

<sup>(2)</sup> The annual required contributions (ARC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts. Additional information on the ARC can be accessed on page 57 of the NYSLRS CAFR for fiscal year ending March 31, 2013.

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

NET ASSETS AVAILABLE FOR BENEFITS OF THE NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS <sup>(1)</sup> (millions of dollars)		
Fiscal Year Ended	Net Assets	Percent Increase/ (Decrease) From Prior Year
March 31		
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)
2010	134,252	21.0
2011	149,549	11.4
2012	153,394	2.6
2013	164,222	7.0

Sources: State and Local Retirement Systems.

<sup>(1)</sup> Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2013 includes approximately \$4.4 billion of receivables.

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# **LITIGATION AND ARBITRATION**

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# *Litigation and Arbitration*

## **GENERAL**

The legal proceedings listed below involve State finances and programs and miscellaneous civil rights, real property, contract and other tort claims in which the State is a defendant and the potential monetary claims against the State are deemed to be material, generally in excess of \$100 million or involving significant challenges to or impacts on the State's financial policies or practices. As explained below, these proceedings could adversely affect the State's finances in FY 2015 or thereafter. The State intends to describe newly initiated proceedings which the State deems to be material and existing proceedings which the State subsequently deems to be material, as well as any material and adverse developments in the listed proceedings, in quarterly updates and/or supplements to this AIS.

For the purpose of this Litigation and Arbitration section of the AIS, the State defines "material and adverse developments" as rulings or decisions on or directly affecting the merits of a proceeding that have a significant adverse impact upon the State's ultimate legal position, and reversals of rulings or decisions on or directly affecting the merits of a proceeding in a significant manner, whether in favor of or adverse to the State's ultimate legal position, at all of which are above the \$100 million materiality threshold described above. The State intends to discontinue disclosure with respect to any individual case after a final determination on the merits or upon a determination by the State that the case does not meet the materiality threshold described above.

The State is party to other claims and litigation, with respect to which its legal counsel has advised that it is not probable that the State will suffer adverse court decisions, or which the State has determined do not, considered on a case by case basis, meet the materiality threshold described in the first paragraph of this section. Although the amounts of potential losses, if any, resulting from these litigation matters are not presently determinable, it is the State's position that any potential liability in these litigation matters is not expected to have a material and adverse effect on the State's financial position in FY 2015 or thereafter. The Basic Financial Statements for FY 2014, which OSC expects to issue by July 29, 2014, is expected to report possible and probable awarded and anticipated unfavorable judgments against the State.

Adverse developments in the proceedings described below, other proceedings for which there are unanticipated, unfavorable and material judgments, or the initiation of new proceedings could affect the ability of the State to maintain a balanced FY 2015 Financial Plan. The State believes that the FY 2015 Enacted Budget includes sufficient reserves to offset the costs associated with the payment of judgments that may be required during FY 2015. These reserves include (but are not limited to) amounts appropriated for Court of Claims payments and projected fund balances in the General Fund. In addition, any amounts ultimately required to be paid by the State may be subject to settlement or may be paid over a multi-year period. There can be no assurance, however, that adverse decisions in legal proceedings against the State would not exceed the amount of all potential FY 2015 Enacted Budget resources available for the payment of judgments, and could therefore adversely affect the ability of the State to maintain a balanced FY 2015 Enacted Budget.



## LITIGATION AND ARBITRATION

THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN FURNISHED BY THE STATE OFFICE OF THE ATTORNEY GENERAL AND DOB HAS NOT UNDERTAKEN ANY INDEPENDENT VERIFICATION OF SUCH INFORMATION.

### REAL PROPERTY CLAIMS

There are several cases in which Native American tribes have asserted possessory interests in real property or sought monetary damages as a result of claims that certain transfers of property from the tribes or their predecessors-in-interest in the 18th and 19th centuries were illegal.

In *Oneida Indian Nation of New York v. State of New York*, 74-CV-187 (“NDNY”), the plaintiff, alleged successors-in-interest to the historic Oneida Indian Nation, sought a declaration that they hold a current possessory interest in approximately 250,000 acres of lands that the tribe sold to the State in a series of transactions that took place between 1795 and 1846, money damages, and the ejectment of the State and Madison and Oneida Counties from all publicly-held lands in the claim area. In 1998, the United States intervened in support of plaintiff.

During the pendency of this case, significant decisions were rendered by the United States Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York*, 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki*, 413 F.3d 266 (2d Cir. 2005), cert. denied, 547 U.S. 1128 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims.

Relying on these decisions, in *Oneida Indian Nation et al. v. County of Oneida et al.*, 617 F.3d 114 (2d Cir. 2010), the Second Circuit Court of Appeals dismissed the Oneida land claim. On October 17, 2011, the United States Supreme Court denied plaintiffs’ petitions for certiorari to review the decision of the Second Circuit. See 132 S. Ct. 452 (2011).

On May 16, 2013, the State, Madison and Oneida Counties, and the Oneida Indian Nation signed a settlement agreement covering many issues. As pertinent here, the agreement would place a cap on the amount of land the tribe could reacquire and have taken into trust for its benefit by the United States. The agreement has been approved by the State Legislature, and was approved by the Federal Court on March 4, 2014.

There are two cases challenging the settlement agreement. In *Matter of Town of Verona, et al. v. Cuomo, et al.* (Sup. Ct., Albany Co.), the plaintiffs are citizen taxpayers, voters, and two towns. The defendants have answered and moved for summary judgment. Plaintiffs have cross-moved to amend the complaint. The motions are pending.

In *Schulz v. New York State Executive, et al.*, (Sup. Ct., Albany Co.), plaintiff seeks a declaratory judgment that the New York Gaming Act, the New York Tax Free Zones Act, and the Oneida, St. Regis Mohawk and Seneca Nation settlement agreements violate various provisions of the State Constitution. In a decision, order and judgment dated April 10, 2014, the court disposed of some of the constitutional challenges to the statutes and ordered that plaintiff serve the tribes and the Counties of Madison and Oneida within thirty days. The counties and tribes will have until June 16, 2014 to answer the amended complaint.





In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al.* (“NDNY”), plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants’ motion for judgment on the pleadings, relying on the decisions in *Sherrill*, *Cayuga*, and *Oneida* was granted in great part through decisions on July 8, 2013 and July 23, 2013, holding that all claims are dismissed except for claims over the area known as the Hogansburg Triangle and a right of way claim against Niagara Mohawk Power Corporation, which will now proceed through discovery and additional motion practice.

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe’s land claim. The land claim has been stayed through at least June 6, 2014 to allow for settlement negotiations.

On May 28, 2014, the State, the New York Power Authority and St. Lawrence County signed a memorandum of understanding with the St. Regis Mohawk Tribe endorsing a general framework for a settlement, subject to further negotiation. The memorandum of understanding does not address all claims by all parties and will require a formal written settlement agreement. Any formal settlement agreement will also require additional local, State and Congressional approval.

In *Shinnecock Indian Nation v. State of New York, et al.* (“EDNY”), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants’ motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second Circuit Court of Appeals. The motion for reconsideration has been withdrawn, but a motion to amend the complaint remains pending in the District Court and stayed through at least June 1, 2014. The *Shinnecock* appeal to the Second Circuit also remains stayed.

## WEST VALLEY LITIGATION

In *State of New York, et al. v. The United States of America, et al.*, 06-CV-810 (WDNY), the parties have sought to resolve the relative responsibilities of the State and Federal governments for the cost of remediating the Western New York Nuclear Service Center (the “Center” or “Site”), located in West Valley, Cattaraugus County, New York. The Center was established by the State in the 1960s in response to a Federal call to commercialize the reprocessing of spent nuclear fuel from power reactors. The private company that had leased the Site ceased operations in 1972, leaving behind two disposal areas and lagoons, highly contaminated buildings, and 600,000 gallons of liquid high level radioactive waste (“HLRW”) generated by reprocessing activities.

Congress enacted the West Valley Demonstration Project Act (the “Act”) in 1980, directing the Federal government to solidify the HLRW and transport it to a Federal repository, decontaminate and decommission the facilities and dispose of the low-level waste produced from the Demonstration Project. The Act directed the State to pay 10 percent of the Demonstration Project costs. However, for many years the two governments disputed what additional cleanup is needed; which cleanup activities are covered by the Act (and thus subject to the 90/10 split); who bears the long-term responsibility for



## LITIGATION AND ARBITRATION

maintaining, repairing or replacing and monitoring tanks or other facilities that are decommissioned in place at the Site; and who pays for the offsite disposal fee for the solidified HLRW. The combined Federal and State cost expenditures to date amount to approximately \$2.6 billion. The State's expenditures at the Center are now approaching \$320 million.

In order to resolve these disputes, the State and the New York State Energy Research and Development Authority ("ERDA") (which owns the Center on behalf of New York State) filed suit in December 2006, seeking a declaration: (1) that the Federal government (which sent wastes from various Federal facilities to the Center) is liable under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA", or Federal Superfund law) for the State's cleanup costs and for damages to the State's natural resources, and a judgment reimbursing the State for these costs and damages, (2) of the scope of the Federal government's responsibilities under the Act to decontaminate and decommission the Site and for further Site monitoring and maintenance, and (3) that the US is responsible under the Nuclear Waste Policy Act for paying the fees for disposal of solidified HLRW at the Site. After commencement of the action, the parties engaged in court-ordered mediation, as a result of which a Consent Decree was approved and entered on August 17, 2010, resolving several key claims in the litigation.

The Consent Decree identifies a specific cost share for each government for specified facilities and known areas of contamination, and sets forth a process for determining cost shares for contamination that may be identified in the future. The Consent Decree does not select or advocate the selection of any particular cleanup program for the Site-cleanup decisions are being made via the ongoing Environmental Impact Statement ("EIS") process.

The Consent Decree also does not resolve two claims raised in the State's lawsuit - the State's natural resource damages claim and its Nuclear Waste Policy Act claim. The first claim, which the Federal government has agreed to toll, will be pursued by the New York State Department of Environmental Conservation ("DEC") (as trustee of the State's natural resources) and the Attorney General's office. Regarding the latter claim, the State asserts that the Federal government bears sole responsibility for the cost of disposing of the 275 canisters of vitrified HLRW waste remaining at the Site at a Federal repository once one becomes available. This claim was neither settled nor dismissed and remains in litigation. Pursuant to an agreed briefing schedule, the parties submitted to the Court their opening and responsive briefs for competing motions to dismiss the Nuclear Waste Policy Act claim. On November 20, 2013, the Court issued an order granting the State's motion to dismiss this claim for lack of ripeness, and denying the United States' motion to dismiss to the extent it sought a ruling on alternative grounds.

## METROPOLITAN TRANSPORTATION AUTHORITY

In several cases, the plaintiffs challenged the constitutionality of Chapter 25 of the Laws of 2009, which imposed certain taxes and fees, including a regional payroll tax, in that portion of the State lying within the Metropolitan Commuter Transportation District. The revenues derived from this statute are intended to assist the Metropolitan Transportation Authority, which a State commission concluded was facing substantial financial pressure. The plaintiffs sought judgments declaring that the enactment of Chapter 25 violated State constitutional provisions relating to the need for a home rule message, supermajority requirements for enactment of special or local laws, single purpose appropriation bill, and liability for the debts of public authorities. Some of the plaintiffs also sought judgments declaring that the enactment of Chapter 25 violated provisions of Public Authority Law §1266 requiring that the



Metropolitan Transportation Authority be self-sustaining. Those cases include *Hampton Transportation Ventures, Inc. et al. v. Silver et al.* (transferred to Sup. Ct., Albany Co.), *William Floyd Union Free School District v. State* (transferred to Sup. Ct., New York Co.), *Town of Brookhaven v. Silver, et al.* transferred to Sup. Ct., Albany Co.), *Town of Southampton and Town of Southold v. Silver* transferred to Sup. Ct. Albany Co.), *Town of Huntington v. Silver* (transferred to Sup. Ct. Albany Co.), *Mangano v. Silver* (Sup. Ct. Nassau Co.), *Town of Smithtown v. Silver* (consolidated with the *Mangano* case in Sup. Ct. Nassau Co.), and *Vanderhoef v. Silver* (transferred to Sup. Ct. Albany Co.). Suffolk County, Westchester County, the Orange County Chamber of Commerce, and a number of additional towns and a village also joined the *Mangano* case as plaintiffs. All of those cases have been resolved on the merits in favor of the defendants and are concluded.

### SCHOOL AID

In *Maisto v. State of New York* (formerly identified as *Hussein v. State of New York*, plaintiffs seek a judgment declaring that the State's system of financing public education violates section 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education ("SBE"). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

Depositions have been completed. The discovery deadline was May 3, 2013. The note of issue was filed on May 13, 2013. A pretrial conference is scheduled for September 2, 2014. The trial is scheduled for September 29, 2014.

In *Aristy-Farer, et al. v. The State of New York, et al.* (Sup. Ct., N.Y. Co.), commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 school year to submission by local school districts of approvable teacher evaluation plans violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statutes would prevent students from receiving a sound basic education. Plaintiffs moved for a preliminary injunction enjoining the defendants from taking any actions to carry out the statutes to the extent that they would reduce payment of State aid disbursements referred to as General Support for Public Schools ("GSPS") to the City of New York pending a final determination. The State opposed this motion. By order dated February 19, 2013, the Court granted the motion for preliminary injunction. The State appealed. On May 21, 2013, the Appellate Division, First Department, denied plaintiffs motion for a stay pending appeal. As a result, plaintiffs have agreed to vacate their preliminary injunction and the State will withdraw its appeal. On April 7, 2014, Supreme Court denied the State's motion to dismiss. The State has appealed.

In *New York State United Teachers, et al. v. The State of New York, et al.* (Sup. Ct., Albany Co.), commenced February 20, 2013, plaintiffs seek a judgment declaring that the provisions of Education Law § 2023-a, which imposes a 60 percent super-majority requirement on school districts which seek to raise their tax levies above the previous year's levy by the lesser of 2 percent or the rate of inflation violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the



## LITIGATION AND ARBITRATION

statute would interfere with local control of education financing and impair the right of plaintiffs to substantially control school district finances. Plaintiffs also seek injunctive relief barring application of the statutory tax cap to local education funding. Defendants' motion to dismiss the amended complaint was returnable December 12, 2013. After argument before Judge O'Connor, the case was reassigned to Judge Devine, who agreed to rehear argument. Argument was delayed pending another motion by plaintiffs to amend the complaint. As Judge Devine has since been appointed to the Appellate Division, Third Department, the case is awaiting reassignment.

In *New Yorkers for Students Educational Rights v. New York*, the organizational plaintiff and several individual plaintiffs commenced a new lawsuit on February 11, 2014, in Supreme Court, New York County, claiming that the State is not meeting its constitutional obligation to fund schools in New York City and throughout the State to provide students with an opportunity for a sound basic education. Plaintiffs specifically allege that the State is not meeting its funding obligations for New York City schools under the Court of Appeals decision in *Campaign for Fiscal Equity ("CFE") v. New York*, 8 N.Y.3d 14 (2006), and -- repeating the allegations of Aristy-Farer -- challenge legislation conditioning increased funding for New York City schools on the timely adoption of a teacher evaluation plan. With regard to other school districts throughout the State, plaintiffs allege that the State is not providing adequate Statewide funding, has not fully implemented certain 2007 reforms to the State aid system, has imposed gap elimination adjustments decreasing State aid to school districts, and has imposed caps on State aid increases, and on local property tax increases unless approved by a supermajority. Finally, they allege that the State has failed to provide assistance, services, accountability mechanisms, and a rational cost formula to ensure that students throughout the State have an opportunity for a sound basic education.

Plaintiffs seek a judgment declaring that the State has failed to comply with CFE, that the State has failed to comply with the command of State Constitution Article XI to provide funding for public schools across the State, and that the gap elimination adjustment and caps on State aid and local property tax increases are unconstitutional. They seek an injunction requiring the State to eliminate the gap elimination adjustments and caps on State aid and local property tax increases, to reimburse New York City for the funding that was withheld for failure to timely adopt a teacher evaluation plan, to provide greater assistance, services and accountability, to appoint an independent commission to determine the cost of providing students the opportunity for a sound basic education, and to revise State aid formulas. On May 30, 2014, the State filed a motion to dismiss all claims.

## MEDICAID NURSING HOME RATE METHODOLOGY

In *Kateri Residence v. Novello (Sup. Ct., New York Co.)* and several other cases, the plaintiffs challenge several nursing home rate methodologies, including the "reserve bed patient day adjustment," which regulates payments to nursing homes when long term care patients are receiving off-site care. Supreme Court, New York County, granted partial summary judgment to plaintiffs in *Kateri*, holding that the reserve bed patient day adjustment rate methodology was improper. The Appellate Division, First Department affirmed Supreme Court's partial summary judgment decision on interlocutory appeal and remanded the case to Supreme Court for further proceedings. The Court of Appeals denied leave to appeal on the grounds that the decision was not final. Supreme Court directed the defendant to re-compute Medicaid rates for the plaintiff's facilities, and that re-computation was completed in October 2013. The parties are presently conducting discovery. Plaintiffs have brought a motion, returnable March 5, 2014, to compel payment of the impacted Medicaid rates computed thus far by Department of



Health staff, resulting from application of the reserve bed day methodology. On June 3, 2014, the court granted this motion to the extent of directing payment of \$6.5 million out of the \$49 million sought by plaintiff. Plaintiffs also brought a motion to consolidate over two hundred additional Medicaid rate cases into the present case, which was returnable May 16, 2014. The motion has been fully briefed, and awaits argument and decision.

### SALES TAX

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

In *Oneida Indian Nation of New York v. Paterson, et al.* (and four consolidated cases), the tribal plaintiffs seek judgments declaring that Chapters 134 and 136 of the Laws of 2010, which enacted amendments to the Tax Law regarding collection of excise taxes on reservation cigarette sales to non-tribal members, violate their rights under Federal law, and enjoining the State from enforcing those laws. In four of the five cases, the District Court for the Western District of New York denied plaintiffs' motions for preliminary injunctions but granted a stay of enforcement pending plaintiffs' appeal. In the fifth case, the District Court for the Northern District of New York granted the plaintiff's motion for a preliminary injunction. On May 9, 2011, the Second Circuit Court of Appeals affirmed the Western District's orders denying the plaintiffs' motions for preliminary injunctions, and vacated the Northern District's order granting the motion for a preliminary injunction, vacated all stays pending appeal, and remanded the cases to the District Courts for further proceedings consistent with the Court's opinion. The State has moved for summary judgment in the Northern and Western District cases. The plaintiffs have moved for voluntary dismissal without prejudice in these cases. The motions were taken on submission in the Northern District on November 25, 2011 and argued in the Western District on December 20, 2011. On January 9, 2012, the District Court for the Northern District of New York granted plaintiff's motion for voluntary dismissal without prejudice and denied the State defendants' motion for summary judgment as moot.

In July 2011, plaintiffs commenced *Akwesasne Convenience Store Association et al. v. State of New York, (Sup. Ct., Erie Co.)*, against the State of New York and other defendants, seeking a declaration that the statutory voucher system impermissibly burdens Indian commerce and is preempted by Federal law and further seeking to enjoin the implementation, administration or enforcement of the system. The court denied plaintiffs' request for a temporary restraining order and, by decision dated August 18, 2011, also denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. By decision dated August 2, 2012, the Supreme Court, Erie County, granted defendants' motion for summary judgment dismissing the complaint and denied plaintiffs' cross motion for summary judgment. Plaintiffs appealed directly to the Court of Appeals by notice of appeal filed on October 12, 2012. On January 15, 2013, the Court of Appeals transferred the appeal to the Appellate Division, Fourth Department, on the grounds that a direct appeal to the Court of Appeals does not lie.



### INSURANCE DEPARTMENT ASSESSMENTS

In *New York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.)*, several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. Depositions have been completed. The note of issue was filed on June 3, 2013. The parties have moved for summary judgment and the motions were submitted on March 25, 2014.

### TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

In 1998, the attorneys general of 46 states, including New York, and several territories (collectively the "Settling States") and the then four largest United States tobacco manufacturers (the "Original Participating Manufacturers" or "OPMs"), entered into a Master Settlement Agreement (the "MSA") to resolve cigarette smoking-related litigation between the Settling States and the OPMs. Approximately 30 additional tobacco companies have entered into the settlement (the "Subsequent Participating Manufacturers" or "SPMs"; together they are the "Participating Manufacturers" or "PMs"). The MSA released the PMs from past and present smoking-related claims by the Settling States, and provided for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the Settling States, and the imposition of certain tobacco advertising and marketing restrictions among other things.

### ARBITRATION

The Participating Manufacturers have also brought a nationwide arbitration proceeding against the Settling States (excluding Montana). The MSA provides that each year, in perpetuity, the PMs pay the Settling States a base payment, subject to certain adjustments, to compensate for financial harm suffered by the Settling States due to smoking-related illness. In order to keep the base payment under the MSA, each Settling State must pass and diligently enforce a statute that requires tobacco manufacturers who are not party to the MSA ("Non-Participating Manufacturers" or "NPMs") to deposit in escrow an amount roughly equal to the amount that PMs pay per pack sold. New York's allocable share of the total base payment is approximately 12.8 percent of the total, or approximately \$800 million annually.

In the arbitration proceeding commenced in 2010, the PMs asserted that the Settling States involved failed to diligently enforce their escrow statutes in 2003. The PMs sought a downward adjustment of the payment due in that year (an "NPM Adjustment") which would serve as a credit against future payments. Any such claim for NPM Adjustment for years prior to 2003 was settled in 2003. The PMs have raised the same claim for years 2004-2006, but none of those years is yet in arbitration.

A hearing on issues common to all states took place in Chicago April 16-24, 2012. State-specific hearings commenced in May 2012, with the hearings involving Missouri and Illinois. New York's diligent enforcement hearings took place June 25-29, 2012. The last state-specific "diligent" enforcement



hearing took place May 21-24, 2013. The Panel issued its awards on September 11, 2013. New York was found to have diligently enforced its qualifying statute in 2003 and, thus, is not subject to an NPM Adjustment for 2003. Nine states, including New York, were found to be "diligent"; six states were found to have been "not diligent".

In December 2012, during the pendency of the arbitration, the PMs and 19 states (collectively the "Signatory Parties") agreed to a term sheet purportedly settling the NPM Adjustment disputes for 2003-2012 (3 additional states joined later). New York and 31 (later became 28) other states and territories rejected the term sheet. The Signatory Parties then sought the approval of the Panel in order to obtain an early release of MSA annual payments currently being held in a disputed payments account. The non-joining states objected to approval of the term sheet because its terms negatively impact the non-joining states. Under the MSA reallocation provision, every state is either "diligent" or "not diligent" and only "diligent" states are exempt from the NPM Adjustment. For every state found diligent, its allocable share of the NPM Adjustment is shifted to any remaining non-diligent states. The non-joining states sought to have the signatory states treated as non-diligent for purposes of allocation of the NPM Adjustment. The Panel held a status conference on January 22, 2013, and a hearing of March 7, 2013, to discuss the term sheet. On March 13, 2013, the Panel issued a Partial Stipulated Settlement Award ("Partial Award") based on the provisions of the term sheet. In so doing, the Panel deemed the 20 states (collectively, the "Signatory States") "diligent" for purposes of allocation of the NPM Adjustment. The Panel also established a mechanism for reallocating any NPM Adjustment among non-diligent states that alters the terms of the MSA itself. Thus, had New York been found to have been "not diligent" in its enforcement of its escrow statute in 2003, New York would have exposure not only for its share of the NPM adjustment but also for its proportionate share of the NPM Adjustment attributable to the Signatory States. New York, as well as several other states, moved in its state court to vacate or modify the Partial Award notwithstanding the Panel's finding. New York's motion has been adjourned several times. The six states that were found "not diligent" are all actively pursuing motions in their state courts to vacate or modify the Partial Award as well as to vacate the Panel's findings regarding that state's diligence. Courts in two of the non-prevailing states, Missouri and Pennsylvania, have issued decisions vacating and/or modifying the Panel's Partial Award to the extent that the Award unfairly harms each of those states by having the Signatory States deemed diligent for purposes of allocation of the NPM Adjustment. Each of these courts held that the Signatory States should be deemed non-diligent for purposes of allocation of the NPM Adjustment. No other courts have ruled yet.

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**EXHIBIT A - SELECTED  
STATE GOVERNMENT  
SUMMARY**

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## Exhibit A to AIS - Selected State Government Summary

### STATE GOVERNMENT ORGANIZATION

The State has a centralized administrative system with most executive powers vested in the Governor. The State has four officials elected in statewide elections, the Governor, Lieutenant Governor, Comptroller and Attorney General. These officials serve four-year terms that next expire on December 31, 2014.

<u>Name</u>	<u>Office</u>	<u>Party Affiliation</u>	<u>First Elected</u>
Andrew M. Cuomo	Governor	Democrat	2010
Robert J. Duffy	Lieutenant Governor	Democrat	2010
Thomas P. DiNapoli	Comptroller	Democrat	2007
Eric T. Schneiderman	Attorney General	Democrat	2010

The Governor and Lieutenant Governor are elected jointly. The Comptroller and Attorney General are chosen separately by the voters during the election of the Governor. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Robert L. Megna). DOB is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. DOB is also responsible for coordinating the State's capital program and debt financing activities. The Comptroller is responsible for auditing the disbursements, receipts and accounts of the State, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's General Obligation debt and most of its investments (see "Appropriations and Fiscal Controls" and "Investment of State Moneys" below). The Attorney General is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State General Obligation bonds and notes.

The State Legislature is presently composed of a 63-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2014. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current majority coalition leaders in the Senate are co-President Pro Tempore Dean Skelos (Republican) and co-President Pro Tempore Jeffrey Klein (Independent Democratic Conference). Sheldon Silver (Democrat) is the Speaker of the Assembly. The minority leaders are Andrea Stewart-Cousins (Democrat) in the Senate and Brian Kolb (Republican) in the Assembly.



### APPROPRIATIONS AND FISCAL CONTROLS

The State Constitution requires the Comptroller to audit the accrual and collection of State revenues and receipts and to audit vouchers before payment and all official accounts. Generally, no State payment may be made unless the Comptroller has audited it. Additionally, the State Constitution requires the Comptroller to prescribe such methods of accounting as are necessary for the performance of the foregoing duties.

Disbursements from State funds are limited to the level of authorized appropriations. Disbursements from Federal funds must be appropriated in accordance with appropriate legal authority, are limited to the amounts anticipated from Federal programs and may not be made in the absence of appropriate certifications from the Director of the Budget. Generally, most State contracts for disbursements in excess of \$50,000 (or \$85,000 in the case of the Office of General Services) require prior approval by the Comptroller. However, certain contracts, primarily of SUNY and CUNY, and those established as a centralized contract through the Office of General Services, are not subject to approval by the Comptroller, and certain other contracts are subject to higher thresholds. In most cases, State agency contracts depend upon the existence of an appropriation and the availability of that appropriation as certified by the Director of the Budget. The Budget Director must review all applications for State participation in continuing grant- or contract-supported programs, with specified exceptions. Certain legislative leaders have the opportunity to make recommendations on the applications. In addition, the Comptroller has the discretion to identify and review certain public authority contracts valued at \$1.0 million or greater that are either awarded without competition or which are paid using State-appropriated funds.

Appropriations may be increased or decreased in accordance with statutory authority under certain circumstances by transfer, interchange or otherwise. In addition, appropriations may be increased or decreased by statutory amendment or by supplemental appropriations. Moneys or other financial resources from one fund may also be loaned to another fund, but only if such loan is repaid in full prior to the end of the month in which the loan was made, except as provided by law. Pursuant to authority contained in most State operations appropriations for FY 2015, the Director of the Budget is also allowed to interchange, transfer, or suballocate such appropriation authority to other agencies in order to achieve the consolidation and realignment of certain State operations.

In addition, the Governor has traditionally exercised substantial authority in administering the State Financial Plan by limiting certain disbursements after the Legislature has enacted appropriation bills and revenue measures. The Governor may, primarily through DOB, limit certain spending by State departments, and delay construction projects to control disbursements using the Director of the Budget's certification process. An important limitation of the Governor's ability to restrict disbursements is that local assistance payments, which typically make up close to 70 percent of General Fund disbursements (including operating transfers to other funds), are generally mandated by statute. The State Court of Appeals has held that, even in an effort to maintain a balanced Financial Plan, neither the Governor nor the Director of the Budget has the authority to refuse to make a local assistance disbursement mandated by law.



### INVESTMENT OF STATE MONEYS

The Comptroller is responsible for the investment of substantially all State moneys. By law, such moneys may be invested only in obligations issued or guaranteed by the Federal government or the State, obligations of certain Federal agencies that are not guaranteed by the Federal government, certain general obligations of other states, direct obligations of the State's municipalities and obligations of certain public authorities, certain short-term corporate obligations, certain bankers' acceptances, and certificates of deposit secured by legally qualified governmental securities. All securities in which the State invests moneys held by funds administered within the State Treasury must mature within twelve years of the date they are purchased. Money impounded by the Comptroller for payment of TRANs may only be invested, subject to the provisions of the State Finance Law, in (i) obligations of the Federal government, (ii) certificates of deposit secured by such obligations, or (iii) obligations of or obligations guaranteed by agencies of the Federal government as to which the payment of principal and interest is guaranteed by the Federal government.

The Comptroller invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through STIP, which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund. The interest earnings accrued are allocated and deposited to the credit of those funds with positive balances that contribute to the overall invested STIP pool.

The Comptroller is authorized to make temporary loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements). The General Fund is authorized to receive temporary loans from STIP for a period not to exceed four months or the end of the fiscal year, whichever is shorter.

The State Comptroller repays loans from the first cash receipts into the borrowing fund or account. Fund balances outside the General Fund are presented on a net basis, i.e., they are reduced by the amount of outstanding temporary loans from STIP. The primary sources of the State's temporary loans include timing-related delays in the receipt from Federal funds and the sale of bonds used to finance capital projects, a delinquent SUNY hospital loan, and unreimbursed costs related to the Office of Information Technology Services (ITS) Internal Service funds. The total outstanding balance of loans from STIP at March 31, 2014 was \$2.244 billion, an increase of \$450 million from the outstanding loan balance of \$1.794 billion at March 31, 2013.



## **EXHIBIT A - SELECTED STATE GOVERNMENT SUMMARY**

### **ACCOUNTING PRACTICES, FINANCIAL REPORTING AND BUDGETING**

Historically, the State has accounted for, reported and budgeted its operations on a cash basis. Under this form of accounting, receipts are recorded at the time money or checks are deposited in the State Treasury, and disbursements are recorded at the time a check or electronic payment is released. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore can significantly affect the cash amounts reported in a fiscal year. Under cash-basis accounting, all estimates and projections of State receipts and disbursements relating to a particular fiscal year are of amounts to be deposited in or disbursed from the State Treasury during that fiscal year, regardless of the fiscal period to which particular receipts or disbursements may otherwise be attributable.

The State also has an accounting and financial reporting system based on GAAP and currently formulates a GAAP financial plan. GAAP for governmental entities requires use of the accrual basis of accounting for the government-wide financial statements which includes governmental and business-type activities and component units. Revenues are recorded when they are estimated to have been earned and expenses are recorded when a liability is estimated to have been incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the modified accrual basis of accounting. Under modified accrual procedures, revenues are recorded when they become both measurable and available within 12 months of the end of the current fiscal period to finance expenditures; expenditures are recorded in the accounting period for which the liability is incurred to the extent it is expected to be paid within the next 12 months with the exception of expenditures such as debt service, compensated absences, and claims and judgments. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Non-exchange grants and subsidies such as local assistance grants and public benefit corporation subsidies are recognized as expenditures when all requirements of the grant and or subsidy have been satisfied.

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**EXHIBIT B TO AIS -  
STATE RELATED BOND  
AUTHORIZATIONS**

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## Exhibit B to AIS - State Related Bond Authorizations

Bond authorizations reflected in the following tables represent authorizations where there are remaining amounts authorized, but unissued, or where there is debt outstanding.

STATE-RELATED DEBT FY 2015 BOND CAPS AND DEBT OUTSTANDING (millions of dollars) <sup>(1)</sup>					
Type of Cap <u>(Gross or Net)*</u>	Program	FY 2015	Authorized	Debt	
		<u>Bond Caps</u>	<u>But Unissued</u> <sup>(2)</sup>	<u>Outstanding</u> <sup>(3)</sup> <u>As of 3/31/14</u>	
Education:					
Gross	SUNY Educational Facilities (4)	10,984	1,837	7,614	
Net	SUNY Dormitory Facilities (5)	1,561	68	1,215	
Net	SUNY Upstate Community Colleges (5)	776	223	784	
Gross	CUNY Educational Facilities (6)	7,273	1,042	4,557	
Net	State Ed Department Facilities (7)	0	0	45	
Net	SUNY Athletic Facilities	22	0	14	
Net	RESCUE	195	0	44	
Net	University Facilities (Jobs 2000)	48	1	5	
Net	School District Capital Outlay Grants	140	40	0	
Net	Judicial Training Institute	16	0	8	
Net	Transportation Transition Grants	80	12	0	
Net	Public Broadcasting Facilities	15	0	4	
Net	Higher Education Capital Matching Grants	180	38	85	
Net	EXCEL	2,600	134	1,983	
Net	Library Facilities	126	28	70	
Net	Cultural Education Storage Facilities	79	69	9	
Net	State Longitudinal Data System	20	15	3	
Net	SUNY 2020 Challenge Grants	330	270	59	
Net	Private Special Education	5	5	0	
Environment:					
Net	Environmental Infrastructure Projects (8)	1,398	475	673	
Net	Hazardous Waste Remediation	1,200	515	562	
Net	Riverbank State Park	78	18	35	
Net	Water Pollution Control (SRF)	770	148	107	
Net	Pipeline for Jobs (Jobs 2000)	34	2	0	
Net	Long Island Pine Barrens	15	0	4	
Net	Pilgrim Sewage Plant	11	0	2	
State Facilities:					
Net	Empire State Plaza	133	13	0	
Net	State Capital Projects (Attica)	200	0	116	
Net	Division of State Police Facilities	150	31	106	
Net	Division of Military & Naval Affairs	27	9	15	
Net	Alfred E. Smith Building	89	0	54	
Net	Sheridan Ave. (Elk St.) Parking Garage	25	0	17	
Net	State Office Buildings and Other Facilities	318	112	168	
Net	Judiciary Improvements	38	1	19	
Net	OSC State Buildings	52	0	24	
Net	Albany Parking Garage (East)	41	0	25	
Net	OGS State Buildings and Other Facilities (9)	140	26	94	
Net	Equipment Acquisition (COPs) (10)	784	106	230	
Net	Food Laboratory	40	0	35	
Net	OFT Facilities	21	18	2	
Net	Courthouse Improvements	76	37	29	
Gross	Prison Facilities	7,148	565	4,501	
Net	Homeland Security	197	139	44	
Gross	Youth Facilities	465	66	187	
Net	NYRA Land Acquisition/VLT Construction	355	0	110	
Net	Storm Recovery Capital	450	450	0	
Net	Office of Information Technology Services	182	182	0	
Health/Mental Hygiene:					
Net	Department of Health Facilities (inc. Axelrod)	495	3	285	
Gross	Mental Health Facilities	7,436	865	3,798	
Net	HEAL NY Capital Program	750	220	391	
Net	Capital Restructuring Program	1,200	1,200	0	
Transportation:					
Gross	Consolidated Highway Improvement Program (CHIPS)	8,121	785	4,202	
Net	Dedicated Highway & Bridge Trust	16,500	3,882	7,292	
Net	High Speed Rail	22	22	0	
Net	Albany County Airport	40	1	13	
Net	Transportation Initiatives	465	465	0	
Net	MTA Transportation Facilities	770	770	0	
N/A	MTA Service Contract	2,005	0	1,700	
Net	Transportation (TIFIA)	750	750	0	



## EXHIBIT B - STATE RELATED BOND AUTHORIZATIONS

Type of Cap	Program	FY 2015 Bond Caps	Authorized But Unissued <sup>(2)</sup>	Debt Outstanding <sup>(3)</sup> As of 3/31/14
(Gross or Net)*				
Economic Development:				
Gross	Housing Capital Programs	2,999	349	1,600
Net	Community Enhancement Facilities (CEFAP)	424	47	45
Net	University Technology Centers (incl. HEAT) (11)	248	13	28
Gross	Onondaga Convention Center	40	0	21
Net	Sports Facilities	145	0	56
Net	Child Care Facilities	30	1	11
Net	Bio-Tech Facilities	10	10	0
Net	Strategic Investment Program	216	21	22
Net	Regional Economic Development (Fund 002) (12)	1,190	49	271
Net	NYS Economic Development (2004) (13)	346	0	207
Net	Regional Economic Development (2004) (14)	243	221	10
Net	High Technology and Development	249	73	124
Net	Regional Economic Development/SPUR	90	28	26
Net	Buffalo Inner Harbor	50	0	41
Net	Jobs Now	14	1	0
Net	Economic Development 2006 (Various) (15)	2,310	356	1,580
Net	Javits Convention Center (Expansion '06)	350	350	0
Net	Queens Stadium (Mets)	75	0	49
Net	Bronx Stadium (Yankees)	75	0	52
Net	NYS Ec Dev Stadium Parking ('06)	75	69	5
Net	State Modernization Projects (RIOCC Tram, etc.)	50	15	10
Net	Int. Computer Chip Research and Dev. Center	300	0	130
Net	2008 and 2009 Economic Development Initiatives	1,269	242	688
Net	H.H. Richardson Complex/Darwin Martin House	84	8	61
Net	Economic Development Initiatives	2,203	1,925	301
Net	State and Municipal Facilities	770	770	0
LGAC	Net Local Government Assistance Corporation	4,700	0	2,592
GO	Gross General Obligation (16)	19,435	3,260	3,191
<b>Total State-Supported Debt</b>		<b>115,431</b>	<b>23,467</b>	<b>52,460</b>
Other State Financings:				
	Tobacco Settlement Financing Corporation Bonds			2,053
	MBBA Special Purpose School Aid Bonds			281
	Capital Lease and Mortgage Loan Commitments (17)			303
	Other (18)			370
<b>Total State-Related Debt (19)</b>				<b>55,467</b>
* Gross caps include cost of issuance fees. Net caps do not.				
Source: NYS DOB				
<sup>(1)</sup> Includes only authorized programs that are active at March 31, 2014 or have outstanding program balances or both.				
<sup>(2)</sup> Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (i) net bond proceeds available to fund program, or (ii) par amount of bonds issued.				
<sup>(3)</sup> Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds.				
<sup>(4)</sup> Authorization also includes any amount necessary to refund outstanding Housing Finance Agency State University Construction Bonds, all of which have been refunded.				
<sup>(5)</sup> Authorization applies to bonds issued after March 31, 2002, prior to that date there was no limit.				
<sup>(6)</sup> The amount outstanding includes CUNY Community Colleges bonds for which the State pays debt service. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to \$7.273 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.				
<sup>(7)</sup> Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes.				
<sup>(8)</sup> Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, and the Office of Parks and Recreation and Historic Preservation.				
<sup>(9)</sup> Includes debt outstanding for Office of General Services Buildings: 44 Holland Ave., 50 Wolf Rd., 625 Broadway Ave., Hampton Plaza, and DOT Region 1.				
<sup>(10)</sup> Authorized amounts includes Certificates of Participation, which have been issued as bonds after March 31, 2003.				
<sup>(11)</sup> Includes authorizations for Science and Technology Center (Syracuse), Super Computer Center (Cornell), Center for Telecommunications (Columbia), HEAT, Center for Industrial Innovation (City of Troy), Center for Advanced materials (Clarkson), Center for Electro-Optic (Rochester), Center for Neural Sciences (NYU) and Center for Incubator Facilities.				
<sup>(12)</sup> Includes bonds issued for Community Capital Assistance Program (CCAP), Rebuilding the Empire State Through Opportunities in Regional Economies Program (RESTORE), Empire Opportunity Fund (EOF), Generating Employment Through New York Science Program (Gen*NY*sis), Multi-Modal Transportation Program, and Center of Excellence Program (Laws of 2002).				
<sup>(13)</sup> Includes bonds to be issued for economic development projects outside cities of 1 million or more in population.				
<sup>(14)</sup> Includes bonds issued for the EOF, RESTORE and CCAP.				
<sup>(15)</sup> Includes bonds to be issued for economic development and environmental projects.				
<sup>(16)</sup> The FY 2015 Enacted Budget authorized a \$2 billion general obligation bond act for Smart Schools, which will be voted on in November.				
<sup>(17)</sup> Estimated.				
<sup>(18)</sup> Includes bonds issued for Secured Hospital Program, HFA and MCFFA Moral Obligation Bonds, and the JDA State-guaranteed bonds.				
<sup>(19)</sup> Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.				



## EXHIBIT B - STATE RELATED BOND AUTHORIZATIONS

STATE GENERAL OBLIGATION DEBT *			
as of March 31, 2014			
(In Millions)			
Purpose/Year Authorized	Total Authorized	Authorized but Unissued	Total Debt Outstanding
<b>Transportation Bonds:</b>			
Rebuild and Renew New York Transportation Bonds (2005)			
Highway Facilities/Other Transportation (Excluding MTA)			
Highway Facilities	Note 1	Note 1	\$ 826
Mass Transit - DOT	Note 1	Note 1	10
Rail & Port	Note 1	Note 1	75
Canals & Waterways	Note 1	Note 1	13
Aviation	Note 1	Note 1	54
Subtotal Highway Facilities/Other Transportation (Excluding MTA)	\$ 1,450	\$ 204	978
Mass Transit - Metropolitan Transportation Authority	1,450	386	915
Accelerated Capacity and Transportation			
Improvements of the Nineties (1988)	3,000	20	226
Rebuild New York Through Transportation			
Infrastructure Renewal (1983)			
Highway Related Projects	1,064	21	2
Ports, Canals, and Waterways	49	-	-
Rapid Transit, Rail and Aviation Projects	137	-	10
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100	-	-
Rapid Transit and Rail Freight	400	-	7
Rail Preservation (1974)	250	-	1
Transportation Capital Facilities (1967)			
Highways	1,250	-	-
Mass Transportation	1,000	-	Note 2
Aviation	250	-	11
<b>Total Transportation Bonds</b>	<b>10,400</b>	<b>631</b>	<b>2,150</b>
<b>Environmental Bonds:</b>			
Clean Water/Clean Air (1996)			
Air Quality	230	30	20
Safe Drinking Water	355	-	Note 3
Clean Water	790	91	438
Solid Waste	175	3	49
Environmental Restoration	200	47	81
Environmental Quality (1986)			
Land and Forests	250	2	22
Solid Waste Management	1,200	49	273
Environmental Quality (1972)			
Air	150	12	5
Land and Wetlands	350	10	12
Water	650	2	49
Outdoor Recreation Development (1966)	200	Note 4	-
Pure Waters (1965)	1,000	20	46
Park and Recreation Land Acquisition (1960)	100	1	Note 5
<b>Total Environmental Bonds</b>	<b>5,650</b>	<b>267</b>	<b>995</b>
<b>Housing Bonds:</b>			
Low-Income Housing (through 1958)	960	8	24
Middle-Income Housing (through 1958)	150	1	22
Urban Renewal (1958)	25	1	-
<b>Total Housing Bonds</b>	<b>1,135</b>	<b>10</b>	<b>46</b>
<b>TOTAL GENERAL OBLIGATION DEBT</b>	<b>\$ 17,185</b>	<b>\$ 908</b>	<b>\$ 3,191</b>
Source: Office of the State Comptroller			
* This table reflects General Obligation Bond Acts where there is a remaining authorized but unissued amount and/or a remaining debt outstanding balance.			
(1) The Legislature did not provide any limitation on bonds to be issued for specific project categories or programs authorized within the Highway Facilities/Other Transportation (excluding MTA) Purpose.			
(2) This amount rounds to zero, but there was a debt outstanding balance of \$119,119.44 at March 31, 2014.			
(3) This amount rounds to zero, but there was a debt outstanding balance of \$7,931.54 at March 31, 2014.			
(4) This amount rounds to zero, but there was an authorized but unissued balance of \$230,000 at March 31, 2014.			
(5) This amount rounds to zero, but there was a debt outstanding balance of \$12,074.28 at March 31, 2014.			

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**EXHIBIT C TO AIS -  
GAAP-BASIS FINANCIAL  
PLAN**

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## Exhibit C to AIS - GAAP-Basis Financial Plan

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The GAAP-basis plans follow, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. In practice, this means the GAAP-basis Financial Plans reflect the accrual methodology and fund classification rules used by OSC. A table reflecting GAAP basis General Fund Financial Plan projections is provided below.

In FY 2015, the General Fund GAAP Financial Plan shows total projected revenues of \$48.9 billion, total projected expenditures of \$61.8 billion, and net other financing sources of \$12.3 billion, resulting in a projected operating deficit of \$591 million. These projections reflect the net impact of the Enacted Budget gap-closing actions.

Please see "Prior Fiscal Years — GAAP-Basis Results for Prior Fiscal Years" for a summary of recent audited operating results.

GAAP FINANCIAL PLAN GENERAL FUND FY 2015 THROUGH FY 2018 (millions of dollars)				
	FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
<b>Receipts:</b>				
Taxes:				
Personal Income Tax	28,574	31,072	33,761	35,790
User Taxes and Fees	6,656	6,923	7,144	7,387
Business Taxes	5,785	5,407	5,918	5,880
Other Taxes	1,169	1,091	1,027	974
Miscellaneous Receipts	6,731	5,933	5,238	4,646
Federal Receipts	0	0	0	0
<b>Total Receipts</b>	<b>48,915</b>	<b>50,426</b>	<b>53,088</b>	<b>54,677</b>
<b>Disbursements:</b>				
Local Assistance Grants	42,883	45,796	47,787	50,388
Departmental Operations	12,228	12,534	12,199	12,321
General State Charges	6,687	7,017	7,173	7,357
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
<b>Total Disbursements</b>	<b>61,798</b>	<b>65,347</b>	<b>67,159</b>	<b>70,066</b>
<b>Other Financing Sources (Uses):</b>				
Transfers From Other Funds	17,910	17,500	17,986	18,473
Transfers To Other Funds	(5,618)	(5,895)	(6,258)	(6,624)
Proceeds From Financing Arrangements/ Advance Refundings	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	<b>12,292</b>	<b>11,605</b>	<b>11,728</b>	<b>11,849</b>
<b>Operating Surplus/(Deficit)</b>	<b>(591)</b>	<b>(3,316)</b>	<b>(2,343)</b>	<b>(3,540)</b>
Source: NYS DOB.				

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**EXHIBIT D TO AIS -  
PRINCIPAL STATE TAXES  
AND FEES**

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## *Exhibit D to AIS - Principal State Taxes and Fees*

**Personal income taxes** are imposed on the New York source income of individuals, estates and trusts. Personal income taxes accounted for roughly 62 percent of All Government Funds tax receipts during FY 2014. The State tax adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal PIT purposes, with certain modifications. Receipts from this tax are sensitive to changes in economic conditions in the State and to taxpayers' responses to Federal and State law changes. Beginning tax year 2013 and continuing through 2017, New York tax brackets and standard deduction amounts are indexed to the CPI. For Tax Year 2014, New York allows a standard deduction of \$15,650 for married couples filing jointly, with lower deductions for the other types of filers. New York also allows a \$1,000 exemption for dependents. The current rate structure, which includes eight brackets with rates ranging between 4 percent and 8.82 percent, had been set to expire following tax year 2014, but FY 2014 Budget legislation extended these rates for an additional three years. After tax year 2017, the tax rates are scheduled to revert to the pre-2009 schedule of five tax intervals, ranging from 4 percent to 6.85 percent, but the remaining bracket ranges are set to maintain all CPI-based adjustments made through 2017.

Beginning in tax year 2009, taxpayers with incomes above \$1 million are limited to deducting 50 percent of their Federal charitable contributions as their only New York itemized deduction. For tax years 2010 through 2015, taxpayers with incomes above \$10 million may deduct only 25 percent of their Federal charitable contributions deductions as their only itemized deduction. The latter limitation had been set to expire after 2012, prior to FY 2014 Budget legislation.

New York also allows several credits against the tax. The most significant are the: Empire State Child Credit (generally equal to one-third of the Federal child tax credit), household credit, credit for taxes paid to other states, investment tax credit, various Empire Zone and Excelsior Jobs Program credits, Brownfields credits, child and dependent care credit, real property tax circuit breaker credit, earned income tax credit, long-term care insurance credit, and college tuition credit.

For Tax Years 2014 through 2016, qualifying taxpayers will be able to claim the Family Tax Relief Credit, which will provide a credit of \$350 to resident taxpayers with 1) positive liability, 2) at least one dependent under the age of 17, and 3) adjusted gross income between \$40,000 and \$300,000.

Legislation enacted with the FY 2015 budget provides a "real property tax freeze credit" to taxpayers who are STAR recipients or otherwise would be STAR-eligible. The credit is applicable against school district and municipal taxes levied outside of the City of New York by jurisdictions that keep property tax growth at or below the State property tax cap. Credits against school tax increases will be provided for school years 2014-15 and 2015-16. Credits against all other municipal taxes will be provided in 2015 and 2016. The credits will be sent as an advance payment, with the initial 2014-15 school tax payment occurring in the fall of 2014.

In 2001, legislation was enacted to provide for the issuance of State PIT Revenue Bonds, which has become the primary financing vehicle for a broad range of existing State-supported debt programs previously secured by service contract or lease-purchase payments. The first bonds were issued in May 2002. The legislation provided that 25 percent of PIT receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the RBTF for purposes of making debt service payments on the bonds, with excess amounts transferred to the General Fund. Legislation enacted with the FY 2008



## EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

Budget provided that the RBTF will be calculated based on 25 percent of PIT receipts (excluding refunds owed to taxpayers, but before deposits to the STAR fund).

In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of 25 percent of annual PIT receipts or \$6 billion.

**User taxes and fees** consist of several taxes on consumption, the largest of which is the State sales and compensating use tax. The *sales and use tax* is imposed, in general, on the receipts from the sale of all tangible personal property unless specifically exempted, and all services are exempt unless specifically enumerated. The current State sales tax rate is 4 percent, of which 50 percent of receipts is deposited in the General Fund, 25 percent is deposited in the Local Government Assistance Tax Fund and 25 percent is deposited in the Sales Tax Revenue Bond Fund. Receipts in excess of debt service requirements are transferred back to the General Fund.

Although there are numerous exemptions, the most significant are: food; clothing and footwear items costing less than \$110 (also see discussion below); drugs; medicine and medical supplies; residential energy; capital improvements and installation charges; machinery and equipment used in manufacturing; trade in allowances; and goods sold to Federal, State or local governments. The following discussion summarizes significant revenue actions taken since 2008.

Legislation enacted in 2008 required non-profit tax-exempt organizations to collect sales tax on retail sales and rentals or leases of tangible personal property, required all vendors to register and created an evidentiary presumption that certain sellers using New York residents to solicit sales in the State are vendors required to collect sales and use tax.

Legislation enacted in 2009 expanded the definition of “affiliate nexus,” imposed the sales tax on certain transportation services and narrowed the exemption for commercial aircraft and the use tax exemption for motor vehicles and vessels.

Legislation enacted in 2010 temporarily eliminated the State sales and use tax exemption on items of clothing and footwear priced under \$110 for the period October 1, 2010 through March 31, 2011. From April 1, 2011 through March 31, 2012, the State exemption was \$55; thereafter, the \$110 exemption was reinstated. Additional legislation clarified that hotel room remarketers were required to collect sales and use tax, repealed the vendor credit for monthly filers, repealed provisions allowing private label credit cards to claim a credit for uncollectible debts, narrowed affiliate nexus provisions, and exempted certain New York City livery services from the tax.

Legislation enacted in 2011, and extended in 2012 and 2013, authorized various tax modernization initiatives.

Legislation enacted in 2013 provided for the suspension or restriction of a NYS driver’s license for certain tax delinquencies; placed restrictions on certain Industrial Development Agencies (IDA) projects and included a claw-back benefit provision; and established the START-UP NY program.



## EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

Legislation enacted in 2014 increased the exemption threshold for certain items purchased from vending machines from \$0.75 to \$1.50.

The State imposes a *tax on cigarettes* at the rate of \$4.35 per package of 20 cigarettes and imposes a *tax on other tobacco products* equal to 75 percent of the wholesale price. The tax on cigarettes was raised from \$1.50 per pack to \$2.75 on June 3, 2008, and to \$4.35 per pack on July 1, 2010. The revenue derived from the tax is split, with 24 percent of receipts deposited in the General Fund and the balance deposited in the Tobacco Control and Insurance Initiatives Pool established by the Health Care Reform Act of 2000. In 2008, certain tobacco products were converted from price-based to weight-based taxes. The tobacco products tax was raised from 37 percent of the wholesale price to 46 percent in April 2009, and to 75 percent in August 2010. Legislation enacted in 2011 changed the annual fees imposed on retailers from a graduated structure based on gross sales to a flat \$300 per retailer (\$100 per vending machine). Legislation enacted in 2013 increased the penalty for the possession of unstamped or illegally stamped cigarettes from \$150 per carton to \$600 per carton to reflect increases in the tax rate that have occurred since this penalty was last increased.

*Motor fuel* and *diesel motor fuel taxes* are levied at 8 cents per gallon upon the sale, generally for highway use, of gasoline and diesel fuel. All motor fuel taxes have been deposited in the dedicated transportation funds since April 1, 2001. Legislation enacted in 2008 allows the Commissioner of Taxation and Finance to work and enter into an agreement with transportation-related agencies to use technology to reduce the bootlegging of fuel. Legislation enacted in 2011 modernized motor fuel, diesel motor fuel and e-85 definitions to reflect changes in the fuels marketplace. Legislation passed in 2013 moved the incidence of diesel motor fuel taxation to the fuel terminal rack to essentially conform to the method used by the Federal government and 25 other states.

The State imposes *alcoholic beverage excise taxes* at various rates on liquor, beer, wine and specialty beverages. Legislation enacted in 2009 increased the tax rate on beer to 14 cents per gallon and increased the tax rate on wine to 30 cents per gallon. Legislation enacted in 2012 removed an unconstitutional exemption provided to certain small beer brewers, and replaced the benefit with personal and business tax credits that yield similar tax relief to small brewers that produce in New York State.

The *highway use tax* revenue is derived from three sources: the truck mileage tax, related highway use permit fees and the fuel use tax. The truck mileage tax is levied on commercial vehicles, at rates graduated by vehicle weight, based on miles traveled on State highways. Highway use registration certificates (original or renewed) are \$15. The fuel use tax is an equitable complement to the State's motor fuel tax and sales tax paid by those who purchase fuel outside but consume it in New York. It is levied on commercial vehicles having three or more axles or a gross vehicle weight of more than 26,000 pounds. Currently, all collections from the highway use tax are deposited in the DHBTF. Legislation enacted in 2007 replaced the current highway use permit system with a registration system. Legislation enacted in 2009 reauthorized the Commissioner of the Tax Department to require highway use tax decals on the exterior of all vehicles, and increased the decal renewal fee from \$4 to \$15 per vehicle. Legislation passed in 2013 clarified that the highway use tax exemption for fuel used by farmers applies also to certain entities related to such farmers so long as they are actually engaged in farming.

The State imposes an auto rental tax on charges for the rental or use in NYS of a passenger car with a gross vehicle weight of 9,000 pounds or less. Receipts are deposited in the DHBTF. Legislation enacted



## EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

in 2009 increased this tax rate from 5 percent to 6 percent and also imposed a supplemental tax of 5 percent in the MCTD. Monies from this supplemental tax are deposited in the MTA Aid Trust Account of the MTA Financial Assistance Fund.

**Business taxes** include a general business corporation franchise tax as well as specialized franchise taxes on banks, insurance companies, certain transportation and transmission companies, and a cents per gallon based levy on businesses engaged in the sale or importation for sale of various petroleum products. The discussion below describes each tax and summarizes recent significant enacted legislation.

The *corporation franchise tax* is the largest of the business taxes, and the State's third largest source of revenue. It is imposed on all domestic general business corporations and foreign general business corporations which do business or conduct certain other activities in the State. The tax is imposed, generally, at a rate of 7.1 percent of taxable income allocated to New York. Taxable income is defined as Federal taxable income with certain modifications. The tax includes three other bases: the capital, alternative minimum and fixed dollar minimum. The taxpayer must pay under the base which produces the highest tax.

Legislation enacted in 2007 provided that taxpayers operating on a unitary basis file a combined report if substantial inter-corporate transactions occur amongst affiliates; lowered the rate on Entire Net Income (ENI) to 7.1 percent for general businesses and to 6.5 percent for manufacturers; lowered the alternative minimum tax rate to 1.5 percent; and closed the real estate investment trust loophole.

Legislation enacted in 2008 restructured minimum taxes on corporations and the capital base tax; decoupled New York State from the Federal Qualified Production Activity Income (QPAI) deduction provided under Internal Revenue Code section 199 and established a voluntary disclosure and compliance initiative program to encourage eligible taxpayers to enter into compliance agreements with the Department of Taxation and Finance.

Legislation enacted in 2009 made changes to the tax treatment of captive insurance companies by providing special rules for overcapitalized captive insurance companies. Additionally, for-profit Health Maintenance Organizations (HMOs) were taxed under the insurance tax. Previously they were taxed under the corporation franchise tax.

In 2010, legislation was enacted that deferred certain business related tax credits by requiring taxpayers to defer tax credits greater than \$2 million for tax years 2010 through 2012. Taxpayers are eligible to claim the deferred tax credits starting with tax year 2013. The Excelsior Jobs Program was established to provide incentives based on job creation, investment and research and development expenditures in New York State.

Legislation enacted in 2011 extended the financial services investment tax credit for an additional four years to October 1, 2015; enhanced the Excelsior Jobs Program; extended the Federal Gramm-Leach-Bliley Act transition provisions for an additional two years; and created the Economic Transformation and Facility Redevelopment Program to provide tax credits to businesses that moved into communities impacted by correctional and youth facility closures.



## EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

Legislation enacted in 2012 extended and amended the Gramm-Leach-Bliley provisions through tax year 2014. The amendment to the Gramm-Leach-Bliley provisions requires that a corporation previously taxed as a bank under Gramm-Leach-Bliley be taxed as a bank only if it meets the current law definition of a bank.

Legislation enacted in 2013 made technical corrections to address a royalty income loophole; provided a phased-in manufacturing tax rate reduction of 25 percent when fully phased in effective tax year 2018; created a refundable tax credit for the hiring of unemployed veterans released from active duty after September 11, 2001; created a refundable tax credit for Tax Years 2014 through 2018 for a portion of the minimum wage paid to students age 16-19; extended and expanded the Youth Works Tax Credit at \$6 million per year for four years through 2017; and created the New York Innovation Hot Spots Program for start-up businesses. Legislation enacted in 2013 also created the Charge NY Electric Vehicle Recharging Equipment tax credit by allowing a credit up to \$5,000 per station for electric recharging or alternative fuel vehicle refueling equipment. The film tax credit was extended to provide an additional \$420 million per year, allocated for Tax Years 2015 through 2019. The post-production portion of this allocation was increased from \$7 million to \$25 million. The film tax credit legislation also included an upstate credit enhancement, inclusion of relocated variety or talk shows, a visual effects and animation post-production enhancement, and additional reporting requirements. Additionally, the START-UP NY program was established at the end of the 2013 legislative session. This program generally provided tax free operation for businesses that locate within tax-free NY areas and additional employee tax benefits for ten years.

In 2014, legislation was enacted to implement comprehensive corporate tax reform for tax years beginning on or after January 1, 2015. Corporate tax reform modernizes and simplifies the corporate tax structure, merges the bank tax with the corporate franchise tax, reduces the corporate tax rate on entire net income from 7.1 percent to 6.5 percent and phases out the capital base tax over six years beginning for tax years on or after January 1, 2016. The corporate tax rate for manufacturers is reduced to zero percent beginning for tax years on or after January 1, 2014. A real property tax credit is established for manufacturers, a new musical theater tax credit is established as well as a tax credit for businesses that employ individuals with developmental disabilities, four correctional facilities slated for closure in July 2014 are eligible to participate in the START-UP NY program and the MTA surcharge is made permanent.

Receipts from the *corporation and utilities taxes* are primarily attributable to taxes imposed on transportation and transmission companies, utility services and telecommunication services.

Legislation enacted in 2011 replaced the expiring the Power for Jobs Program with the “Recharge New York” program. At the end of the 2013 legislative session, LIPA was restructured. As part of the restructuring, LIPA is not required, effective January 1, 2014, to remit a gross receipts payment under Tax Law Section 186. They continue to be required to remit the MTA surcharge under Section 186-b. Legislation in 2014 made the MTA surcharge permanent, repeals the Section 185 tax on agricultural co-operatives for tax years beginning on or after January 1, 2018 and eliminates the organization tax (Section 180) and the license and maintenance fees (Section 181) as part of corporate tax reform.

*Insurance taxes* are imposed on insurance corporations, insurance brokers and certain insured that operate in New York State. Non-life insurers are subject to a premiums tax. Accident and health premiums are taxed at the rate of 1.75 percent and all other premiums are taxed at the rate of 2



## EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

percent. The insurance tax on life insurers ranges from 1.5 percent to 2 percent of premiums after taking into account the tax on income allocated to New York State. Other taxes are imposed on certain brokers and independently procured insurance.

Legislation enacted in 2007 lowered the rate on ENI to 7.1 percent for life insurers. In 2009, legislation was enacted that clarified that captive insurance companies receiving 50 percent or less of their gross receipts from insurance premiums must file a combined return with their closest affiliated taxpayer, and imposed a 1.75 percent premiums tax on for-profit HMOs. Previously, for-profit HMOs were taxed under the corporate franchise tax.

Legislation enacted in 2011 conformed the taxes on executive lines and direct writings with requirements enacted in the 2010 Federal Dodd-Frank financial reform legislation. Legislation enacted in 2014 made the MTA surcharge permanent.

The State imposes a *franchise tax on banking corporations* at a basic tax rate of 7.1 percent of entire net income with certain exclusions, and subject to special rates for institutions with three other tax bases similar to the *corporate franchise tax*. Legislation enacted in 2007 closed the real estate investment trust loophole for banks with assets of more than \$8 billion; required certain grandfathered Article 9-A subsidiaries to be taxed under Article 32; lowered the ENI rate to 7.1 percent; and extended certain 1985 provisions and Gramm-Leach-Bliley Act conforming provisions for two years. Legislation enacted in 2008 provided that certain credit card companies doing business in New York State would be subject to the bank tax and established a voluntary disclosure and compliance initiative program to encourage eligible taxpayers to enter into compliance agreements with the Department of Taxation and Finance.

Legislation enacted in 2010 extended for one year the bank tax reform provisions from 1985 to 1987 and the temporary Gramm-Leach-Bliley Act conforming provisions; conformed the State bank bad debt deduction for bad debts to the calculations provided for in the Internal Revenue Code for Federal tax purposes; and made permanent the provisions that addressed the closely-held Real Estate Investment trusts and Regulated Investment Companies (RIC) loophole, which would have otherwise expired on December 31, 2010.

Legislation enacted in 2011 extended the Federal Gramm-Leach-Bliley Act transition provisions for an additional two years and made the bank tax provisions from 1985 and 1987 permanent. The bank tax provisions were previously extended numerous times on a temporary basis with the Gramm-Leach-Bliley transition provisions.

Legislation enacted in 2012 extended and amended the Gramm-Leach-Bliley provision through tax year 2014. The amendment to the Gramm-Leach-Bliley provisions required that a corporation previously taxed as a bank under Gramm-Leach-Bliley be taxed as a bank only if it meets the current law definition of a bank.

Legislation enacted in 2014 made the MTA surcharge permanent. Additionally, in 2014, comprehensive corporate tax reform that merges the bank tax with the corporate franchise tax effective for tax years beginning on or after January 1, 2015 was enacted.

The State imposes a petroleum business tax on the privilege of operating a petroleum business in the State. This tax is measured by the quantity of various petroleum products imported into the State for





## EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

sale or use. The tax is imposed at various cents per gallon rates depending on the type of petroleum product. The cents per gallon tax rates are indexed to reflect petroleum price changes but are limited to changes of no more than 5 percent of the tax rate in any one year. Legislation enacted in 2008 allowed the Commissioner of Taxation and Finance to work and enter into an agreement with the DMV, DEC, Thruway Authority, NYS Bridge Authority, and the Port Authority of New York and New Jersey to use technology to reduce the bootlegging of fuel. Legislation enacted in 2011 modernized fuel definitions to adapt the petroleum business taxes to Federal and State statutory and regulatory changes that address certain environmental concerns. Legislation enacted in 2013 provided volunteer ambulance and volunteer fire departments with a reimbursement of the PBT paid on motor fuel and diesel motor fuel purchased for use in their vehicles.

**Other tax revenues** include taxes on pari-mutuel wagering, the estate tax, taxes on real estate transfers, certain other minor taxes, and residual receipts following the repeal of the real property gains tax and the gift tax.

The State imposes an *estate tax* on the estates of deceased New York residents, and on that part of a nonresident's net estate made up of real and tangible personal property located within New York State. Legislation enacted in 2014 comprehensively reforms the Estate tax to decouple from Federal law. The unified threshold of \$1 million is increased to \$5,250,000 in the form of credit in four phases by April 1, 2017. The basic threshold will equal the Federal basic threshold amount with annual indexing for those dying on or after January 1, 2019. The applicable credit is reduced for New York taxable estates exceeding the basic threshold amount and equals zero for those exceeding one hundred five percent of such amount. Gifts taxable under Section 2053 of the Internal Revenue Code that were not otherwise included in Federal Gross Estate and that were made during the three years ending on the date of death must be added to the New York Gross Estate. However, gifts made while the decedent was a nonresident of New York State and gifts made prior to April 1, 2014, or after January 1, 2019, are not included. Reflecting the composition of many decedents' estates in New York, collections of this tax are influenced at least in part by fluctuations in the value of common stock.

The *real estate transfer tax* applies to each real property conveyance, subject to certain exceptions, at a rate of \$2 for each \$500 of consideration or fraction thereof. Pursuant to statute, beginning in State FY 2008, \$212 million of RETT receipts are deposited in the Environmental Protection Fund (EPF) and the remaining receipts are deposited in the Clean Water/Clean Air (CW/CA) Debt Service Fund. In FY 2009, \$237 million was deposited into the EPF, and \$199 million was deposited in FY 2010. Receipts in excess of the debt service requirements are transferred back to the General Fund. The FY 2011 Enacted Budget reduced the statutorily fixed deposit to the EPF from \$199.3 million to \$119.1 million.

The State levies *pari mutuel taxes* on wagering activity conducted at horse racetracks, simulcast theaters and off track betting parlors throughout the State. Legislation enacted in 2008, and extended annually since, reinstated lower 2005 pari-mutuel tax rates. In addition to pari mutuel taxes, a 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters, and a 3 percent tax is levied on gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights.

**Miscellaneous receipts and other revenues** include various fees, fines, tuition, license revenues, lottery revenues, investment income, assessments on various businesses (including healthcare providers), and abandoned property. Miscellaneous receipts also include minor amounts received from the Federal



## EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

government and deposited directly in the General Fund. Effective April 1, 2010, OSC classified motor vehicle and alcohol license fees as miscellaneous receipts. Legislation enacted in 2008 revised the distribution of video lottery receipts to provide different commissions to the Video Lottery Gaming (VLG) facilities based on factors including: size of the facility; population surrounding the facility; and proximity to Native American and out-of-state casinos. In addition, tracks were provided a capital allowance for capital expenditures to enhance their facilities. Legislation enacted in 2009 increased the real property transfer fee, the 18-A utility assessment, and the notification fee for asbestos projects; expanded the bottle deposit; and authorized the Lottery to enter more than one multi-jurisdictional lottery association. Legislation enacted in 2010 reduced dormancy periods on undelivered goods and money orders and increased various civil court filing fees, made the Lottery's authorization to operate the Quick Draw lottery game permanent, removed the restrictions on the number of hours Quick Draw could be operated, removed the sunset on the VLG Program, increased the hours that VLTs may be operated to 20 hours from 16 hours (but no later than 4 a.m.) and reduced the vendor commission by one percent of net machine income. Legislation enacted in 2011 reduced the dormancy period on 14 items from five or six years to three, authorized VLG facilities to provide free game credits that are excluded from net machine income ("free-play") as a marketing tool capped at 10 percent of the net machine income at that facility, increased the number of instant games with a 75 percent prize pay-out from three to five new games per year, allowed the Lottery to have up to a 55 percent prize-payout on multi-jurisdictional games, and allowed Lottery to offer progressive jackpots (a cash prize that grows larger until won) for certain VLGs. Legislation enacted in 2012 removed the restriction that at least 25 percent of an establishment's revenue be from food sales in order to host the Quick Draw lottery game. Legislation enacted in 2013 extended the operator's commission rate at Monticello, first enacted in 2008, for a one-year period. Legislation enacted in 2014 accelerated the phase-out of the 18-a temporary assessment, extended Monticello VLT rates for one year, and extended the VLG Vendor's Capital Awards Program for one year.

*Alcohol license fees* are imposed on those who sell alcoholic beverages in New York. The fees vary depending on the type and location of the establishment or premises operated by the licensee, as well as the class of beverage for which the license is issued. In 2008, legislation to allow seven day liquor sales was made permanent.

*Motor vehicle fees* are derived from a variety of sources, including motor vehicle registration fees and driver licensing fees, which together account for most motor vehicle fee revenue. Legislation enacted in 2008 implemented the Western Hemisphere Travel Initiative (WHTI) which offered Federally-compliant driver's licenses and non-driver ID cards. Legislation enacted in 2009 included increases of approximately 25 percent for vehicle registrations and licenses. Legislation enacted in 2011 clarified that non-dedicated motor vehicle fees include assessments and fines. Legislation enacted in 2014 simplifies the fund distribution of motor vehicle fee receipts. This simplification has no revenue impact on any funds involved.

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**EXHIBIT E TO AIS -  
GLOSSARY OF  
FINANCIAL TERMS**

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## Exhibit E to AIS - Glossary of Financial Terms

The following glossary, which is an integral part of this AIS, includes certain terms that are used herein and are intended for use only in connection with the entire AIS.

*Appropriation:* An appropriation is a statutory authorization against which liabilities may be incurred during a specific year, and from which disbursements may be made, up to a stated amount, for the purposes designated. Appropriations generally are authorizations, rather than mandates, to spend, and disbursements from an appropriation need not, and generally do not, equal the amount of the appropriation. An appropriation represents maximum spending authority. Appropriations may be adopted at any time during the fiscal year.

*Bond Anticipation Note or BANs:* A bond anticipation note is a short-term obligation, the principal of which is paid from the proceeds of the bonds in anticipation of which such note is issued.

*Business-type Activities:* "Business-type activities" describe those operations that are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds and include the Lottery, Unemployment Insurance Benefit, SUNY and CUNY senior colleges.

*Capital Projects Funds:* Capital Projects Funds, one of the four GAAP-defined governmental fund types, account for financial resources of the State to be used for the acquisition or construction of major capital facilities (other than those financed by Special Revenue Funds (SRFs), Proprietary Funds and Fiduciary Funds).

*Cash Basis Accounting:* Accounting, budgeting and reporting of financial activity on a cash basis results in the recording of receipts at the time money or checks are deposited in the State Treasury and the recording of disbursements at the time a check is drawn, regardless of the fiscal period to which the receipts or disbursements relate.

*Community Projects Fund:* The State created this fund within the General Fund in 1996 to finance certain community projects for the Legislature and the Governor. The State transfers moneys from other General Fund accounts into the Community Projects Fund, as provided by law. Spending out of the Community Projects Fund is governed by specific appropriations for each account in the Fund, but cannot exceed the cash balance for that account.

*Contingency Reserve Fund:* This fund was established in 1993 to assist the State in financing the costs of any extraordinary known or anticipated litigation. Deposits to this fund are made from the General Fund.

*Contractual-Obligation Financing:* Contractual-obligation financing is an arrangement pursuant to which the State makes periodic payments to a public benefit corporation under a contract having a term not less than the amortization period of debt obligations issued by the public benefit corporation in connection with such contract. Payments made by the State are used to pay debt service on such obligations and are subject to annual appropriation by the Legislature and the availability of moneys to the State for the purposes of making contractual payments.



## EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

**Debt Reduction Reserve Fund or DRRF:** The State created the DRRF in 1998 to accumulate surplus revenues to pay debt service costs on State-supported bonds, retire or defease such bonds, and to finance capital projects. Use of DRRF funds requires an appropriation.

**Debt Service:** Debt service refers to the payment of principal and interest on bonds, notes, or other evidences of indebtedness, including interest on BANs and TRANs, in accordance with the respective terms thereof.

**Debt Service Funds:** DSFs, one of the four GAAP-defined governmental fund types, account for the accumulation of resources (including receipts from certain taxes, transfers from other funds and miscellaneous revenues, such as dormitory room rental fees, which are dedicated by statute for payment of lease-purchase rentals) for the payment of general long-term debt service and related costs and payments under lease-purchase and contractual-obligation financing arrangements.

**Disbursement:** A disbursement is a cash outlay and in the General Fund includes transfers to other funds.

**Executive Budget:** The Executive Budget is the Governor's constitutionally mandated annual submission to the Legislature which contains his recommended program for the forthcoming fiscal year. The Executive Budget is an overall plan of recommended appropriations. It projects disbursements and expenditures needed to carry out the Governor's recommended program and receipts and revenues expected to be available for such purpose. The recommendations contained in the Executive Budget serve as the basis for the State Financial Plan (defined below) which is adjusted after the Legislature acts on the Governor's submission. Under the State Constitution, the Governor is required each year to propose an Executive Budget that is balanced on a cash basis.

**Expenditure:** An expenditure, in GAAP terminology, is a decrease in net financial resources as measured under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term expenditure to refer to a cash outlay or disbursement.

**Expenses:** Expenses, in GAAP terminology, are a decrease in net financial resources as measured in the government-wide financial statements under the accrual basis of accounting.

**Fiduciary Funds:** Fiduciary Funds refers to a GAAP-defined fund type which accounts for assets held by the State in a trustee capacity or as agent for individuals, private organizations and other governmental units and/or other funds. These funds are custodial in nature and do not involve the measurement of operations. Although the Executive Budget for a fiscal year generally contains operating plans for Fiduciary Funds, and their results are included in the Comptroller's GAAP-based financial statements, they are not included in the State Financial Plan.

**Financial Plan:** see State Financial Plan.

**Fiscal Year:** The State's fiscal year commences on April 1 and ends on March 31. The term fiscal year refers to the fiscal year of the State unless the context clearly indicates otherwise.

**Fund Accounting:** The accounts of the State are presented on the basis of GAAP funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are



## EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**GAAP:** GAAP refers to generally accepted accounting principles for state and local governments, which are the uniform minimum standards of and guidelines for financial accounting and reporting prescribed by GASB. GAAP requires that the government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the Enterprise Funds, Component Units and the Fiduciary Funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance expenditures. Expenditures and related liabilities are recognized in the accounting period they are incurred to the extent they are expected to be paid within the next 12 months, under the modified accrual basis of accounting.

**General Fund:** The General Fund, one of the four GAAP-defined governmental fund types, is the major operating fund of the State and receives all receipts that are not required by law to be deposited in another fund, including most State tax receipts and certain fees, transfers from other funds and miscellaneous receipts from other sources.

**General Obligation bonds:** Long-term obligations of the State, used to finance capital projects. These obligations must be authorized by the voters in a general election, are issued by the Comptroller, and are backed by the full faith and credit of the State. Under current provisions of the Constitution, only one bond issue may be put before the voters at each general election, and it must be for a single work or purpose. Debt service must be paid from the first available taxes whether or not the Legislature has enacted the required appropriations for such payments.

**General State Charges:** Costs mandated by statute or court decree or by agreements negotiated with employee unions for which the State is liable, including: pensions; health, dental and optical benefits; payments on behalf of State employees for Social Security; unemployment insurance benefits; employee benefit programs; court judgments and settlements; assessments for local improvements; and taxes on public lands.

**Governmental Activities:** Governmental activities describes those operations that are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues and are reported in the governmental funds.

**Governmental Funds:** Governmental funds refers to a category of GAAP-defined funds which account for most governmental functions and which, for the State, include four GAAP-defined governmental fund types: the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The State's projections of receipts and disbursements in the governmental funds comprise the State Financial Plan.



## EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

*Interfund Transfers:* Under GAAP fund accounting principles, each fund is treated as a separate fiscal and accounting unit with limitations on the kinds of disbursements to be made. To comply with these limitations, moneys are moved from one fund to another to make them available for use in the proper fund, and are accounted for as “interfund transfers”.

*Lease-Purchase Financing:* Lease-purchase financing is an arrangement pursuant to which the State leases facilities from a public benefit corporation or municipality for a term not less than the amortization period of the debt obligations issued by the public benefit corporation or municipality to finance acquisition and construction, and pays rent which is used to pay debt service on the obligations. At the expiration of the lease, title to the facility vests in the State in most cases. Generally, the State’s rental payments are expressly subject to annual appropriation by the Legislature and availability of moneys to the State for the purposes thereof.

*Local Assistance:* Disbursements of State grants to counties, cities, towns, villages, school districts and other local entities, certain contractual payments to localities, and financial assistance to, or on behalf of, individuals and not-for-profit organizations.

*Moral obligation debt:* Long-term bonds issued by certain State public benefit corporations which are essentially supported by their own revenues. Moral obligation debt is not incurred pursuant to a referendum, is not State-supported debt, and is not backed by the full faith and credit of the State. However, the authorities selling such obligations have been allowed to establish procedures where, under certain conditions, the State may be requested to meet deficiencies in debt service reserve funds supporting such bonds. An appropriation must be enacted by the Legislature to meet any such request.

*Official Statement:* A disclosure document prepared to accompany an issuance of bonds, notes and certificates of participation offered for sale by the State or its public authorities. Its primary purpose is to provide prospective bond or note purchasers sufficient information to make informed investment decisions. It describes, among other things, the issuer, the project or program being financed and the security behind the bond issue.

*PAYGO financing:* The use of current State resources (as opposed to bonds or other borrowing) to finance capital projects. Also referred to as “hard dollar” financing.

*Rainy Day Reserve Fund:* This fund was created in 2007 to enhance the State’s fiscal reserves. The fund, which may have a maximum balance equal to 3 percent of General Fund spending, may be used to respond to an economic downturn or catastrophic event, as defined by the enabling statute.

*Receipts:* Receipts consist of cash actually received during the fiscal year and in the General Fund include transfers from other funds.

*Revenue Accumulation Fund:* This fund holds certain tax receipts temporarily before their deposit into other funds.

*Revenues:* Revenues, in GAAP terminology, are an increase in net financial resources, as measured for the government-wide financial statements under the accrual basis of accounting and for the governmental funds under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term revenues to refer to income or receipts.





## EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

*Short-Term Investment Pool* or *STIP*: The combination of available cash balances in funds within the State Treasury on a daily basis for investment purposes.

*Special Revenue Funds*: SRFs, one of the four GAAP-defined governmental fund types, account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects), such as Federal grants, that are legally restricted to specified purposes.

*State Financial Plan*: The State Financial Plan sets forth projections of State receipts and disbursements in the governmental fund types for each fiscal year and is prepared by the Director of the Division of Budget, based initially upon the recommendations contained in the Executive Budget. After the budget is enacted, the State Financial Plan is adjusted to reflect revenue measures, appropriation bills and certain related bills enacted by the Legislature. It serves as the basis for the administration of the State's finances by the Director of the Budget, and is updated quarterly, or more frequently as necessary, during the fiscal year.

*State Funds*: "State funds" refer to a category of funds which includes the General Fund and all other State-controlled moneys, excluding Federal grants. This category captures all governmental disbursements except spending financed with Federal grants.

*State-guaranteed debt*: Debt authorized by the voters to be sold by three public authorities: the Job Development Authority, the New York State Thruway Authority, and the Port Authority of New York and New Jersey. State-guaranteed bonds issued for the Thruway Authority and the Port Authority were fully retired on July 1, 1995 and December 31, 1996, respectively. Such debt is backed by the full faith and credit of the State.

*State Operations*: Operating costs of State departments and agencies, the Legislature and the Judiciary, including salaries and other compensation for most State employees.

*State-related debt*: In this broad category, DOB combines all forms of debt for which the State is liable, either directly or on a contingent basis, including all State-supported debt and State-guaranteed and moral obligation debt.

*State-supported debt*: This category includes all obligations for which the State appropriates money that is used to pay debt service, including General Obligation debt, lease-purchase and contractual-obligation debt, including PIT Revenue Bonds, Sales Tax Revenue Bonds, LGAC and certificates of participation. While tax supported debt (obligations supported by State taxes) represents the majority of obligations in this category, obligations supported by other State revenues (such as dormitory fees or patient revenues) are also included.

*Tax and Revenue Anticipation Notes* or *TRANS*: Notes issued in anticipation of the receipt of taxes and revenues, direct or indirect, for the purposes and within the amounts of appropriations theretofore made.

*Tax Refund Reserve Account*: The tax refund reserve account is used to hold moneys available to pay tax refunds. During a given fiscal year, the deposit of moneys in the account reduces receipts and the withdrawal of moneys from the account increases receipts. There is no requirement that moneys withdrawn from this account be replaced.



## ***EXHIBIT E - GLOSSARY OF FINANCIAL TERMS***

*Tax Stabilization Reserve Fund:* This fund was created to hold surplus revenue that can be used in the event of any unanticipated General Fund deficit. Amounts within this fund can be borrowed to cover any year-end deficit and must be repaid within six years in no less than three equal annual installments. The fund balance cannot exceed two percent of General Fund disbursements for the fiscal year; contributions are limited to two-tenths of one percent of General Fund disbursements in that year.

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**EXHIBIT F TO AIS -  
GLOSSARY OF  
ACRONYMS**

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## Exhibit F to AIS - Glossary of Acronyms

ACA	Affordable Care Act
AG	Attorney General
AIM	Aid and Incentive for Municipalities
AIS	Annual Information Statement
APCD	All Payers Claims Database
ARC	Annual Required Contribution
ARRA	American Recovery and Reinvestment Act of 2009
BANs	Bond Anticipation Notes
BBA	Bipartisan Budget Act
BCA	Budget Control Act
BOCES	Boards of Cooperative Educational Services
CAFR	Comprehensive Annual Financial Report
CDA	Continuing Disclosure Agreements
CERCLA	Compensation and Liability Act
CFE	Campaign for Fiscal Equity
CHP	Child Health Plus
CMS	Centers for Medicare and Medicaid Services
COLA	Cost of Living Adjustment
COPs	Certificates of Participation
CPI	Consumer Price Index
CQCAPD	Commission on Quality of Care and Advocacy for Persons with Disabilities
CRF	Common Retirement Fund
CSEA	Civil Service Employees Association
CUNY	City University of New York
CW/CA	Clean Water/Clean Air
DASNY	Dormitory Authority of the State of New York
DEC	Department of Environmental Conservation
DFS	Department of Financial Services
DHBTF	Dedicated Highway and Bridge Trust Fund
DMV	Department of Motor Vehicles
DOB	Division of the Budget
DOCCS	Department of Corrections and Community Supervision
DOH	Department of Health
DOT	Department of Transportation
DRP	Deficit Reduction Plan
DRRF	Debt Reduction Reserve Fund
DSF	Debt Service Funds
EDNY	Eastern District of New York
EFC	Environmental Facilities Corporation
EI	Early Intervention
EIS	Environmental Impact Statement
EMMA	Electronic Municipal Market Access
ENI	Entire Net Income
EPF	Environmental Projection Fund
EPIC	Elderly Pharmaceutical Insurance Coverage
ERDA	Energy Research and Development Authority
ERI	Early Retirement Initiative
ERS	Employees' Retirement System
ESD	Empire State Development
EXCEL	Expanding Our Children's Education and Learning
FCB	Financial Control Board
FFY	Federal Fiscal Year
FHP	Family Health Plus



## EXHIBIT F - GLOSSARY OF ACRONYMS

FMAP	Federal Medical Assistance Percentage
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GEA	Gap Elimination Adjustment
GDP	Gross Domestic Product
GLIP	Group Life Insurance Plan
GOER	Governor's Office of Employee Relations
GPHW	General Public Health Works
GSCs	General State Charges
GSPS	General Support for Public Schools
HCR	New York State Homes and Community Renewal
HCRA	Health Care Reform Act
HEAL NY	Health Care Efficiency and Affordability Law for New Yorkers
HESC	Higher Education Services Corporation
HFA	Housing Finance Agency
HLRW	High Level Radioactive Waste
HMOs	Health Maintenance Organization
ICF/DD	Intermediate Care Facilities for the Developmentally Disabled
IDA	Industrial Development Agencies
IT	Information Technology
ITS	Information Technology Services, Office of
JDA	Job Development Authority
LGAC	Local Government Assistance Corporation
LIBOR	London InterBank Offered Rate
LICH	Long Island Hospital
LIPA	Long Island Power Authority
MA	Medicaid
MBBA	Municipal Bond Bank Agency
M/C	Managerial or Confidential
MCFFA	Medical Care Facilities Financing Agency
MCTD	Metropolitan Commuter Transportation District
MD&A	Management Discussion and Analysis
MMTOA	Metropolitan Mass Transportation Operating Assistance
MOU	Memorandum of Understanding
MRT	Medicaid Redesign Team
MSA	Master Settlement Agreements
MTA	Metropolitan Transportation Authority
NAICS	North American Industry Classification System
NDNY	Northern District of New York
NFP	Not-For-Profit
NIFA	Nassau County Interim Finance Authority
NPMs	Non-Participating Manufacturers
NY	New York
NYC	New York City
NYS	New York State
NYSCOPBA	New York State Correctional Officers and Police Benevolent Association
NYSHIP	New York State Health Insurance Program
NYSLRS	New York State and Local Retirement System
NYSTA	New York State Thruway Authority
NYSPBA	New York State Police Benevolent Association
OASAS	Office of Alcoholism and Substance Abuse Services
OCA	Office of Court Administration
OCFS	Office of Children and Family Services
OGS	Office of General Services



## EXHIBIT F - GLOSSARY OF ACRONYMS

OMB	Office of Management and Budget
OMH	Office of Mental Health
OPEB	Other Post-Employment Benefits
OPMs	Original Participating Manufacturers
OPWDD	Office for People with Developmental Disabilities
OSC	Office of the State Comptroller
OSDC	Office of the State Deputy Comptroller
OTDA	Office of Temporary and Disability Assistance
PACB	Public Authorities Control Board
PAYGO	Pay-As-You-Go
PBA	Police Benevolent Association
PBT	Petroleum Business Tax
PEF	Public Employees Federation
PFRS	Police and Fire Retirement System
PIT	Personal Income Tax
PMs	Participating Manufacturers
PS	Personal Service
P-TECH	Pathways in Technology Early College High School
QPAI	Qualified Production Activities Income
RBTF	Revenue Bond Tax Fund
RETT	Real Estate Transfer Tax
RFP	Request for Proposals
RIC	Regulated Investment Companies
RPCI	Roswell Park Cancer Institute
SA	School Aid
SAGE	Spending and Government Efficiency Commission
SBE	Sound Basic Education
SED	State Education Department
SFS	Statewide Financial System
SHIN-NY	Statewide Health Information Network for New York
SIF	State Insurance Fund
SOF	State Operating Funds
SOFA	State Office for the Aging
SPMs	Subsequent Participating Manufacturers
SRF	Special Revenue Fund
SRO	State Special Revenue
SSI	Supplemental Security Income
STAR	School Tax Relief
STBF	Sales Tax Revenue Bond Fund
STIP	Short-Term Investment Pool
SUNY	State University of New York
SY	School Year
TA	Thruway Authority
TANF	Temporary Assistance for Needy Families
TAP	Tuition Assistance Program
TBTA	Triborough Bridge and Tunnel Authority
TRANS	Tax and Revenue Anticipation Notes
TSFC	Tobacco Settlement Financing Corporation
UDC	Urban Development Corporation
UUP	United University Professions
US	United States
VLG	Video Lottery Gaming
VLT	Video Lottery Terminal
WDNY	Western District of New York
WHTI	Western Hemisphere Travel Initiative

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**APPENDIX B**  
**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION**

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## APPENDIX B-I

### SUMMARY OF CERTAIN PROVISIONS OF DORMITORY AUTHORITY OF THE STATE OF NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) GENERAL RESOLUTION

The following sections contain definitions of certain terms used in this general summary (“Summary”) of certain provisions of the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (the “Resolution”). The definitions and Summary are not to be considered a full statement of all terms used in the Resolution and, accordingly, are qualified by reference to and are subject to the full text of the Resolution. A copy of the General Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

#### Definitions

**Acts** shall mean the Issuer Act and the Enabling Act.

**Administrative Fund** shall mean the Fund designated as the Administrative Fund established in the Resolution.

**Authorized Officer** shall mean (i) in the case of the Issuer, the Chairman, the Vice Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the First Deputy Executive Director, the Chief Financial Officer, any Managing Director, the General Counsel, or any other person authorized by a Resolution or bylaws of the Issuer, from time to time, to perform any specific act or execute any specific document, and when used with reference to any act or document also means any other person authorized by resolution or by laws of the Issuer to perform such act or execute such document; and when used with reference to any act or document, any other person authorized by resolution of the Issuer to perform such act or sign such document, (ii) in the case of the State, the Director of the Budget and when used with reference to any act or document, any other person authorized by law or by the Director of the Budget to perform such act or sign such document, (iii) in the case of the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Trust Officer, any Trust Officer or any Assistant Trust Officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer’s knowledge and familiarity with the particular subject matter, and (iv) any other officer or employee so designated on its behalf by resolution of the Issuer or the Trustee, respectively.

**Bond Proceeds Fund** shall mean the Fund designated as the Bond Proceeds Fund established in the Resolution.

**Cost of Issuance Account** shall mean the account within the Bond Proceeds Fund so designated, created and established pursuant to the Resolution.

**Debt Service Fund** shall mean the Fund designated as the Debt Service Fund established in the Resolution.

**Financing Agreement** shall mean the State Personal Income Tax Revenue Bonds (General Purpose) Financing Agreement between the Issuer and the State, acting through the Director of the Budget.

**Issuer** shall mean the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Issuer Act, and its successors and permitted assigns.

**Issuer Act** shall mean the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as the same may be amended from time to time, and constituting Title 4 of Article 8 of the Public Authorities Law), together with any other provision of State law relating to the authorization or financing of Costs of a Project.

**Rebate Fund** shall mean the Fund designated as the Rebate Fund established in the Resolution.

**Resolution** shall mean the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (including the Standard Resolution Provisions set forth in Annex A) as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

**Revenue Fund** shall mean the Fund designated as the Revenue Fund established in the Resolution.

**Subordinated Payment Fund** shall mean the Fund designated as the Subordinated Payment Fund established in the Resolution.

*(Section 101)*

#### **Standard Resolution Provisions**

Except as otherwise specifically provided in the Resolution or by Supplemental Resolution, the Standard Resolution Provisions appended to the Resolution as Annex A constitute an integral part of the Resolution and have the same force and effect as if set forth in the forepart of the Resolution.

*(Section 102)*

#### **Authority for the Resolution**

The Resolution is adopted pursuant to the provisions of the Enabling Act and to the extent the same is applicable, the Issuer Act.

*(Section 103)*

#### **Resolution to Constitute Contract**

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer 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 Resolution.

*(Section 104)*

## **Authorization of Bonds**

The Resolution authorizes one or more Series of Bonds of the Issuer for an Authorized Purpose to be designated as “State Personal Income Tax Revenue Bonds (General Purpose)” and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds. The Bonds shall be special obligations of the Issuer secured by the pledge effected pursuant to the Standard Resolution Provisions and are payable solely out of the Pledged Property, without recourse against any other assets, revenues or funds of or other payments due to the Issuer. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

The Bonds shall not be a debt of the State, and the State shall not be liable thereon, nor shall they be payable out of any funds other than those pledged therefor pursuant to the Resolution.

The Bonds may, if and when authorized by the Issuer pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name “State Personal Income Tax Revenue Bonds (General Purpose)”, shall include such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series, as the Issuer may determine; provided that with respect to any Bond denominated as a note, capital lease or other form of obligation, the Issuer may denominate such obligation as other than a “Bond”. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation pursuant to a Supplemental Resolution of any Bonds of any two or more separate Series authorized pursuant thereto and to any such Supplemental Resolution to be issued pursuant to any of the provisions of the Standard Resolution Provisions into a single Series of Bonds for purposes of sale and issuance; provided, however, that each of the tests, conditions and other requirements contained in the Standard Resolution Provisions as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in the Resolution or in such Supplemental Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes of the Resolution.

*(Section 201)*

## **Redemption**

Bonds of a Series subject to redemption prior to maturity pursuant to the Resolution or to a Supplemental Resolution or Certificate of Determination shall be redeemable in accordance with the Standard Resolution Provisions, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Resolution, in the Bonds or in the Supplemental Resolution authorizing such Series or the related Certificate of Determination.

*(Section 401)*

## **The Pledge Effected by the Resolution**

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the Resolution.

*(Section 501)*

## **Establishment of Funds**

The Resolution establishes the following Funds, which shall be held and administered by the Trustee, except for the Bond Proceeds Fund which at the discretion of the Issuer may be held and administered by the Issuer. Each of such Funds and accounts shall have as a prefix “Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose)”

1. Revenue Fund,
2. Debt Service Fund,
3. Rebate Fund,
4. Bond Proceeds Fund,
5. Administrative Fund,
6. Subordinated Payment Fund.

Additional Funds, or accounts and subaccounts within each of the foregoing Funds may from time to time be established in accordance with a Supplemental Resolution, Certificate of Determination or upon the direction of the Issuer evidenced by a certificate of an Authorized Officer of the Issuer. Except as otherwise provided in a Supplemental Resolution, all moneys at any time deposited in any Fund and account created by the Resolution (other than the Rebate Fund), including in any fund or account established to effect an economic defeasance of any Bonds under the Resolution, shall be held in trust separate and apart from all other funds by the Issuer or Trustee, as appropriate, for the benefit of the Holders of each Series of Bonds.

*(Section 502)*

### **Revenue Fund**

There shall be deposited promptly upon receipt by the Trustee to the credit of the Revenue Fund all Revenues.

Financing Agreement Payments together with any other Pledged Property deposited in the Revenue Fund, shall be applied to the Funds and accounts established under the Resolution consistent with the requirements set forth in the Financing Agreement; provided, however, that if the amount of any such payment, together with other Pledged Property deposited in the Revenue Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, to the Debt Service Fund, second, to the Rebate Fund, third, to the Subordinated Payment Fund and, fourth, to the Administrative Fund; provided, however, that so long as the total amount held in the Debt Service Fund shall be sufficient to fully pay all Outstanding Bonds and Parity Reimbursement Obligations (including Principal or applicable Redemption Price of and interest on such Bonds) in accordance with their terms, no deposits shall be required to be made into the Debt Service Fund.

*(Section 503)*

### **Debt Service Fund**

In addition to the moneys allocated from the Revenue Fund pursuant to the Resolution, the Trustee shall deposit into the Debt Service Fund such portion of the proceeds of the sale of Bonds of any Series, if any, as shall be prescribed in the Supplemental Resolution or related Certificate of Determination.

The Trustee shall on or before each Interest Payment Date, Redemption Date or other payment date, as the case may be, withdraw and pay from the Debt Service Fund:

1. The interest due on all Outstanding Bonds on such Interest Payment Date;
2. The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;
3. The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;
4. The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and
5. Amounts due with respect to Parity Reimbursement Obligations.

Except as otherwise provided in a Supplemental Resolution, the amounts paid out to any Paying Agent pursuant to the Resolution remain irrevocably pledged until, and shall be, applied to such payments.

In the event of the refunding of any Bonds, the Trustee shall, upon the direction of the Issuer, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee or any other fiduciary selected by the Issuer to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, and (ii) the amount remaining in the Debt Service Fund shall be not less than the amount needed to pay the Debt Service on all Outstanding Bonds accrued through such date.

Investment income on amounts in the Debt Service Fund shall be retained in such Fund or, upon direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund or, with the concurrence of the Director of the Budget, to the Bond Proceeds Fund.

*(Section 504)*

### **Rebate Fund**

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the State for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Rebate Fund in accordance with the directions of an Authorized Officer of the Issuer, moneys on deposit in any other Funds held by the Trustee under the 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 the Issuer, to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Issuer shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America in accordance with the provisions of the Arbitrage and Use of Proceeds Certificate, if any, delivered in connection with each Series of Bonds. Moneys which the Issuer determines to be in excess of the amount required to be so rebated shall be deposited to the Revenue Fund.

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Issuer shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and transfer from any other Fund or account held under the Resolution and deposit to the Rebate Fund all or a portion of the Rebate Amount with respect to such Series of Bonds and 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 505)*

## **Bond Proceeds Fund**

Except as otherwise provided in a Supplemental Resolution or related Certificate of Determination, the Issuer, or the Trustee at the direction of the Issuer, shall deposit into the Bond Proceeds Fund the proceeds of sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Debt Service Fund, to enable the Issuer to comply with the conditions precedent to the issuance of any Bonds.

Except as may be otherwise provided in the Supplemental Resolution or related Certificate of Determination, amounts in the Bond Proceeds Fund shall be applied by the Issuer from time to time for any of the purposes for which revenue bonds may be issued pursuant to paragraphs (a) and (b) of subdivision one of Section 68-b through the payment of Costs of a Project consistent with terms of any Requisition.

Whenever the Issuer shall determine and the Director of the Budget shall agree that the amount on deposit to the credit of the Bond Proceeds Fund is in excess of its requirements for the purposes for which amounts in such Fund may be used as permitted by law, such excess amount shall be withdrawn therefrom and deposited into the Revenue Fund. Notwithstanding the foregoing, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the applicable Series of Bonds and of Parity Reimbursement Obligations when due, and to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the Bonds and of Parity Reimbursement Obligations when due.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Bond Proceeds Fund from proceeds of a Series of Bonds shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Bond Proceeds Fund or transferred to the Debt Service Fund.

*(Section 506)*

## **Application of Moneys in the Debt Service Fund for Redemption of Bonds and Satisfaction of Sinking Fund Installments**

Moneys delivered to the Trustee, which by the provisions of the Resolution are to be applied for redemption of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund for such purpose to the extent not otherwise provided pursuant to a Supplemental Resolution.

Moneys in the Debt Service Fund to be used for redemption of Bonds of a Series may be applied by the Issuer to the purchase of Outstanding Bonds of such Series at purchase prices not exceeding the Redemption Price applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Issuer shall direct.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the preceding paragraph, of the maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Concurrently with such delivery of such Bonds the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered, (iii) the aggregate principal amount of the Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Bonds.



The Trustee shall, in the manner provided in the Standard Resolution Provisions, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

Notwithstanding the provisions of the second paragraph of this section, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of a Series theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) is sufficient to make provision pursuant to the Standard Resolution Provisions for the payment of such Outstanding Bonds at the maturity or Redemption Date thereof, the Issuer may request the Trustee to take such action consistent with the Standard Resolution Provisions as is required thereby to deem such Bonds to have been paid within the meaning of the Standard Resolution Provisions. The Trustee, upon receipt of such request and irrevocable instructions of the Issuer to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

*(Section 507)*

### **Administrative Fund**

Amounts in the Administrative Fund shall be paid out from time to time by the Trustee at the request of the Issuer for reasonable and necessary Issuer Expenses, free and clear of the lien and pledge created by the Resolution.

Amounts in the Administrative Fund being held for Issuer Expenses, the payment of which is not immediately required may in the discretion of the Issuer be invested in Investment Obligations. The Issuer may by written instruction to the Trustee sell any such investments at any time and the proceeds of such sale and of all payments at maturity or upon redemption of such investments shall be held in the Administrative Fund. Whenever the Administrative Fund exceeds the amount reasonable and necessary for Issuer Expenses, the Issuer shall direct the Trustee to pay the excess to the Revenue Fund.

Investment income on amounts in the Administrative Fund shall be deposited into the Revenue Fund.

*(Section 508)*

### **Subordinated Payment Fund**

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; *provided, however*, that (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; *provided, however*, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all Revenues for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Issuer.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in this section pursuant to any resolution adopted by, or otherwise at the written direction of, the Issuer.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Subordinated Payment Fund shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Subordinated Payment Fund or transferred to the Debt Service Fund.

*(Section 509)*

### **Transfer of Investments**

Whenever moneys in any Fund or account established under the Resolution or under any Supplemental Resolution are to be paid in accordance with the Resolution to another such Fund or account, such payment may be made, in whole or in part, by transferring to such other Fund or account investments held as part of the Fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, *provided* that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

*(Section 510)*

### **Power to Issue Bonds and Effect Pledge**

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and pledge the Pledged Property in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Holders of Bonds and other obligations under the Resolution against all claims and demands of all Persons whomsoever.

*(Section 601)*

## APPENDIX B-II

### SUMMARY OF CERTAIN PROVISIONS OF THE STATE PERSONAL INCOME TAX REVENUE BONDS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary (“Summary”) of certain provisions of the Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Standard Resolution Provisions or the Resolution to which the Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Standard Resolution Provisions and the Resolution. Copies of the Standard Resolution Provisions and the Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

#### Definitions

Capitalized terms used but not otherwise defined in this Summary shall have the meanings set forth in the Resolution to which the Standard Resolution Provisions are appended. The following terms shall, for all purposes therein and (except as the context may otherwise require) in the Resolution to which these Standard Resolution Provisions are appended, have the following meanings:

**Accreted Value** shall mean, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

**Additional Bonds** shall mean Bonds authenticated and delivered on original issuance pursuant to the Standard Resolution Provisions.

**Amortized Value** when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value of such Investment Obligations computed by using an industry standard constant yield method selected by an Authorized Officer of the Issuer.

**Appreciated Value** shall mean with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds, (ii) as of any date prior to the Interest Commencement Date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

**Arbitrage and Use of Proceeds Certificate** shall mean, with respect to any Series of Bonds, the interest on which is intended by the Issuer to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer of the Issuer in connection with the initial issuance and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Issuer relating to the federal tax status of such Series of Bonds, as such certificate or certificates may be amended and supplemented from time to time.

**Authorized Issuer** shall mean any public authority or public benefit corporation enumerated by subdivision 1 of Section 68-a.

**Authorized Newspaper** shall mean The Bond Buyer or any other newspaper customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York, designated by the Issuer.

**Authorized Purpose** shall mean a purpose as provided by the Enabling Act for the Issuer.

**Bank** shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

**Bond or Bonds** shall mean any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution; provided, however, that such terms shall not include any Bond Anticipation Notes, or bonds, notes or other obligations, including Qualified Swaps, payable from the Subordinated Payment Fund.

**Bond Anticipation Notes** shall mean notes issued pursuant to the Standard Resolution Provisions.

**Bond Counsel** shall mean an attorney or law firm, appointed by the Issuer, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

**Bondholder, Holder or Holder of Bonds**, or any similar term, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds.

**Business Day** shall mean a day of the year which is not a Saturday, Sunday, or a day on which the Trustee or banking institutions chartered by the State or the United States of America are required or authorized by law to close in The City of New York, or any day on which the New York Stock Exchange is closed.

**Calculated Debt Service** shall mean for any period, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligations, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

(1) Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

(2) With respect to Put Bonds and any Bonds of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to

mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

(3) If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Debt Service.

(4) If the Issuer has, at any time, irrevocably called for redemption of one or more Series of Bonds, including pursuant to a covenant to apply any portion of the Pledged Property to redeem Bonds or Parity Reimbursement Obligations (which particular Bonds or Parity Reimbursement Obligations need not be specifically identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

(5) With respect to Parity Reimbursement Obligations, an interest rate calculated at a higher interest rate on the related Bonds shall only be taken into account if, at the time of calculation, such higher rates are then payable thereon.

**Capital Appreciation Bonds** shall mean Bonds of a Series denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Bonds. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

**Certificate of Determination** shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Parity Reimbursement Obligations, Credit Facilities, Subordinated Indebtedness, or other matters in accordance with the delegation of power to do so under the Resolution or a Supplemental Resolution.

**Code** shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds or the use of Bond proceeds.

**Comptroller** shall mean the Comptroller of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any other official of the State authorized to act on behalf of the Comptroller in connection therewith.

**Cost or Costs of a Project** shall mean costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses for labor and materials and payments to consultants, contractors, builders and materialmen, for the acquisition, design, construction, reconstruction, rehabilitation, preservation, development, improvement or modernization of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising the construction of the Project, (v) costs and expenses required for the acquisition

and installation of equipment or machinery, (vi) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the State or the Issuer for advances made by either party for any of the above items or for other costs incurred and for work done by the State or Issuer in connection with the Project, and (viii) grants or loans by or on behalf of the State for any of the foregoing.

**Cost or Costs of Issuance** shall mean the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense shall include Issuer Expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Securities Depository, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Qualified Swaps and other similar financial arrangements, costs and expenses of refunding of Bonds or Prior Obligations and other costs, charges and fees, including those of the Issuer, in connection with the foregoing.

**Counsel's Opinion** shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the practice of law relating to municipal, state and public agency financing selected by the Issuer.

**Credit Facility** shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds or Parity Reimbursement Obligations.

**Debt Service** for any period shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of Parity Reimbursement Obligations accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligations that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Bonds and Parity Reimbursement Obligations; *provided, however, that*, unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until *the later* of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Bond or Parity Reimbursement Obligation.

**Defeased Municipal Obligations** shall mean pre-refunded municipal obligations rated in the highest Rating Category by each Rating Agency and meeting the following requirements:

(a) The municipal obligations (i) are not subject to redemption prior to maturity or (ii) the trustee or the paying agent has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

(b) The municipal obligations are fully secured by cash or Government Obligations which may be applied only to payment of the principal of and interest and premium, if any, on such municipal obligations.

**Deferred Income Bond** shall mean any Bond (A) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (i) compounded on each Valuation Date for such Deferred Income Bond and (ii) payable only at the maturity or prior redemption of such Bonds and (B) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the

purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

**Director of the Budget** shall mean the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

**Enabling Act** shall mean Article 5-c of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as may be hereafter amended from time to time.

**Estimated Average Interest Rate** shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Issuer in consultation with the Director of the Budget.

**Event of Default** shall mean any Event of Default set forth in the Standard Resolution Provisions.

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

**Fiduciary Capital Funds** when used with respect to any Fiduciary shall mean the total of (i) paid in capital, (ii) surplus, (iii) undivided profits and (iv) the par value of outstanding capital notes issued and subordinated to the claims of creditors of such Fiduciary other than the holders of such capital notes.

**Financing Agreement** shall mean the applicable financing agreement authorized by subdivision 1 of Section 68-c, as amended and supplemented in accordance with the terms thereof and the Resolution and referred to in the Resolution.

**Financing Agreement Payment** shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a "Financing Agreement Payment," to pay to the Issuer or the Trustee from amounts available therefor in the Revenue Bond Tax Fund.

**Fund** shall mean any one of the funds created and established pursuant to the Resolution.

**Government Obligations** shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least \$50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a

Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

**Interest Commencement Date** shall mean, with respect to any particular Deferred Income Bond, the date determined by Supplemental Resolution after which interest accruing on such Bond shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

**Interest Payment Date** shall mean, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

**Investment Obligations** shall mean any of the following that are lawful investments at the time of the investment:

- (a) Government Obligations,
- (b) certificates of deposit issued by, and time deposits in, and bankers' acceptances of, any bank (including any Paying Agent or Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that, with respect to any of the foregoing institutions, whose long-term unsecured indebtedness is rated less than "A" by each Rating Agency, such certificates of deposit or time deposits or bankers' acceptances are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,
- (c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when "stripped" by the Department of the Treasury of the United States of America, then by the custodian designated by the Department of the Treasury of the United States of America,
- (d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by each Rating Agency,
- (e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by each Rating Agency,
- (f) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (d), or (e) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least \$100,000,000 and is rated in the highest Rating Category by each Rating Agency,
- (g) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,
- (h) any repurchase agreement for Government Obligations by the Issuer or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of



the Securities Investors Protection Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if “primary reporting dealers” cease to be determined by the Federal Reserve Bank, such other comparable standard as the Issuer shall implement pursuant to a Supplemental Resolution; provided, however, that the Government Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

- (i) commercial paper rated in the highest Rating Category by each Rating Agency,
- (j) investment agreements, secured or unsecured, with any institutions whose debt securities are rated in one of the two highest Rating Categories (or rated in the highest Rating Category for short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency,
- (k) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above, and
- (l) shares or an interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as from time to time amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated in the highest Rating Category for short-term obligations by at least one Rating Agency; and
- (m) any other obligations from time to time permitted pursuant to the Issuer Act or other applicable law; provided, however, that if the funds invested in any such obligation are pledged for the payment of Bonds under the Resolution and the Bonds are then rated by a Rating Agency, such obligation shall be rated in one of the two highest Rating Categories of each such Rating Agency.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

**Issuer Board** shall mean the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

**Issuer Expenses** shall mean all proper items of cost or expenditure incurred or anticipated to be incurred by the Issuer in connection with the financing of any Project pursuant thereto, or direct and indirect administrative costs, fees and expenses and allocable portions of direct and indirect costs of the Issuer incurred in connection with financing such Project, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified therein as may be necessary or incident to the financing of such Project, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Issuer relating to the financing of Projects set forth in the Enabling Act; provided, however, that Issuer Expenses shall not include any termination or other payments to be made in connection with Qualified Swaps or other similar arrangements or, except to the extent expressly provided above, Credit Facilities.

**Outstanding**, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond canceled or delivered for cancellation at or prior to such date;
2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;
3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and
4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

**Parity Reimbursement Obligation** has the meaning provided in the Standard Resolution Provisions.

**Paying Agent** or **Paying Agents** shall mean any paying agent for the Bonds of any Series appointed pursuant to the Standard Resolution Provisions, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Trustee, if a different entity, or the Issuer shall act as such Paying Agent.

**Person** shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

**Pledged Property** shall mean all of the Issuer's right, title and interest in and to (i) the Financing Agreements (other than (A) the Issuer's right to receive the payment of Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Standard Resolution Provisions, and (D) the right of the Issuer to enforce the provisions of any Financing Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Financing Agreement Payments) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Revenues and Funds (other than the Rebate Fund and other Funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness; *provided, however, that* such Funds, accounts and subaccounts are specifically excepted from Pledged Property by the Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness), including Investment Obligations held in such Funds under the Resolution, together with all proceeds and revenues of the foregoing

and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Resolution; provided, however, that in no event shall any Project or any interest therein be deemed to be “Pledged Property”.

**Principal Installment** shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Standard Resolution Provisions as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

**Prior Obligations** shall mean bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Resolution to finance Costs of a Project.

**Project** shall mean the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose.

**Put Bonds** shall mean Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Issuer for payment or purchase prior to the stated maturity or redemption date thereof.

**Qualified Swap** shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Issuer for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Issuer as a Qualified Swap with respect to such Bonds.

**Qualified Swap Payment** shall mean any payment required to be made by the Issuer under a Qualified Swap, such payment to be made only from the Subordinated Indebtedness Fund.

**Qualified Swap Provider** shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

**Rating Agency** shall mean each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

**Rating Category** shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

**Rating Confirmation** shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Bonds.

**Rebate Amount** shall mean, with respect to each Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

**Record Date** shall mean with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date; provided, however, with respect to any Interest Payment Date for the Series 2012B Bonds and the Series 2012C Bonds, the Record Date shall be the last day of the calendar month preceding each Interest Payment Date.

**Redemption Date** shall mean the date upon which Bonds are to be called for redemption pursuant to the Resolution.

**Redemption Price** shall mean, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

**Refunding Bonds** shall mean all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered pursuant to the Standard Resolution Provisions, on original issuance pursuant to the Standard Resolution Provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Standard Resolution Provisions.

**Regulations** shall mean the Income Tax Regulations promulgated by the Department of the Treasury of the United States of America from time to time.

**Reimbursement Obligation** has the meaning provided in the Standard Resolution Provisions.

**Requisition** shall mean any instructions as deemed necessary and delivered by the Director of the Budget to the Issuer, providing for the payment of Bond proceeds to the State or any other entity.

**Revenues** shall mean (i) all amounts appropriated and paid to the Issuer or the Trustee from the Revenue Bond Tax Fund pursuant to Section 92-z and the Financing Agreement, constituting Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution.

**Revenue Bond Tax Fund** shall mean the fund established by Section 92-z.

**Section 92-z** shall mean section 92-z of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

**Section 68-a** shall mean section 68-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

**Section 68-b** shall mean section 68-b of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

**Section 68-c** shall mean section 68-c of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

**Securities Depository** shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Bonds (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

**Series** shall mean all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds pursuant to the Standard Resolution Provisions regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

**Sinking Fund Installment** shall mean, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Issuer on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Issuer by reason only of the maturity of such Bond.

**State** shall mean the State of New York.

**State Fiscal Year** shall mean the fiscal year of the State as set forth in the State Finance Law.

**State Legislature** shall mean the Legislature of the State of New York.

**State Revenue Bonds** shall mean any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereinafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

**Subordinated Indebtedness** shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting "Subordinated Indebtedness" in a certificate of an Authorized Officer of the Issuer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Resolution, and any lien on and pledge of any portion of the Pledged Property securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Pledged Property created in the Resolution for the payment of the Bonds and Parity Reimbursement Obligations.

**Supplemental Resolution** shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

**Tax Law** shall mean the tax law constituting Chapter 60 of the consolidated laws of the State.

**Taxable Bonds** shall mean any Bonds which are not Tax-Exempt Bonds.

**Tax-Exempt Bonds** shall mean any Bonds the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Bonds in the Supplemental Resolution authorizing such obligations.

**Trustee** shall mean a trustee appointed by the Issuer or as otherwise provided in the Resolution, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

**Valuation Date** shall mean (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

**Variable Interest Rate Bonds** shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds.

*(Section A-101)*

### **The Resolution to Constitute Contract**

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued or incurred under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and Parity Reimbursement Obligations; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and Parity Reimbursement Obligations, 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 or Parity Reimbursement Obligations over any other thereof except as expressly provided in or permitted by the Resolution.

*(Section A-104)*

### **General Provisions for Issuance of Bonds**

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution and a Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Resolution and which shall be subject to the express limitations of the Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Standard Resolution Provisions and delivered to the Trustee. Such Series of Bonds or subseries shall be authenticated or otherwise delivered by the Trustee from time to time in such amounts as directed by the Issuer and by it delivered to or upon the order of the Issuer upon receipt of the consideration therefor and upon delivery to the Trustee of:

(A) a copy of the Resolution and the Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;
2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds as provided in the Standard Resolution Provisions;
3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;

4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;
5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is other than the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date for such Bonds;
6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;
7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;
8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;
9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;
10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;
11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;
12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;
13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;
14. The redemption provisions, if any, applicable to the Bonds of such Series;
15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;
16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Resolution. Except as otherwise provided pursuant to a Supplemental Resolution, all of the Bonds of each Series shall be in fully registered form without coupons;
17. Directions for the application of the proceeds of the Bonds of such Series;
18. To the extent applicable, direction to deliver such Series of Bonds in book-entry form to the extent materially different from the provisions of the Standard Resolution Provisions;
19. To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder; and

20. Any other provision deemed advisable by an Authorized Officer of the Issuer, not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Supplemental Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to such delegation, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution;

(B) Counsel's Opinion in customary form to the effect that (i) the Issuer has the right and power under the Acts to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required, (ii) the Resolution creates the valid pledge to the payment of the Bonds of the Pledged Property which it purports to create pursuant to the Standard Resolution Provisions, subject to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid and binding, special obligations of the Issuer payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Acts and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution;

(C) A certificate of an Authorized Officer of the Issuer stating that upon the delivery of the Bonds of such Series, the Issuer will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds; provided, however, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Standard Resolution Provisions, such certificate shall not be a condition to the authentication and delivery of such Refunding Bonds if and to the extent that a certificate of an Authorized Officer of the Issuer is delivered stating that upon the delivery of such Refunding Bonds the Issuer will no longer be in default in the performance of the terms, provisions or covenants of the Resolution or of any of the Bonds as specified in such certificate;

(D) A certificate of an Authorized Officer of the State stating that (i) to the best of such Authorized Officer's knowledge, no event of default under any Financing Agreements has occurred and is continuing nor will an event of default under any Financing Agreements occur as a result of the issuance of such Bonds, and (ii) the approval of the Director of the Budget for such financing;

(E) A copy of the Certificate of Determination, if any, executed in connection with such Series of Bonds;

(F) To the extent authorized by the Issuer pursuant to a Supplemental Resolution, one or more Credit Facilities with respect to any Series of Bonds and any agreements deemed necessary in connection therewith;

(G) A written order of an Authorized Officer of the Issuer as to the delivery of such Series of Bonds, describing such Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(H) A certificate of an Authorized Officer of the Issuer setting forth the amount of money, if any, to be deposited into the Debt Service Fund, equal to (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the sum of the interest on the Bonds of such Series from the date of the Bonds of such Series to the date of delivery thereof;



(I) Any amounts (in the form of cash or Investment Obligations) required to be deposited with the Trustee at the time of issuance and delivery of the Bonds of such Series;

(J) Copies of the Financing Agreement applicable to such Series of Bonds; and

(K) Such further documents and moneys as are required by the provisions of the Standard Resolution Provisions or any Supplemental Resolution adopted pursuant to the Standard Resolution Provisions.

The Issuer may authorize by Supplemental Resolution the issuance of Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds, Put Bonds or any other form of Bond not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution.

The Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall they be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

*(Section A-201)*

### **Special Provisions for Additional Bonds**

After the issuance of the initial Series of Bonds, one or more Series of Additional Bonds may be authorized and delivered upon original issuance for any Authorized Purpose, including payment of Costs of a Project and the refunding of Prior Obligations or Bonds or Parity Reimbursement Obligations or other indebtedness, upon receipt by the Trustee, in addition to any applicable requirements of the Standard Resolution Provisions, of the following:

1. A certificate by the Director of the Budget setting forth the most recent collections for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate, of the taxes, fees, fines, penalties, or other monies which, as of the date of issuance of any such Series of Bonds, are levied, collected or imposed by or on behalf of the State and are required to be deposited into the Revenue Bond Tax Fund; provided, however, that if any taxes, fees, fines, penalties or other monies that are required to be deposited into such account were not so required to be deposited for all of such 12 calendar months, such certificate may nevertheless include the full amount of all such taxes, fees, fines, penalties, or other monies actually collected for such 12 calendar months;

2. (I) A certificate by an Authorized Officer of the Issuer setting forth the Calculated Debt Service on all Outstanding Bonds, including such Series of Additional Bonds to be issued and any additional amounts payable with respect to Parity Reimbursement Obligations for each State Fiscal Year for which such Bonds or Parity Reimbursement Obligations are Outstanding and (II) a certificate of the Director of the Budget, including the amount of Calculated Debt Service set forth in the certificate required by clause (2)(I) of this paragraph (based upon information furnished by each applicable Authorized Issuer pursuant to the related financing agreement), setting forth the calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) shall be made with respect to all Authorized Issuers that have issued bonds or parity reimbursement obligations pursuant to the Enabling Act, which bonds or parity reimbursement obligations are secured by payments to be made from the Revenue Bond Tax Fund for each State Fiscal Year for which such bonds or parity reimbursement obligations are outstanding; and

3. A certificate by the Director of the Budget stating that the amounts set forth pursuant to paragraph 1 above will be at least 2.0 times the maximum calculated debt service (calculated in the

same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) for all Authorized Issuers set forth in paragraph 2(II) above for any State Fiscal Year set forth pursuant to paragraph (2)(II) above.

*(Section A-202)*

## **Refunding Bonds**

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds or Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations, or any outstanding Prior Obligations, in each case including all or any portion of a maturity. The Issuer may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) and to make such deposits required by the provisions of this section and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund Outstanding Bonds or Parity Reimbursement Obligations shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

- (1) If the Bonds to be refunded are to be redeemed, irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a Redemption Date specified in such instructions;
- (2) If Bonds to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions to the Holders of the Bonds being refunded;
- (3) If Bonds to be refunded are to be deemed paid, either or both of
  - (i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and
  - (ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Standard Resolution Provisions, which Government Obligations and moneys shall be held in trust and used only as provided in the Standard Resolution Provisions; and
- (4) Either (i) a certificate of an Authorized Officer of the Issuer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Bonds or Parity Reimbursement Obligations to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds as calculated immediately prior to the issuance of the Refunding Bonds (including the Bonds or Parity Reimbursement Obligations to be refunded or purchased but excluding the Refunding Bonds) and (b) stating

that the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (B) above; or (ii) the certificates required by the Standard Resolution Provisions with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Obligations then proposed to be issued will be Outstanding but the Bonds or Parity Reimbursement Obligations to be refunded will no longer be Outstanding.

(B) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds in the Standard Resolution Provisions; and shall otherwise comply with any applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

(C) The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Supplemental Resolution authorizing such Refunding Bonds or the related Certificate of Determination.

*(Section A-203)*

#### **Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations**

The Issuer may include such provisions in a Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Issuer deems appropriate, including:

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, under the captions "Supplemental Resolutions" and "Amendments", and following a default under the caption "Defaults and Remedies; Defeasance", except where the Credit Facilities provide only liquidity support and not credit support.

In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(a) In addition, such Supplemental Resolution or related Certificate of Determination may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the provider of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the provider of a Credit Facility.

(b) In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(c) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Pledged Property; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Resolution, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or 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. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

(d) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution.

(e) In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Issuer also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Issuer determines that such Qualified Swaps or other similar arrangements will assist the Issuer in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or related Certificate of Determination, the Issuer's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

(f) Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

*(Section A-204)*

### **Bond Anticipation Notes**

Whenever the Issuer shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer, subject to certain special provisions for additional bonds under the Standard Resolution Provisions, may by adoption of a Supplemental Resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only from (i) the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes, other than renewals thereof, shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination.

*(Section A-205)*

### **Additional Obligations**

The Issuer reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Issuer, so long as such bonds, notes or other obligations are not, or such indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien on the Pledged Property created by the Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

*(Section A-206)*

### **Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed**

In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the

Resolution. Such notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

Whenever by the terms of the Resolution, Bonds are required to be redeemed otherwise than at the election of the Issuer, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of the Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Standard Resolution Provisions) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds of such Series drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of such Bonds and select part of any such Bonds for redemption.

*(Sections A-402, A-403, and A-404)*

### **The Pledge Effected by the Resolution**

The Bonds are special obligations of the Issuer payable solely from the sources set forth in this section. There is pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the provisions authorizing Subordinated Indebtedness in the Resolution) for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Pledged Property. Such pledge is for the equal and proportionate benefit and security of all and singular the present and future Holders of Bonds and obligees of Parity Reimbursement Obligations issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided in the Standard Resolution Provisions, of any one Bond or Parity Reimbursement Obligation over any other Bond or Parity Reimbursement Obligations, by reason of priority in the issue, sale or negotiation thereof or otherwise. The pledge and lien created by the Resolution for the Bonds and Parity Reimbursement Obligations shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligations secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in the first paragraph of this section is and shall be valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge are and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge is and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof; and (ii) neither the Resolution nor any other instrument need be recorded or filed to protect the pledge set forth in the aforementioned section.

The revenues, facilities, properties and any and all other assets of the Issuer, or of any subsidiary thereof, other than the Pledged Property, shall not be used for, or as a result of any court proceeding or otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and interest on the Bonds, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Issuer, other than the Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Revenue Bond Tax Fund pursuant to Section 92-z, nor to maintain such taxes or the sources of any other funds at any minimum level, and moneys in the Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-z with respect to moneys on deposit in the Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in this section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Pledged Property.

*(Section A-501)*

#### **Payment of Bonds**

The Issuer shall duly and punctually pay or cause to be paid the principal, Sinking Fund Installments, if any, Redemption Price of, and interest on every Bond, at the dates and places and in the manner set forth in the Bonds according to the true intent and meaning thereof.

*(Section A-601)*

#### **Extension of Payment of Bonds**

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of any assets of the Issuer or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Issuer to issue Refunding Bonds as permitted by the Resolution and by the Issuer Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

*(Section A-602)*

#### **Offices for Servicing Bonds**

The Issuer shall at all times maintain an office or agency in the State, where Bonds may be presented for payment, registration, transfer or exchange and where notices, presentations and demands upon the Issuer in respect of the Bonds or of the Resolution may be served. The Issuer appoints the Trustee as its agent to maintain such office or agency in the State for the registration, transfer or exchange of Bonds, for the authentication of Bonds, and for the payment of Bonds.

*(Section A-603)*

## **Further Assurance**

At any time and all times the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned by the Resolution, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign. The Issuer further covenants that it shall use its best efforts, to the extent authorized by law, to cause the Director of the Budget to make and deliver the certificates referred to in the Standard Resolution Provisions at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

*(Section A-604)*

## **Power to Issue Bonds and Pledge Revenues and Other Funds**

The Issuer is duly authorized under the Acts, and all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Standard Resolution Provisions, the Pledged Property is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Issuer in accordance with their terms and the terms of the Resolution. The Issuer further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

*(Section A-605)*

## **Creation of Liens**

Except in accordance with the provisions of the Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or any part of the Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Pledged Property except as provided in the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Issuer from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in the Standard Resolution Provisions or (ii) evidences of indebtedness secured by the Subordinated Payment Fund.

*(Section A-606)*

## **Certificate of the Director of the Budget**

In order to assure the maintenance of the Funds and accounts held under the Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-z and the Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Revenue Bond Tax Fund; and



(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

1. all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;
2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Parity Reimbursement Obligations due in such State Fiscal Year;
3. all Issuer Expenses for such State Fiscal Year;
4. all principal of and interest or other amounts payable from the Subordinated Payment Fund and due in such State Fiscal Year;
5. any amounts required to rebate to the Department of the Treasury of the United States of America and not otherwise held in the Funds and accounts under the Resolution;
6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Revenue Bond Tax Fund in accordance with Section 92-z, to enable the Issuer to meet its obligations under the Resolution as they become due; provided, however, that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) the monthly amounts, as provided for in paragraph (a) above, required to be deposited to the Revenue Bond Tax Fund in such month is not less than one hundred twenty-five percent (125%) of the monthly cash requirements, as provided for in paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and provided, further, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-z less (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Resolution and other amounts available under the Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-z.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-z. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any payment of principal, Sinking Fund Installments, if any, and Redemption Price of or interest on Bonds or with respect to Parity Reimbursement Obligations.

In any event, whether or not there has been any intervening requirement to revise such certificate under this section, promptly but in no event later than 30 days after the date of the issuance of any Series of Bonds under the Resolution or the issuance of any Parity Reimbursement Obligation, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall

submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of this section.

The agreement of the State under Section 68-c shall be deemed executory only to the extent of appropriations available for payments under Section 68-c and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

*(Section A-607)*

#### **Agreement With the Director of the Budget**

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Parity Reimbursement Obligations or other obligations under the Resolution (including obligations incurred pursuant to the Standard Resolution Provisions) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 68-c providing for the specific manner, timing and amount of payments to be made under Section 68-c and the Resolution. The Issuer shall approve the form and substance of such Financing Agreement with respect to any Series of Bonds prior to or concurrently with the adoption of the applicable Supplemental Resolution and shall use its best efforts, to the extent permitted by law, to take all steps necessary or appropriate to enforce such Financing Agreement and to assure compliance by the State therewith. The Issuer shall not enter into any such Financing Agreement that is not in conformity with the Acts and the Resolution.

*(Section A-608)*

#### **Agreement With the State**

In accordance with the provisions of the Enabling Act and to the extent applicable, the Issuer Act, the Issuer includes in the Resolution, to the fullest extent enforceable under applicable federal and State law, the pledge to and agreement with the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred under the Resolution made by the State and set forth in the Acts that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued or incurred under the Resolution, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

Notwithstanding any other provision of the Resolution, nothing contained in the Acts or the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to taxes imposed pursuant to Article 22 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued under the Resolution expressly agree that it shall be an integral part of the contract arising under the Resolution that no default thereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such tax.

*(Section A-609)*

#### **Amendment of Financing Agreements**

The Issuer shall not amend, change, modify, alter or terminate any Financing Agreement so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of the provider of a Credit Facility, if any, affected thereby, or, in the event that there is no Credit Facility in place with respect to the Series of Bonds affected thereby, without the prior written

consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the providers of the Credit Facility, if any, or 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 this section. Any Financing Agreement may be amended, supplemented, changed, modified or altered without the consent of the provider of the Credit Facility, if any, or the Holders of Outstanding Bonds to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, or the providing, furnishing and equipping of a Project or which may be added to such Project, or to provide for additional Financing Agreement Payments; and any Financing Agreement may be amended, supplemented, changed, modified or altered without such consent to cure any ambiguity, or to correct or supplement any provisions contained in any Financing Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Financing Agreement and which the Issuer determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be. In no event shall changes relating solely to Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or providers of Credit Facilities. Upon execution by the Issuer of any amendment, a copy thereof certified by the Issuer shall be filed with the Trustee and each provider of the Credit Facility affected thereby.

For the purposes of this section, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Financing Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the provider of a Credit Facility, as the case may be. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be, would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the provider of a Credit Facility, the Trustee and all Holders of Bonds; and, provided further, however, any such amendments deemed necessary by the Issuer to effect any assumption, extinguishment and substitution authorized by the Standard Resolution Provisions shall not be deemed to materially adversely affect the Bonds.

For all purposes of this section, the Issuer shall be entitled to rely upon a Counsel's Opinion (a copy of which shall be provided by the Issuer to any provider of a Credit Facility thereby affected), with respect to whether any amendment, change, modification or alteration materially adversely affects the right, security and interest of any Holders of Bonds and any provider of a Credit Facility of a Series then Outstanding.

*(Section A-610)*

### **Enforcement of Duties and Obligations of the State**

The Issuer shall use its best efforts, to the extent permitted by law, to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Financing Agreement in the manner and at the times provided in such Financing Agreement provided, however, that the Issuer may delay, defer or waive enforcement of one or more provisions of said Financing Agreement (other than provisions requiring the payment of moneys to any Fund or account established under the Resolution), if the Issuer determines such delay, deferment or waiver will not materially adversely affect the right, security and interest of the Holders of the Bonds of the applicable Series or the issuer of any Credit Facility.

*(Section A-611)*

## **Reservation of State Rights of Assumption, Extinguishment and Substitution**

It is expressly understood and agreed by the Issuer and the Holders or other obligees of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution to be an integral part of the contract arising under the Resolution that, in accordance with subdivision 6 of Section 68-c, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Revenues pledged under the Resolution, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Resolution, (ii) to extinguish the existing lien on Pledged Property created under the Resolution, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with this section. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of this section.)

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and
2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the Revenue Bond Tax Fund to be sources of payment or security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution; provided, however, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-z and paragraph (a) of subdivision 5 of Section 92-z may be amended to delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-z are transferred to the general fund; and
3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in the Standard Resolution Provisions, and shall include events of default to the effect of those contained in the Standard Resolution Provisions and shall grant the remedies contained in the Standard Resolution Provisions, provided that the Comptroller or the Attorney General of the State may serve in

the capacity of the Trustee for such purposes and the State or other issuer of State Revenue Bonds may be substituted for the Issuer in the Standard Resolution Provisions, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions; and

4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Resolution; and
5. any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Standard Resolution Provisions; and
6. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of this section and the Enabling Act and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this section (or brief summary thereof or reference thereto) shall be mailed by the Issuer to such Bondholders and providers of Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as in this section).

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and
2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided in the Resolution by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and
3. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of this section and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this section (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as in this section). No such assumption, extinguishment and substitution pursuant to this subdivision shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this subdivision, and (ii) the

aforementioned Counsel's Opinion. Each such consent of a Bondholder shall be effective only if accompanied by proof of the holding or owning, 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 Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that such Authorized Officer has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, 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 such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer provided for in this section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as in this section) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as in this section). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

*(Section A-612)*

## **Accounts and Reports**

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

*(Section A-613)*

## **Tax Covenants**

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

*(Section A-614)*

## **General**

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

*(Section A-615)*

## **Notice as to Event of Default**

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an "Event of Default", as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; provided, however, that the Issuer shall provide each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

*(Section A-616)*

## **Other Bonds Authorized by the Enabling Act**

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

*(Section A-617)*

## **Investment of Funds**

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Resolution. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Resolution shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of this section.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for any Fund, account or subaccount held under the Resolution from being held in book-entry form.

*(Section A-701)*

## **Trustee; Appointment and Acceptance of Duties**

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

*(Section A-801)*

## **Paying Agents; Appointment and Acceptance of Duties**

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

*(Section A-802)*



## **Responsibilities of Fiduciaries**

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Resolution of the Issuer with respect to collection, accounting, review of and notice for any consents required thereunder.

*(Section A-803)*

## **Evidence on Which Fiduciaries May Act**

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to any Fiduciary shall be sufficiently executed if executed in the name of the Issuer by an Authorized Officer.

*(Section A-804)*

## **Compensation**

The Issuer shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution. The Issuer further agrees to the extent permitted by law to indemnify and save each such Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Issuer's obligation to make any payment pursuant to this section shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

*(Section A-805)*

### **Certain Permitted Acts**

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

*(Section A-806)*

### **Resignation of Trustee**

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

*(Section A-807)*

### **Removal of Trustee**

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

*(Section A-808)*

### **Appointment of Successor Trustee**

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this section within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of this section in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least \$100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

*(Section A-809)*

### **Transfer of Rights and Property to Successor Trustee**

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

*(Section A-810)*

### **Merger or Consolidation**

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; provided such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national banking association and shall, if it previously had not had such an office, have an office for the transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

*(Section A-811)*

### **Resignation or Removal of Paying Agent and Appointment of Successor**

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least \$100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

*(Section A-812)*

## **Adoption and Filing**

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligations as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligations may be incurred.

*(Section A-901)*

## **Supplemental Resolutions Effective Upon Adoption**

Notwithstanding any other provisions of the Standard Resolution Provisions, the Issuer may adopt, for any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

1. To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;
2. To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;
3. To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;
4. To surrender any right, power or privilege reserved to or conferred upon the Issuer by the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Resolution;
5. To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;
6. To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;
7. To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;
8. To modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;
9. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

10. To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

11. To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

12. To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Resolution as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

13. To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

14. Notwithstanding the Resolution, to the extent authorized by law and to the extent the Issuer shall have received a Counsel's Opinion that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of Bonds that are not in registered form;

15. To modify the pledge effected by Section 501 of the Resolution and such other provisions of the Resolution solely to give effect to an assumption, extinguishment and substitution consistent with the Resolution;

16. Notwithstanding the terms and provisions of the Standard Resolution Provisions, to the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

17. To modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

18. To make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Holders of Outstanding Bonds or Parity Reimbursement Obligations.

In making any determination under the preceding paragraph, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

*(Section A-902)*

## **Supplemental Resolutions Effective with Consent of Trustee**

Notwithstanding any other provision of the Standard Resolution Provisions, the Issuer may adopt a Supplemental Resolution amending any provision of the Resolution, effective upon filing with the Issuer of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

*(Section A-903)*

## **Supplemental Resolutions Effective with Consent of Bondholders**

Except as permitted in the Standard Resolution Provisions, at any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the Standard Resolution Provisions, which Supplemental Resolution, upon adoption and upon compliance with the Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Standard Resolution Provisions.

*(Section A-904)*

## **General Provisions**

Nothing contained in the Standard Resolution Provisions shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the Standard Resolution Provisions or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution it is provided shall be so delivered.

Any Supplemental Resolution referred to and permitted or authorized by the Standard Resolution Provisions may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in the Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of Budget, and (ii) the subject of a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. The Trustee shall be entitled to rely upon such opinion, which shall be conclusive evidence that such Supplemental Resolution is authorized or permitted by the Resolution.

The Trustee is authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Resolution and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

*(Section A-905)*

## **Mailing and Publication**

Any provision in the Resolution or the Standard Resolution Provisions relating to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid to each Bondholder of any affected Bonds then Outstanding at such Bondholder's address, if any, appearing upon the

registry books of the Issuer and to the Trustee; or, in each case, to such parties by facsimile or other means to the extent permitted by applicable law and arrangements.

Any provision in the Standard Resolution Provisions for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

*(Section A-1001)*

### **Powers of Amendment**

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Standard Resolution Provisions, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the 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 this section. 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 Holders of such Bonds, 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, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Issuer may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Issuer shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof. Notwithstanding anything in this section or the Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold.

*(Section A-1002)*

### **Consent of Bondholders**

The Issuer may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the Standard Resolution Provisions, to take effect when and as provided in this section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this section). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Issuer (i) the written consent of Holders of the percentages of Outstanding Bonds specified in the Standard Resolution Provisions, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the

Issuer and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding or owning, 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 Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that he or she has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer of the Issuer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, 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 such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer provided for in this section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Issuer on a stated date, a copy of which is on file with the Issuer) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this section) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Issuer provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming binding as provided in this section). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Trustee, or the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, 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 forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

For the purpose of the Standard Resolution Provisions, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Standard Resolution Provisions in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Issuer or with the remarketing of the Bonds.

*(Section A-1003)*



## **Modifications by Unanimous Consent**

The terms and provisions of the Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Issuer of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Standard Resolution Provisions except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Issuer of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

*(Section A-1004)*

## **Exclusion of Bonds**

Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Standard Resolution Provisions, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Standard Resolution Provisions, the Issuer shall file with its records relating to the Bonds a certificate of an Authorized Officer of the Issuer describing all Bonds so to be excluded.

*(Section A-1005)*

## **Notation on Bonds**

Bonds delivered after the effective date of any action taken as provided in the Standard Resolution Provisions may, and, if the Issuer so determines, shall, bear a notation by endorsement or otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

*(Section A-1006)*

## **Events of Default**

The occurrence of one or more of the following events shall constitute an “Event of Default”:

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) Business Days; or

(b) in connection with financings for any Authorized Purpose authorized by Section 68-b, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-z and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 68-c in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, which default shall continue for a period of ten (10) Business Days; or

(d) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, in connection with financings for any Authorized Purpose authorized by Section 68-b, 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

(e) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 68-c or Section 92-z, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(g) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; provided that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and is diligently pursued until the default is corrected.

Except as provided above or, to the extent permitted by the Standard Resolution Provisions, in a Supplemental Resolution, no default under the Acts or any resolution, agreement, or other instrument shall constitute or give rise to an Event of Default under the Resolution.

It is expressly understood that nothing in section or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 68-c to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Revenue Bond Tax Fund without giving rise to an Event of Default under the Resolution.

*(Section A-1101)*

## **Remedies**

Upon the occurrence and continuance of any Event of Default specified in the Standard Resolution Provisions, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of Bonds under the Resolution;

(b) bring suit upon such Bonds;

(c) by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Holders of such Bonds; or

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds.

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 68-b as in effect on the date of adoption of the Resolution are abrogated. It is further expressly understood that the Resolution does not permit the Trustee or the Holders of the Bonds to declare the Bonds to be immediately due and payable.

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Resolution, or any other remedy under the Resolution or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers therein above granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied 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 trusts of the Resolution, or to enforce any right under the Resolution or under the Bonds, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Standard Resolution Provisions. Nothing in the Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Resolution.

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 Standard Resolution Provisions to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time as often as may be deemed expedient.

*(Section A-1102)*

## **Priority of Payments After Default**

In the event that the funds held by the Issuer, the Trustee or by the Paying Agents shall be insufficient for the payment of principal, Sinking Fund Installments, if any, or Redemption Price of and interest then due on the Bonds and for payments then due with respect to Parity Reimbursement Obligations, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any Fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Bond Anticipation Notes) and any other moneys received or collected by the Trustee or any Paying Agents, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the Revenues, or otherwise protect the interests of the Holders of the Bonds, and after making provision for the payment of the reasonable charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the Resolution, shall be applied as follows:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and

SECOND: To the payment to the Persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds or Parity Reimbursement Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

The provisions of this section are in all respects subject to the provisions of the section entitled "Extension of Payment of Bonds" in the Standard Resolution Provisions.

If and when all overdue installments of interest on all Bonds and Parity Reimbursement Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Parity Reimbursement Obligations which shall then be payable, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds or Parity Reimbursement Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Pledged Property then remaining unexpended in the hands of the Trustee (except Pledged Property deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment to the Issuer by the Trustee or resumption of the application of Pledged Property as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

*(Section A-1103)*

## **Defeasance**

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and any Paying Agents, if any, shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption or required for payments to Fiduciaries pursuant to the Standard Resolution Provisions.

Bonds, or portions of Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held by the Trustee (through deposit by the Issuer of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid within the meaning of the Standard Resolution Provisions. Any Bonds, or portions of 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 Standard Resolution Provisions if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide to Holders in accordance with the Standard Resolution Provisions notice of redemption on said date or dates of such Bonds, (b) there shall have been irrevocably deposited by the Issuer with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited by the Issuer with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, 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 as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall (i) publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (b) above has been made and that said Bonds are deemed to have been paid in accordance with this section and stating such maturity date or Redemption Date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, on said Bonds. The Trustee shall, at the discretion of the Issuer, select the Bonds of a Series and the maturity or portion of a maturity thereof shall be paid in accordance with this section in the manner provided in the Standard Resolution Provisions. Neither Government Obligations or moneys deposited pursuant to this section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Government Obligations so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required in the Resolution to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Issuer, and any such moneys so paid shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an

independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys, Government Obligations on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier Redemption Dates or for two (2) years after the date of deposit of such moneys if deposited with the Trustee, after the said date when such Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Trustee to the Issuer, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Issuer for the payment of such Bonds. Before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

*(Section A-1104)*

#### **Certain Provisions Relating to Economic Defeasance**

Any Bonds of any Series for which prior to the maturity or Redemption Date thereof, the Issuer shall have given to the Trustee or other fiduciary selected by the Issuer in form satisfactory to it irrevocable instructions to maintain on deposit in a Fund or account held by the Trustee or other fiduciary selected by the Issuer established for such purpose for the benefit of the Holders of such Bonds, Investment Obligations, other than Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or other fiduciary selected by the Issuer at the same time, as verified in the report of a firm of certified public accountants, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, 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 as the case may be, shall not be counted as Outstanding under the Resolution solely for the purpose of the calculation of Calculated Debt Service required under the Standard Resolution Provisions.

*(Section A-1105)*

## **Evidence of Signatures of Bondholders and Ownership of Bonds**

Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Issuer, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

1. The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

2. The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

*(Section A-1201)*

## **Moneys Held for Particular Bonds**

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes thereof such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

*(Section A-1301)*

## **General Regulations as to Moneys and Funds**

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be

otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

*(Section A-1302)*

### **Preservation and Inspection of Documents**

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; provided, however, that with respect to inspection by a Holder of a Bond of any Series a written request of such Bondholder must have been made and received by the Trustee at least five (5) Business Days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

*(Section A-1303)*

### **Parties of Interest**

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

*(Section A-1304)*

### **No Recourse Under Resolution or on the Bonds**

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

*(Section A-1305)*



## **Publication of Notices**

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

*(Section A-1306)*

## **Successors and Assigns**

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

*(Section A-1307)*

## **Severability of Invalid Provisions**

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

*(Section A-1308)*

## **Other Resolutions**

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the Standard Resolution Provisions.

*(Section A-1309)*

## **Survival of Particular Covenants**

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

*(Section A-1310)*

## **Actions by the Issuer**

Any time the Issuer is permitted or directed to act pursuant to the Standard Resolution Provisions or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution Provisions. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer.

*(Section A-1311)*

## **Governing Laws**

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

*(Section A-1312)*

## **Payments due on Other Than a Business Day**

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

*(Section A-1313)*

**APPENDIX C**  
**FINANCING AGREEMENT**

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## APPENDIX C

### CONFORMED COPY OF STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) FINANCING AGREEMENT

STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) FINANCING AGREEMENT (the "Financing Agreement"), dated as of July 1, 2009, by and between the Dormitory Authority of the State of New York, a corporate governmental agency of the State of New York (the "Issuer"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State (the "Director of the Budget").

WHEREAS, the Issuer has, pursuant to the Dormitory Authority of the State of New York Act, constituting Title 4 of Article 8 of the Public Authorities Law, as amended, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the "Issuer Act") and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the "Enabling Act", which together with the Issuer Act is referred to herein as the "Acts"), adopted its State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution on April 29, 2009 (including Annex A thereto), and a Supplemental Resolution (collectively, the "Resolution") for the purpose of issuing from time to time one or more series of bonds (the "Bonds"), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act ("Authorized Purposes") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

#### **I. ISSUANCE OF BONDS BY THE ISSUER**

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (General Purpose), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts

sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (General Purpose) Bond Anticipation Notes (“BANs”) in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

## **II. DUTIES OF AND PAYMENTS BY THE STATE**

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, provided, however, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in

any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-Exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without



any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

### **III. DUTIES OF THE ISSUER**

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) Business Days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the constitutional and statutory audit powers granted the State or any officer thereof, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

#### **IV. PLEDGE AND ASSIGNMENT**

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

#### **V. SPECIAL COVENANTS**

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary

to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any supplemental agreement entered into pursuant to this Section 5.3 in any manner; provided that no such amendment, modification or rescission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or rescission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or rescission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the

issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

## **VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES**

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of this Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

## **VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES**

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

## VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

8.3 In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

If to the State:                    Director of the Budget  
                                             State of New York  
                                             Executive Department  
                                             Division of the Budget  
                                             State Capitol, Room 113  
                                             Albany, New York 12224

If to the Issuer:                    General Counsel  
                                             Dormitory Authority of the State of New York  
                                             515 Broadway  
                                             Albany, New York 12207

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

8.7 This Financing Agreement shall be construed and interpreted in accordance with the laws of the State of New York and any suits or actions arising out of this Financing Agreement shall be instituted in a court of competent jurisdiction in the State.

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

State of New York

\_\_\_\_\_  
Director of the Budget

Dormitory Authority of the State of New York

\_\_\_\_\_  
Authorized Officer

Approval as to form:  
Attorney General

By: \_\_\_\_\_

Date: \_\_\_\_\_

Approved:

By: \_\_\_\_\_  
State Comptroller

Date: \_\_\_\_\_

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**APPENDIX D**

**PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS**

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## APPENDIX D

### PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS

#### FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP, CO-BOND COUNSEL TO DASNY FOR THE SERIES 2014 BONDS

Upon delivery of the Series 2014 Bonds, Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

HAWKINS DELAFIELD & WOOD LLP  
ONE CHASE MANHATTAN PLAZA  
NEW YORK, NEW YORK 10005

Dormitory Authority of the  
State of New York  
515 Broadway  
Albany, New York 12207

Ladies and Gentlemen:

We, as Co-Bond Counsel to the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic of the State of New York (the “State”), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Dormitory Authority Act”), have examined a record of proceedings relating to the issuance of \$1,075,950,000 aggregate principal amount of the Authority’s State Personal Income Tax Revenue Bonds (General Purpose), Series 2014C (Tax-Exempt) (the “Series 2014C Bonds”) and \$81,385,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2014D (Federally Taxable) (the “Series 2014D Bonds” and, together with the Series 2014C Bonds, the “Series 2014 Bonds”).

The Series 2014 Bonds are issued under and pursuant to the Dormitory Authority Act, Part I of Chapter 383 of the Laws of New York of 2001, as amended (the “Enabling Act”), and the State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution adopted by the Authority on April 29, 2009 (the “Bond Resolution”), as supplemented by Supplemental Resolution 2014-1 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on February 12, 2014 and Supplemental Resolution 2014-2 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on May 14, 2014 (collectively, the “Series 2014 Supplemental Resolutions”). The Bond Resolution and the Series 2014 Supplemental Resolutions are herein collectively referred to as the “Resolutions”. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions. The Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the Bond Resolution. Under and subject to the terms of the Bond Resolution, the Series 2014 Bonds and all Bonds heretofore and hereafter issued under the Bond Resolution rank and will rank equally as to security and payment. In addition, all State Personal Income Tax Revenue Bonds issued pursuant to the Enabling Act by Authorized Issuers for Authorized Purposes are on a parity with each other as to payments from the Revenue Bond Tax Fund established by Section 92-z of the New York State Finance Law (the “Revenue Bond Tax Fund”), subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Authority nor the owners of the Series 2014 Bonds have or will have a lien on the monies on deposit in the Revenue Bond Tax Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the New York Tax Law.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Dormitory Authority Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Resolutions create the valid pledge which they purport to create of the Pledged Property, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions.

3. The Series 2014 Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2014 Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2014 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2014 Bonds.

5. The Financing Agreement dated as of July 1, 2009, between the Authority and the Director of the Budget of the State of New York, as supplemented (the "Financing Agreement"), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Director of the Budget of the State of New York, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2014C Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2014C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, the Authority, the State University of New York ("SUNY"), the State University Construction Fund ("SUCF"), the City University of New York ("CUNY"), the City University Construction Fund ("CUCF"), the New York State Department of Health ("DOH"), the New York State Department of Environmental Conservation ("DEC"), the New York State Office of Parks, Recreation and Historic Preservation ("OPRHP"), the New York State Education Department ("SED") and others, and we have assumed compliance by, as applicable, DASNY, SUNY, SUCF, CUNY, CUCF, DOH, DEC, OPRHP, SED and such others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2014C Bonds from gross income under Section 103 of the Code.

7. Interest on the Series 2014D Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

8. Under existing statutes, interest on the Series 2014 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2014 Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2014C Bonds, or the exemption from personal income taxes of interest on the Series 2014 Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2014 Bonds, the Resolutions and the Financing Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2014C Bond and an executed Series 2014D Bond and, in our opinion, the forms of said Bonds and their execution are regular and proper.

Very truly yours,

FORM OF APPROVING OPINION OF RABBINO LLP,  
CO-BOND COUNSEL TO DASNY FOR THE SERIES 2014 BONDS

Upon delivery of the Series 2014 Bonds, Bryant Rabbino LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

BRYANT RABBINO LLP  
1180 AVENUE OF THE AMERICAS, SUITE 610  
NEW YORK, NEW YORK 10036

Dormitory Authority of the  
State of New York  
515 Broadway  
Albany, New York 12207

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State"), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the "Dormitory Authority Act"), in connection with the issuance of \$1,075,950,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2014C (Tax-Exempt) (the "Series 2014C Bonds") and \$81,385,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2014D (Federally Taxable) (the "Series 2014D Bonds" and, together with the Series 2014C Bonds, the "Series 2014 Bonds") of the Authority. In such capacity, we have examined such laws and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The Series 2014 Bonds are authorized to be issued in accordance with and pursuant to the Constitution and the laws of the State including the Dormitory Authority Act, the New York State Medical Care Facilities Finance Authority Act, being Chapter 392 of the Laws of New York of 1973, as amended, and the Health Care Financing Consolidation Act, being a part of Chapter 83 of the Laws of New York of 1995 (collectively, the "Act"), Part I of Chapter 383 of the Laws of New York of 2001, as amended (the "Enabling Act"), and the State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution adopted by the Authority on April 29, 2009 (the "Bond Resolution"), as supplemented by Supplemental Resolution 2014-1 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on February 12, 2014 and Supplemental Resolution 2014-2 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on May 14, 2014 (collectively, the "Series 2014 Supplemental Resolutions"). The Bond Resolution and the Series 2014 Supplemental Resolutions are herein collectively referred to as the "Resolutions". Unless otherwise stated, capitalized terms not defined herein shall have the meanings ascribed thereto in the Resolutions.

Pursuant to the Bond Resolution, (i) the Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the Bond Resolution, and (ii) the Series 2014 Bonds and all Bonds heretofore and hereafter issued under the Bond Resolution rank and will rank equally as to security and payment. In addition, pursuant to the Enabling Act, all State Personal Income Tax Revenue Bonds issued under the Enabling Act by Authorized Issuers (as defined in the Enabling Act) for Authorized Purposes (as defined in the Enabling Act) are on a parity with each other as to payments from the Revenue Bond Tax Fund established by Section 92-z of the New York State

Finance Law (the “Revenue Bond Tax Fund”), subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Authority nor the owners of the Series 2014 Bonds have or will have a lien on the monies on deposit in the Revenue Bond Tax Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the New York Tax Law.

Regarding questions of material fact related to our opinion, we have relied on the representations of the Authority contained in the Resolutions, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing and subject to the further qualifications herein, we are of the opinion that:

1. The Authority has been duly created and is validly existing under the Dormitory Authority Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Resolutions create the valid pledge which they purport to create of the Pledged Property, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions.

3. The Series 2014 Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2014 Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2014 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2014 Bonds.

5. The Financing Agreement dated as of July 1, 2009, between the Authority and the Director of the Budget of the State of New York, as supplemented (the “Financing Agreement”), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Director of the Budget of the State of New York, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2014C Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2014C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, the Authority, the State University of New York (“SUNY”), the State University Construction Fund (“SUCF”), the City University of New York (“CUNY”), the City University Construction Fund (“CUCF”), the New York State Department of Health (“DOH”), the New York State Department of Environmental Conservation (“DEC”), the New

York State Office of Parks, Recreation and Historic Preservation (“OPRHP”), the New York State Education Department (“SED”) and others, and we have assumed compliance by, as applicable, DASNY, SUNY, SUCF, CUNY, CUFC, DOH, DEC, OPRHP, SED and such others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2014C Bonds from gross income under Section 103 of the Code.

7. Interest on the Series 2014D Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

8. Under existing statutes, interest on the Series 2014 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2014 Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2014C Bonds, or the exemption from personal income taxes of interest on the Series 2014 Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2014 Bonds, the Resolutions and the Financing Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors’ rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2014C Bond and an executed Series 2014D Bond and, in our opinion, the forms of said Bonds and their execution are regular and proper.

Very truly yours,



**APPENDIX E**

**EXECUTED COPY OF MASTER CONTINUING DISCLOSURE AGREEMENT**

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# NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS

## MASTER CONTINUING DISCLOSURE AGREEMENT

**THIS MASTER CONTINUING DISCLOSURE AGREEMENT** dated as of May 1, 2002, as amended and restated as of July 1, 2009 and as further amended and restated as of December 1, 2010 (as so amended and restated, the “Agreement”), is made by and among each Authorized Issuer, the State, and the respective Trustees, each as defined below in Section 1.

In order to permit the Underwriters of each series of Bonds issued from and after the date hereof to comply with the provisions of Rule 15c2-12, each of the parties hereto (as applicable), in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree, for the sole and exclusive benefit of the Holders and, for the purposes of Section 5, the beneficial owners of Bonds, as follows:

**SECTION 1. Definitions; Rules of Construction**(i) Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Authorizing Document.

“*Annual Information*” shall mean the information specified in Section 3.

“*Authorizing Document*” shall mean the applicable Authorized Issuer’s State Personal Income Tax Revenue Bond General Resolution, including Annex A thereto, as supplemented and amended from time to time.

“*Authorized Issuer*” shall mean, individually, the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority, and the New York State Urban Development Corporation, each a public corporation or a public benefit corporation of the State of New York that is designated as an Authorized Issuer under the Enabling Act, and any successors thereto or any other public benefit corporation of the State of New York which may be authorized from time to time by the Enabling Act to issue Bonds.

“*Bonds*” shall mean all of the State Personal Income Tax Revenue Bonds issued from time to time by Authorized Issuers and outstanding pursuant to the applicable Authorizing Document.

“*Comptroller*” shall mean the Comptroller of the State of New York.

“*Director*” shall mean the Director of the Budget of the State of New York.

“*DOB*” shall mean the Division of the Budget of the State of New York.

“*EMMA*” shall mean the Electronic Municipal Market Access system described in Securities Exchange Act Release No. 34-59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

“*Enabling Act*” shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as supplemented and amended from time to time.

“*GAAP*” shall mean generally accepted accounting principles as prescribed from time to time for governmental units in the United States by the Governmental Accounting Standards Board.

“*GAAS*” shall mean generally accepted auditing standards as in effect from time to time in the United States.

“*Holder*” or “*Bondholder*” shall mean a registered owner of any Bond or Bonds.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“*Rule 15c2-12*” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement, including any official interpretations thereof promulgated on or prior to the effective date of this Agreement.

“*State*” shall mean the State of New York, acting by and through the Director or the Comptroller.

“*Trustee*” shall mean the applicable trustee appointed by the applicable Authorized Issuer pursuant to an Authorizing Document, and their respective successors and assigns.

“*Underwriters*” shall mean the underwriter or underwriters that have contracted to purchase one or more series of Bonds from an Authorized Issuer at initial issuance.

(ii) Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Any reference herein to a particular Section or subsection without further reference to a particular document or provision of law or regulation is a reference to a Section or subsection of this Agreement.

(c) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

## **SECTION 2. Obligations to Provide Continuing Disclosure.**

(i) Obligations of the State and the Trustees.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to electronically file with the MSRB, no later than 120

days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, the Annual Information relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, audited financial statements of the State for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be electronically filed with the MSRB if and when they become available.

(c) The Director and each Trustee shall notify the applicable Authorized Issuer upon the occurrence of any of the events listed in Section 2(ii)(a) promptly upon becoming aware of the occurrence of any such event. With respect to the foregoing, no Trustee shall be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department becomes aware of the occurrence of any such event.

(ii) Obligations of each Authorized Issuer. Each Authorized Issuer hereby undertakes, for the benefit of Holders of the Bonds issued by it, to provide the following:

(a) to the MSRB in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, notice of any of such events with respect to the Bonds issued by it:

- (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) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) modifications to 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;
  - (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; and
  - (14) appointment of a successor or additional trustee, or the change of name of a trustee, if material.
- (b) to the MSRB, in a timely manner, notice of a failure by the State to comply with Section 2(i)(a) or (b).

(iii)(a) Termination or Modification of Disclosure Obligation. The obligations of the State hereunder may be terminated if the State is no longer an “obligated person” as defined in Rule 15c2-12; provided, however, that if the State has hereby obligated itself to provide information relating to any entity that thereafter continues to constitute such an “obligated person”, obligations of the State to provide such information shall not be so terminated. Upon any such termination, the State shall so advise each Authorized Issuer and each such Authorized Issuer shall electronically file notice thereof with the MSRB.

(b) Other Information. Nothing herein shall be deemed to prevent the Authorized Issuers or the State from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Authorized Issuers or the State should disseminate any such additional information, neither the Authorized Issuers nor the State shall have any obligation hereunder to update such information or to include it in any future materials disseminated hereunder.

(c) Credit Enhancement. Each agreement governing the provision of a Credit Facility, if any, shall require the provider thereof to provide the applicable Authorized Issuer with prompt written notice of any change in the name, address, and telephone number of a place where then current information regarding such provider may be obtained. In addition, such agreement shall require each provider of a Credit Facility promptly to notify the applicable Authorized Issuer of a change in any rating relating to such provider that would affect the rating of the Bonds by any rating agency then rating the Bonds. The applicable Authorized Issuer shall promptly provide the Comptroller, the Director and the applicable Trustee with copies of all notices received by it under this Section 2(c). The provisions of this Section 2(c) shall also apply to each provider of a substitute Credit Facility.

(d) Disclaimer. Each of the Director, the Comptroller, the Authorized Issuers and the Trustees shall be obligated to perform only those duties expressly provided for such entity in this Agreement, and none of the foregoing shall be under any obligation to the Holders or other parties hereto to perform, or monitor the performance of, any duties of such other parties. Without limiting the general application of the foregoing, the Authorized Issuers shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information or the financial statements provided pursuant to Section 2(i), and its obligations hereunder shall be limited solely to the undertaking set forth in Section 2(ii) and to the requirements of Sections 2(iii)(c) and Section 8.

(iv) MSRB Prescribed Identifying Information. All documents provided to the MSRB pursuant to this Agreement shall be accompanied by identifying information as prescribed from time to time by the MSRB.

### **SECTION 3. Annual Information.**

(i) Specified Information. The Annual Information shall consist of the following:

(a) *financial information and operating data of the type included in the Official Statement for each series of Bonds, under the headings "PART 3 – "SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS", and "PART 4 – SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND" which shall include information relating to the following:*

(1) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rate, the tax base and the components of the State personal income tax (unless the personal income tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided);

(2) a historical summary of the New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund for a period of at least the five most recent completed fiscal years then available, together with an explanation of the factors affecting collection levels; and

(b) *financial information and operating data of the type included in the Annual Information Statement of the State set forth as an Appendix to, or incorporated by cross reference in, the Official Statement for the Bonds, under the headings or sub-headings "Prior Fiscal Years", "Debt and Other Financing Activities", "State Government Employment", "State Retirement Systems", and "Authorities and Localities", including, more specifically, information consisting of:*

(1) *for prior fiscal years, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in*

accordance with GAAP for at least the two most recent fiscal years for which that information is then- currently available;

(2) *for debt and other financing activities*, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt;

(3) *for authorities and localities*, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and

(4) material information regarding State government employment and retirement systems; together with

(c) *such narrative explanation* as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data and in judging the financial condition of the State.

(ii) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been electronically filed with the MSRB or filed with the Securities and Exchange Commission; provided, however, that if the document is an official statement, it shall have been electronically filed with the MSRB and need not have been filed elsewhere. The audited or unaudited financial statements of the State may be provided in the same manner.

(iii) Informational Categories. The requirements contained in this Agreement under Section 3(i) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

(iv) Providers of Credit Support. If known to the applicable Authorized Issuer, such Authorized Issuer shall inform the State, and the required Annual Information shall include the name, address and telephone number of a place where current information regarding each issuer of a Credit Facility may be obtained.

(v) Omnibus Annual Information Undertaking. The parties to this Agreement recognize, understand and agree that the information described in this Section 3 shall be set forth in the same manner in the respective Official Statements of each of the Authorized Issuers. Accordingly, a single electronic filing of the Annual Information with EMMA, shall be deemed to satisfy the Annual Information filing obligation created by this Agreement.

#### **SECTION 4. Financial Statements.**

The State's annual financial statements for each fiscal year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and



audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year).

#### **SECTION 5. Remedies.**

If any party hereto should fail to comply with any provision of this Agreement, then each of the other parties and, as a direct or third-party beneficiary, as the case may be, any Holder of Bonds may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Agreement; provided, however, that the sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of such party hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided further, that the rights of any Holder to challenge the adequacy of the information provided in accordance with Section 2 hereunder are conditioned upon the provisions of the Authorizing Document with respect to the enforcement of remedies of Holders upon the occurrence of an Event of Default described in Section A-1001(g) of the Authorizing Document as though such provisions applied hereunder. Each of the Director, the Comptroller, the applicable Authorized Issuer and the applicable Trustee reserves the right, but shall not be obligated, to enforce the obligations of the others. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Authorizing Document or any other agreement executed and delivered in connection with the issuance of the Bonds. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to Section 6, beneficial owners shall be deemed to be Holders of Bonds for purposes of this Section 5.

#### **SECTION 6. Parties in Interest.**

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds and, for the purposes of Section 5, beneficial owners of Bonds. For the purposes of such Section 5, beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. No person other than those described in Section 5 shall have any right to enforce the provisions hereof or any other rights hereunder.

#### **SECTION 7. Amendments.**

(i) Without the consent of any Holders (except to the extent required under clause (c)(II) of this sentence) or provider of any Credit Facility, the Authorized Issuers, the State, and the Trustees at any time and from time to time may enter into amendments or changes to this Agreement for any purpose, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of one or more of the Authorized Issuers or the State or any type of business or affairs conducted by either; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and (c) either (I) the amendment does not materially impair the interests of the Holders, as determined either by each of the Trustees or by a nationally recognized bond counsel approved

by the State or (II) the Holders consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Authorizing Document with the consent of Holders pursuant to Section A-1003 of the Authorizing Documents. In determining whether there is such a material impairment, the Trustees may rely upon an opinion of a nationally recognized bond counsel approved by the State. The interests of Holders shall be deemed not to have been materially impaired by an amendment (1) to add a dissemination agent for the information to be provided hereunder and to make any necessary or desirable provisions with respect thereto, (2) to evidence the succession of another entity to the State, an Authorized Issuer or a Trustee and the assumption by any such successor to the obligations of such party hereunder, or (3) to add to the obligations of the State or any Authorized Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the State or any Authorized Issuer.

(ii) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be electronically filed with the MSRB.

## **SECTION 8. Termination.**

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on all Bonds (in each case in this Section 8, "Bonds" shall refer to each series of Bonds, respectively) shall have been paid in full or all Bonds shall have otherwise been paid or defeased in accordance with the applicable Authorizing Documents (a "Legal Defeasance"); provided, however, that if Rule 15c2-12 (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance of a series of Bonds, the applicable Authorized Issuer shall electronically file with the MSRB notice of such defeasance, and such notice shall state whether the applicable series of Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 8, the applicable Authorized Issuer shall electronically file with the MSRB notice of such termination.

**SECTION 9. The Trustees.**

(i) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of any Trustee and no Trustee shall be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) Each Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the applicable Authorizing Document for matters arising thereunder.

**SECTION 10. Governing Law.**

This Agreement shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

**SECTION 11. Counterparts.**

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all shall together constitute one and the same instrument.


**SECTION 12. Effective Date.**

This Agreement shall be effective as of December 1, 2010 unless the effective date of the applicable amendments to Rule 15c2-12 is delayed by the Securities and Exchange Commission, in which case (i) this Agreement shall be effective as of such later date, and (ii) the Master Continuing Disclosure Agreement dated as of May 1, 2002, as amended and restated as of July 1, 2009, shall remain in effect to such delayed effective date.

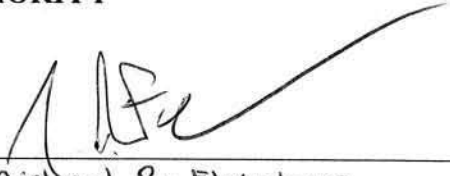
IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this amended and restated Master Continuing Disclosure Agreement as of the date first above written.

AUTHORIZED ISSUERS:

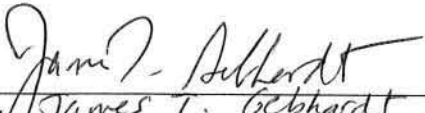
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**

By:   
Name: Portia Lee  
Title: Managing Director

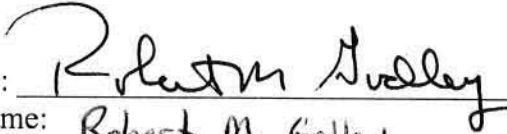
**NEW YORK STATE THRUWAY AUTHORITY**

By:   
Name: Michael R. Fleischer  
Title: Executive Director


**NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION**

By:   
Name: James T. Gebhardt  
Title: Chief Financial Officer

**NEW YORK STATE URBAN DEVELOPMENT CORPORATION**  
d/b/a Empire State Development Corporation

By:   
Name: Robert M. Godley  
Title: Treasurer


**NEW YORK STATE HOUSING FINANCE AGENCY**

By:   
Name: Maryann Zucker  
Title: President, Office of Finance & Development

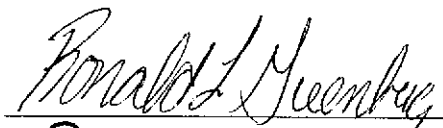
**THE STATE OF NEW YORK**

Obligated Person

By Thomas P. DiNapoli, Comptroller

By:   
Name: Mark P. Patton  
Title: Executive Deputy Comptroller

By Robert L. Megna, Director of the Budget

By:   
Name: Ronald L. Greenberg  
Title: First Deputy Director

TRUSTEES:

**DEUTSCHE BANK TRUST COMPANY AMERICAS**

*as Trustee for the benefit of certain Dormitory  
Authority of the State of New York Bondholders*

By:  \_\_\_\_\_  
Authorized Signatory

By:  \_\_\_\_\_  
Authorized Signatory

**THE BANK OF NEW YORK MELLON**

*as Trustee for the benefit of New York State  
Environmental Facilities Corporation Bondholders*

By:  \_\_\_\_\_  
Authorized Signatory

**DEUTSCHE BANK TRUST COMPANY AMERICAS**

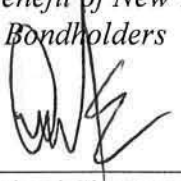
*as Trustee for the benefit of New York State  
Housing Finance Agency Bondholders*

By:  \_\_\_\_\_  
Authorized Signatory

By:  \_\_\_\_\_  
Authorized Signatory

**THE BANK OF NEW YORK MELLON**

*as Trustee for the benefit of New York State  
Thruway Authority Bondholders*

By:  \_\_\_\_\_  
Authorized Signatory

**THE BANK OF NEW YORK MELLON**

*as Trustee for the benefit of New York State  
Urban Development Corporation Bondholders*

By:  \_\_\_\_\_  
Authorized Signatory

**U.S. BANK NATIONAL ASSOCIATION**  
*as Trustee for the benefit of certain Dormitory  
Authority of the State of New York Bondholders*

By:   
Authorized Signatory

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**APPENDIX F**

**SUMMARY OF REFUNDED BONDS**

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## APPENDIX F

### SUMMARY OF REFUNDED BONDS

The following is a list of the series of bonds that are expected to be refunded or redeemed with a portion of the proceeds of the Series 2014C Bonds, together with other available funds. All of the series of bonds listed below are the Refunded Bonds as described in PART 6 – THE REFUNDING PLAN.”

#### Summary of Refunded Bonds

Series	CUSIP <sup>†</sup> Number	Maturity Date	Coupon	Outstanding Principal	Principal Redeemed	Redemption Date	Redemption Price
<b>Upstate Community Colleges Revenue Bonds, Series 2004</b>							
	64983TCZ4	07/01/2015	3.625%	\$ 2,345,000	\$ 2,345,000	08/12/2014	100%
	64983TDA8	07/01/2016	5.125	3,820,000	3,820,000	08/12/2014	100
	64983TDB6	07/01/2017	5.125	4,020,000	4,020,000	08/12/2014	100
	64983TDC4	07/01/2018	5.125	4,220,000	4,220,000	08/12/2014	100
	64983TDD2	07/01/2019	5.125	4,440,000	4,440,000	08/12/2014	100
	64983TDEO	07/01/2020	5.125	4,665,000	4,665,000	08/12/2014	100
	64983TDF7	07/01/2021	5.125	4,905,000	4,905,000	08/12/2014	100
	64983TDG5	07/01/2022	5.125	5,165,000	5,165,000	08/12/2014	100
				\$35,580,000	\$35,580,000		
<b>Upstate Community Colleges Revenue Bonds, Series 2004B</b>							
	64983TXT5	07/01/2015	5.250%	\$ 7,640,000	\$ 7,640,000	08/12/2014	100%
	64983TXU2	07/01/2016	4.500	30,000	30,000	08/12/2014	100
	64983TXVO	07/01/2016	5.250	8,005,000	8,005,000	08/12/2014	100
	64983TXW8	07/01/2017	4.625	250,000	250,000	08/12/2014	100
	64983TXX6	07/01/2017	5.250	8,205,000	8,205,000	08/12/2014	100
	64983TXY4	07/01/2018	4.700	110,000	110,000	08/12/2014	100
	64983TXZ 1	07/01/2018	5.250	7,930,000	7,930,000	08/12/2014	100
	64983TYA5	07/01/2019	4.800	200,000	200,000	08/12/2014	100
	64983TYB3	07/01/2019	5.250	6,665,000	6,665,000	08/12/2014	100
	64983TYC1	07/01/2020	4.875	20,000	20,000	08/12/2014	100
	64983TYD9	07/01/2020	5.250	5,495,000	5,495,000	08/12/2014	100
	64983TYE7	07/01/2021	4.900	500,000	500,000	08/12/2014	100
	64983TYF4	07/01/2021	5.250	3,815,000	3,815,000	08/12/2014	100
				\$48,865,000	\$48,865,000		

<sup>†</sup> Copyright, American Bankers Association. CUSIP numbers have been assigned by Standard & Poor's, CUSIP Service Bureau and are provided solely for convenience. DASNY is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Refunded Bonds or as indicated above. The CUSIP numbers have been and are subject to change after the original issuance of the Refunded Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part.

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