



| | |
|---|--|
| \$1,781,515,000 | |
| DORMITORY AUTHORITY OF THE STATE OF NEW YORK | |
| STATE SALES TAX REVENUE BONDS | |
| SERIES 2018 | |
| \$1,707,610,000 | \$73,905,000 |
| Series 2018C | Series 2018D |
| (Tax-Exempt) | (Federally Taxable) |
| Dated: Date of Delivery | Due: As Shown on the Inside Cover |

The Dormitory Authority of the State of New York State Sales Tax Revenue Bonds, Series 2018C (Tax-Exempt) (the “Series 2018C Bonds”) and the Dormitory Authority of the State of New York State Sales Tax Revenue Bonds, Series 2018D (Federally Taxable) (the “Series 2018D Bonds”) and together with the Series 2018C Bonds, the “Series 2018 Bonds”), are special obligations of the Dormitory Authority of the State of New York (“DASNY”). The Series 2018 Bonds are secured solely 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 Sales Tax Revenue Bond Tax Fund (as defined herein) to provide for the payment of the Series 2018 Bonds and all other State Sales Tax Revenue Bonds (as defined herein). The Sales Tax Revenue Bond Tax Fund receives a statutory allocation from the revenues collected from the State’s sales and compensating use taxes including interest and penalties (the “New York State Sales Tax”) imposed on a statewide basis pursuant to Sections 1105 and 1110 of the New York State Tax Law (the “State Tax Law”) less such amounts as may be necessary for refunds (“New York State Sales Tax Receipts”) in an amount equal initially to a one percent rate of taxation (and increasing to a two percent rate of taxation as of a later date) (the “Sales Tax Revenue Bond Tax Fund Receipts”) as more fully described herein. The Enabling Act provides that such Sales Tax Revenue Bond Tax Fund Receipts shall be separate and distinct from the portion of New York State Sales Tax Receipts required by State law to be deposited from time to time in the Local Government Assistance Tax Fund (the “Local Government Assistance Tax Fund Receipts”) for the benefit of the New York Local Government Assistance Corporation (“LGAC”).

DASNY is one of three Authorized Issuers (as defined herein) that can issue State Sales Tax Revenue Bonds on behalf of the State. All financing agreements entered into by the State to secure State Sales Tax Revenue Bonds shall be executory only to the extent of the revenues available in the Sales Tax Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature (as defined herein) 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, and 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 New York State Sales Tax.

The Series 2018 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2018 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 2018 Bonds. DASNY has no taxing power.

The Series 2018 Bonds will be issued as fixed rate obligations, fully registered, in denominations of \$5,000 or any integral multiple thereof. The Series 2018 Bonds will bear interest at the rates and mature at the times shown on the inside cover page hereof. Interest on the Series 2018 Bonds is payable on each March 15 and September 15, commencing September 15, 2018.

The Series 2018 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 2018 Bonds, payments of principal or redemption price of and interest on the Series 2018 Bonds will be made by The Bank of New York Mellon, as Trustee and Paying Agent, to Cede & Co.

The Series 2018 Bonds are subject to redemption prior to maturity as more fully described herein.

In the opinion of Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2018C 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 2018D Bonds is not treated as a preference item in calculating the alternative minimum tax imposed 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 for taxable years beginning prior to January 1, 2018. Hawkins Delafield & Wood LLP also is of the opinion that interest on the Series 2018D Bonds is included in gross income for Federal income tax purposes pursuant to the Code. In addition, Hawkins Delafield & Wood LLP is of the opinion that under existing statutes, interest on the Series 2018 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 2018 Bonds are offered, when, as and if issued and delivered to the purchasers, and are subject to approval of legality by DASNY’s Co-Bond Counsel, Hawkins Delafield & Wood LLP, New York, New York, and Golden Holley James LLP, New York, New York (collectively, “Co-Bond Counsel”), and to certain other conditions. It is expected that the Series 2018 Bonds will be delivered in definitive form in New York, New York, on or about July 19, 2018.

\$1,781,515,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE SALES TAX REVENUE BONDS
SERIES 2018

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

\$1,707,610,000
State Sales Tax Revenue Bonds, Series 2018C (Tax-Exempt)

| Due March 15 | Amount | Interest Rate | Yield | CUSIP Numbers[†] | Due March 15 | Amount | Interest Rate | Yield | CUSIP Numbers[†] |
|-------------------------|---------------|--------------------------|--------------|--------------------------------------|-------------------------|---------------|--------------------------|--------------|--------------------------------------|
| 2019 | \$ 41,105,000 | 5.00% | 1.35% | 64990AJH9 | 2034 | 55,360,000 | 5.00% | 2.82%* | 64990AJY2 |
| 2020 | 22,920,000 | 5.00 | 1.51 | 64990AJJ5 | 2035 | 58,130,000 | 5.00 | 2.86* | 64990AJZ9 |
| 2021 | 69,215,000 | 5.00 | 1.65 | 64990AJK2 | 2036 | 61,035,000 | 5.00 | 2.89* | 64990AKA2 |
| 2022 | 104,770,000 | 5.00 | 1.77 | 64990AJL0 | 2037 | 64,085,000 | 5.00 | 2.92* | 64990AKB0 |
| 2023 | 129,230,000 | 5.00 | 1.87 | 64990AJM8 | 2038 | 67,295,000 | 5.00 | 2.95* | 64990AKC8 |
| 2024 | 86,065,000 | 5.00 | 2.05 | 64990AJN6 | 2039 | 28,880,000 | 5.00 | 2.97* | 64990AKD6 |
| 2025 | 90,790,000 | 5.00 | 2.22 | 64990AJP1 | 2040 | 30,320,000 | 5.00 | 3.00* | 64990AKE4 |
| 2026 | 76,600,000 | 5.00 | 2.33 | 64990AJQ9 | 2041 | 31,840,000 | 5.00 | 3.01* | 64990AKF1 |
| 2027 | 80,535,000 | 5.00 | 2.43 | 64990AJR7 | 2042 | 33,430,000 | 5.00 | 3.02* | 64990AKG9 |
| 2028 | 71,495,000 | 5.00 | 2.50 | 64990AJS5 | 2043 | 35,100,000 | 5.00 | 3.03* | 64990AKH7 |
| 2029 | 65,350,000 | 5.00 | 2.56* | 64990AJT3 | 2044 | 36,855,000 | 4.00 | 3.47* | 64990AKJ3 |
| 2030 | 53,670,000 | 5.00 | 2.62* | 64990AJU0 | 2045 | 38,330,000 | 4.00 | 3.48* | 64990AKK0 |
| 2031 | 47,825,000 | 5.00 | 2.69* | 64990AJV8 | 2046 | 39,865,000 | 4.00 | 3.53* | 64990AKL8 |
| 2032 | 50,215,000 | 5.00 | 2.74* | 64990AJW6 | 2047 | 41,460,000 | 4.00 | 3.54* | 64990AKM6 |
| 2033 | 52,725,000 | 5.00 | 2.78* | 64990AJX4 | 2048 | 43,115,000 | 4.00 | 3.55* | 64990AKN4 |

\$73,905,000
State Sales Tax Revenue Bonds, Series 2018D (Federally Taxable)

| Due March 15 | Amount | Interest Rate | Price | CUSIP Numbers[†] | Due March 15 | Amount | Interest Rate | Price | CUSIP Numbers[†] |
|-------------------------|---------------|--------------------------|--------------|--------------------------------------|-------------------------|---------------|--------------------------|--------------|--------------------------------------|
| 2019 | \$ 720,000 | 2.65% | 100% | 64990AKP9 | 2025 | \$ 2,325,000 | 3.12% | 100% | 64990AKV6 |
| 2020 | 1,195,000 | 2.70 | 100 | 64990AKQ7 | 2026 | 1,275,000 | 3.17 | 100 | 64990AKW4 |
| 2021 | 22,345,000 | 2.85 | 100 | 64990AKR5 | 2027 | 1,310,000 | 3.25 | 100 | 64990AKX2 |
| 2022 | 37,740,000 | 2.95 | 100 | 64990AKS3 | 2028 | 1,065,000 | 3.31 | 100 | 64990AKY0 |
| 2023 | 2,535,000 | 3.00 | 100 | 64990AKT1 | 2029 | 795,000 | 3.36 | 100 | 64990AKZ7 |
| 2024 | 2,265,000 | 3.06 | 100 | 64990AKU8 | 2030 | 335,000 | 3.41 | 100 | 64990ALA1 |

† CUSIP is a registered trademark of the American Bankers Association (“ABA”). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. CUSIP numbers have been assigned by an independent company not affiliated with DASNY and are included solely for the convenience of the holders of the Series 2018 Bonds. DASNY is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2018 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2018 Bonds.

* Priced at the stated yield to the March 15, 2028 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 2018 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 the State, DASNY 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 the State or DASNY. 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 2018 Bonds, no action has been taken by DASNY that would permit a public offering of the Series 2018 Bonds, or possession or distribution of any information relating to the pricing of the Series 2018 Bonds, this Official Statement or any other offering or publicity material relating to the Series 2018 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 2018 Bonds or possesses or distributes this Official Statement or any other offering or publicity material relating to the Series 2018 Bonds and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Series 2018 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 2018 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.

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| PART 1 — SUMMARY STATEMENT | i |
| PART 2 — INTRODUCTION | 1 |
| PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS..... | 3 |
| The Sales Tax Revenue Bond Tax Fund..... | 3 |
| Series 2018 Bonds | 4 |
| Certification of Payments to be Set Aside in Sales Tax Revenue Bond Tax Fund..... | 4 |
| Set Aside of Sales Tax Revenue Bond Tax Fund Receipts | 5 |
| Flow of Sales Tax Revenue Bond Tax Fund Receipts | 7 |
| Moneys Held in the Sales Tax Revenue Bond Tax Fund | 8 |
| Flow of New York State Sales Tax Receipts | 9 |
| Appropriation by the State Legislature | 10 |
| Additional Bonds | 11 |
| Parity Reimbursement Obligations | 11 |
| Certain Covenants of the State..... | 11 |
| Reservation of State’s Right to Substitute Credit | 12 |
| PART 4 — SOURCES OF NEW YORK STATE SALES TAX RECEIPTS FOR THE SALES TAX REVENUE BOND TAX FUND..... | 13 |
| General | 13 |
| New York State Sales Tax Receipts | 13 |
| Debt Service Coverage | 167 |
| Projected Debt Service Coverage | 17 |
| PART 5 — DESCRIPTION OF THE SERIES 2018 BONDS | 18 |
| General | 18 |
| Optional Redemption..... | 18 |
| Selection of Bonds to be Redeemed; Notice of Redemption | 19 |
| PART 6 — THE PROJECTS..... | 20 |
| PART 7 — THE REFUNDING PLAN | 20 |
| PART 8 — BOOK-ENTRY ONLY SYSTEM..... | 201 |
| PART 9 — DEBT SERVICE REQUIREMENTS..... | 24 |

| | <u>PAGE</u> |
|--|-------------|
| PART 10 — ESTIMATED SOURCES AND USES OF FUNDS..... | 25 |
| PART 11 — DASNY..... | 25 |
| Background, Purposes and Powers | 25 |
| Governance | 27 |
| Claims and Litigation..... | 31 |
| Other Matters | 31 |
| PART 12 — AGREEMENT OF THE STATE..... | 32 |
| PART 13 — TAX MATTERS..... | 32 |
| The Series 2018C Bonds..... | 32 |
| The Series 2018D Bonds..... | 34 |
| PART 14 — LITIGATION..... | 38 |
| PART 15 — CERTAIN LEGAL MATTERS..... | 38 |
| PART 16 — SALE BY COMPETITIVE BIDDING | 39 |
| PART 17 — LEGALITY OF INVESTMENT..... | 39 |
| PART 18 — VERIFICATION OF MATHEMATICAL COMPUTATIONS..... | 39 |
| PART 19 — RATINGS | 39 |
| PART 20 — CONTINUING DISCLOSURE..... | 40 |
| PART 21 — MISCELLANEOUS | 41 |
| APPENDIX A INFORMATION CONCERNING THE STATE OF NEW YORK | A-1 |
| APPENDIX B SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION | B-1 |
| APPENDIX C FORM OF FINANCING AGREEMENT | C-1 |
| APPENDIX D PROPOSED FORMS OF CO- BOND COUNSEL OPINIONS | D-1 |
| APPENDIX E FORM OF MASTER CONTINUING DISCLOSURE AGREEMENT | E-1 |
| APPENDIX F SUMMARY OF REFUNDED BONDS | F-1 |

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 2018 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.

| | |
|---|---|
| State Sales Tax Revenue Bond Financing Program | <p>Article 5-F and Article 6 (Section 92-h) of the New York State Finance Law (the “State Finance Law”), as the same may be amended from time to time (the “Enabling Act”), provide for the issuance of, and a source of payment for, the State Sales Tax Revenue Bonds by establishing the Sales Tax Revenue Bond Tax Fund (the “Sales Tax 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 DASNY, the New York State Thruway Authority (the “Thruway Authority”) and the New York State Urban Development Corporation (“UDC” and, collectively, the “Authorized Issuers”) to issue State Sales Tax Revenue Bonds for certain Authorized Purposes (as hereinafter defined). Prior to the initial issuance of any State Sales Tax Revenue Bonds, if any, by an Authorized Issuer, such Authorized Issuer will adopt one or more general resolutions and execute financing agreements with the Director of the Budget pursuant to the Enabling Act. The financing agreements and the general resolutions for State Sales Tax Revenue Bonds issued by the Authorized Issuers will 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 Sales Tax Revenue Bonds issued by an Authorized Issuer are or will be secured 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> |
| Purpose of Issue | <p>The Series 2018 Bonds are being issued for the purpose of financing Authorized Purposes, including (i) financing or reimbursing all or a portion of the costs of certain programs and projects within the State, and (ii) refunding all or portions of various series of State-supported debt previously issued by the Authorized Issuers. See “APPENDIX F—SUMMARY OF REFUNDED BONDS” for a complete list of bonds to be refunded. In addition, proceeds of the Series 2018 Bonds will be used to pay all or a portion of the cost of issuance of the Series 2018 Bonds. See “PART 6 — THE PROJECTS” and “PART 7 — THE REFUNDING PLAN” for a more complete description of the expected application of proceeds of the Series 2018 Bonds.</p> |

Sources of Payment and Security for State Sales Tax Revenue Bonds — Sales Tax Revenue Bond Tax Fund Receipts

The Enabling Act provides that New York State Sales Tax Receipts be deposited in the Sales Tax Revenue Bond Tax Fund in an amount equal initially to a one percent rate of taxation (equivalent to one cent on every dollar taxed). The Enabling Act further provides that on and after the date that all obligations and liabilities of LGAC have been met or otherwise discharged, including by legal defeasance or maturity, other than LGAC’s annual obligation through no later than June 30, 2034 to make a \$170 million payment to The City of New York pursuant to Section 3238-a of the New York State Public Authorities Law (the “LGAC Obligations”), the deposit to the Sales Tax Revenue Bond Tax Fund shall be increased to an amount equal to a two percent rate of taxation (equivalent to two cents on every dollar taxed) from the New York State Sales Tax Receipts. Such New York State Sales Tax Receipts required to be deposited in the Sales Tax Revenue Bond Tax Fund (equal initially to a one percent rate of taxation and increasing to a two percent rate of taxation as of a later date) are referred to herein as the “Sales Tax Revenue Bond Tax Fund Receipts.”

Pursuant to the State Finance Law, a portion of the New York State Sales Tax Receipts also are required to be deposited in the Local Government Assistance Tax Fund in a separate amount equal to a one percent rate of taxation, from which both the LGAC Obligations and the \$170 million annual obligation to The City of New York are paid. The Enabling Act provides that the Sales Tax Revenue Bond Tax Fund Receipts shall be separate and distinct from such Local Government Assistance Tax Fund Receipts. The LGAC Obligations are expected to be paid or otherwise discharged on or before April 1, 2025.

New York State Sales Tax Receipts and the Sales Tax Revenue Bond Tax Fund Receipts for State Fiscal Years 2015-16 through 2018-19 are as follows:

| State Fiscal Year | New York State Sales Tax Receipts (in billions) | Sales Tax Revenue Bond Tax Fund Receipts (in billions) |
|--------------------------|---|--|
| 2015-16 | \$12.5 | \$3.1 |
| 2016-17 | 13.0 | 3.2 |
| 2017-18* | 13.6 | 3.4 |
| 2018-19* | 14.1 | 3.5 |

* As estimated in FY 2019 Enacted Budget Financial Plan.

The Series 2018 Bonds are special obligations of DASNY, secured by, among other things, a pledge of Financing Agreement Payments to be made by the State Comptroller to the Trustee on behalf of DASNY pursuant to the Financing Agreement and certain funds held by the Trustee under DASNY’s State Sales Tax Revenue Bonds General Bond Resolution adopted on September 11, 2013 (the “General Resolution”).

The Series 2018 Bonds are issued on a parity with all other Bonds which have been or which may be issued under the General Resolution. All State Sales Tax Revenue Bonds issued by any Authorized Issuer will be on a parity with each other as to payments from the Sales Tax Revenue Bond Tax Fund, subject to annual appropriation by the New York State Legislature (the “State Legislature”).

| | |
|---|--|
| <p>Sources of Payment and Security for State Sales Tax Revenue Bonds — Sales Tax Revenue Bond Tax Fund Receipts <i>(continued)</i></p> | <p>Financing agreement payments are made from Sales Tax Revenue Bond Tax Fund Receipts and deposited, as required by the Enabling Act, to the Sales Tax 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 Sales Tax Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on the State Sales 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 Sales Tax 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.</p> <p>The Enabling Act provides that: (i) no person (including Authorized Issuers or holders of State Sales Tax Revenue Bonds) shall have any lien on amounts on deposit in the Sales Tax Revenue Bond Tax Fund; (ii) Sales Tax 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 Sales Tax Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation bonds) 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 Sales Tax. For additional information, see “PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS” and “PART 4 — SOURCES OF NEW YORK STATE SALES TAX RECEIPTS FOR THE SALES TAX REVENUE BOND TAX FUND.”</p> <p>The Series 2018 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2018 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 or interest on the Series 2018 Bonds. DASNY has no taxing power.</p> <p>The Series 2018 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 2018 Bonds.</p> |
| <p>Set Aside for Purpose of Making Financing Agreement Payments</p> | <p>The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Sales Tax Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Sales Tax 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 Sales Tax Revenue Bond Tax Fund Receipts anticipated to be deposited in the Sales Tax Revenue Bond Tax Fund and the amount of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The</p> |

| | |
|--|---|
| <p>Set Aside for Purpose of Making Financing Agreement Payments <i>(continued)</i></p> | <p>Director of the Budget has prepared such certificate for State Fiscal Year 2017-18.</p> <p>See “PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS.”</p> |
| <p>Availability of General Fund to Satisfy Set-Aside of Sales Tax Revenue Bond Tax Fund Receipts</p> | <p>If at any time the amount of Sales Tax 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 Sales 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 Sales Tax Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers.</p> |
| <p>Moneys Held in Sales Tax Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts</p> | <p>In the event that: (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Sales 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 Sales Tax Revenue Bonds, the Enabling Act requires that all Sales Tax Revenue Bond Tax Fund Receipts remain in such fund. Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Sales Tax 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 bonds) 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 Sales Tax 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 SALES TAX REVENUE BONDS — Moneys Held in the Sales Tax Revenue Bond Tax Fund.”</p> |
| <p>Additional Bonds and Debt Service Coverage</p> | <p>The Enabling Act and each of the general resolutions permit or are expected to permit the Authorized Issuers to issue additional State Sales 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 (or to be included) in each general resolution authorizing State Sales Tax Revenue Bonds.</p> <p>As provided in the General Resolution, and expected to be provided in each of the general resolutions of the other Authorized Issuers, and subject to an exception for certain refunding bonds as described herein, additional State Sales Tax Revenue Bonds may be issued only if the amount of Sales Tax 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 annual Calculated Debt Service on all outstanding State Sales Tax Revenue Bonds, the additional State Sales Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations.</p> |

| | |
|---|---|
| <p>Additional Bonds and Debt Service Coverage <i>(continued)</i></p> | <p>In accordance with the additional bonds debt service coverage test described above, Sales Tax Revenue Bond Tax Fund Receipts of approximately \$3.4 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 3.6 times the maximum annual debt service on all outstanding State Sales Tax Revenue Bonds, including the debt service on the Series 2018 Bonds. While additional State Sales 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 Sales 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 SALES TAX REVENUE BONDS — Additional Bonds” and “PART 4 — SOURCES OF NEW YORK STATE SALES TAX RECEIPTS FOR THE SALES TAX REVENUE BOND TAX FUND — Projected Debt Service Coverage.”</p> <p>As of July 1, 2018, approximately \$7.4 billion of State Sales Tax Revenue Bonds were outstanding.</p> |
| <p>Appropriation by State Legislature</p> | <p>The State Legislature is expected to make appropriations annually from amounts on deposit in the Sales Tax Revenue Bond Tax Fund sufficient to pay annual financing agreement payments when due. Sales Tax 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 2018-19.</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 Sales Tax 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 Sales Tax 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>Continuing Disclosure</p> | <p>In order to assist the purchasers of the Series 2018 Bonds in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”), DASNY, the State and the Trustee have entered into a Master Continuing Disclosure Agreement (the “Master Disclosure Agreement”). It is expected that on or before the issuance of State Sales Tax Revenue Bonds, if any, by each of the other Authorized Issuers, such Authorized Issuer and the applicable trustee will join as parties to the Master Disclosure Agreement by executing the same. See “PART 20 — CONTINUING DISCLOSURE” and “APPENDIX E — FORM OF MASTER CONTINUING DISCLOSURE AGREEMENT.”</p> |

[THIS PAGE INTENTIONALLY LEFT BLANK]



DORMITORY AUTHORITY – STATE OF NEW YORK
GERRARD P. BUSHELL – PRESIDENT

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

OFFICIAL STATEMENT

Relating to

\$1,781,515,000

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE SALES TAX REVENUE BONDS

\$1,707,610,000
Series 2018C
(Tax-Exempt)

\$73,905,000
Series 2018D
(Federally Taxable)

PART 2 — INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page, the Summary Statement and the appendices, is to set forth certain information concerning the State and DASNY, a public benefit corporation of the State, in connection with the offering by DASNY of its \$1,707,610,000 State Sales Tax Revenue Bonds, Series 2018C (Tax-Exempt) (the “Series 2018C Bonds”) and its \$73,905,000 State Sales Tax Revenue Bonds, Series 2018D (Federally Taxable) (the “Series 2018D Bonds”) and together with the Series 2018C Bonds, the “Series 2018 Bonds”). The interest rates, maturity dates, and prices or yields of the Series 2018 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 Sales Tax Revenue Bonds, including the Series 2018 Bonds, and the statutory allocation from New York State Sales Tax Receipts collected from the New York State Sales Tax imposed by Sections 1105 and 1110 of the State Tax Law, which allocation of New York State Sales Tax Receipts is required to be deposited in the Sales Tax Revenue Bond Tax Fund to provide for the payment of State Sales Tax Revenue Bonds as more fully discussed herein. Such New York State Sales Tax Receipts exclude amounts the Commissioner determines to be necessary for refunds. See “PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS — The Sales Tax Revenue Bond Tax Fund.”

The State expects that State Sales Tax Revenue Bonds together with the State Personal Income Tax Revenue Bonds will be the primary financing vehicles for financing State-supported programs over the current financial plan period.

The Series 2018 Bonds are authorized to be issued pursuant to the Enabling Act, and the Dormitory Authority Act, constituting Title 4 of Article 8 of the New York State Public Authorities Law, as amended and supplemented (the “Authority Act”), and other provisions of State law. The Enabling Act authorizes the Authorized Issuers to issue State Sales 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 Series 2018 Bonds are additionally authorized under the General Resolution, as supplemented by DASNY’s Supplemental Resolution 2018-2 Authorizing State Sales Tax Revenue Bonds, adopted on May 9, 2018 (the “Series 2018-2 Supplemental Resolution”) (the General Resolution, together with the Series 2018-2 Supplemental Resolution, 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 2018 Bonds, being herein referred to as the “Bonds”).

The Series 2018 Bonds, and any other series of Bonds heretofore issued or which may hereafter be issued under the General Resolution, will be equally and ratably secured thereunder. The Series 2018 Bonds and all other State Sales Tax Revenue Bonds, if any, issued by an Authorized Issuer are secured by a pledge of: (i) the payments made pursuant to one or more financing agreements to be entered into by such Authorized Issuer upon its initial issuance of State Sales Tax Revenue Bonds, if any, and 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”). The financing agreements and the general resolutions for State Sales Tax Revenue Bonds issued by the Authorized Issuers will 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 equal the amounts necessary to pay the debt service and other cash requirements on all State Sales 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 Sales Tax Revenue Bonds will be on a parity with each other as to payments from the Sales Tax Revenue Bond Tax Fund, subject to annual appropriation by the State Legislature. As of July 1, 2018, approximately \$7.4 billion of State Sales Tax Revenue Bonds were outstanding. See “PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS — Series 2018 Bonds” and “— Additional Bonds.”

The Series 2018 Bonds are being issued for the purpose of financing Authorized Purposes, including (i) financing or reimbursing all or a portion of the costs of certain programs and projects within the State and (ii) refunding all or a portion of certain series of outstanding State-supported debt previously issued by the Authorized Issuers. See “APPENDIX F—SUMMARY OF REFUNDED BONDS” for a complete list of bonds to be refunded. In addition, proceeds of the Series 2018 Bonds will be used to pay all or a portion of the cost of issuance of the Series 2018 Bonds. For a more complete description of the expected application of proceeds of the Series 2018 Bonds, see “PART 6 — THE PROJECTS” and “PART 7 — THE REFUNDING PLAN” herein. **The Series 2018 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 2018 Bonds.**

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 Sales 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 2018 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2018 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 2018 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 SALES TAX REVENUE BONDS

The Sales Tax Revenue Bond Tax Fund

The Enabling Act provides a source of payment for State Sales Tax Revenue Bonds by establishing the Sales Tax Revenue Bond Tax Fund for the purpose of setting aside New York State Sales Tax Receipts sufficient to make financing agreement payments to Authorized Issuers. The Enabling Act establishes the Sales Tax 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 Sales Tax 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 consist of New York State Sales Tax Receipts (which are net of amounts the Commissioner may determine to be necessary for refunds) required to be deposited in the Sales Tax Revenue Bond Tax Fund in an amount equal to a one percent rate of taxation (equivalent to one cent on every dollar taxed). On and after the date that all LGAC Obligations shall have been met or otherwise discharged, including by legal defeasance or maturity, the deposit to the Sales Tax Revenue Bond Tax Fund shall be increased to an amount equal to a two percent rate of taxation (equivalent to two cents on every dollar taxed) from the New York State Sales Tax Receipts. Such New York State Sales Tax Receipts required to be deposited in the Sales Tax Revenue Bond Tax Fund (equal initially to a one percent rate of taxation and increasing to a two percent rate of taxation as of a later date) comprise Sales Tax Revenue Bond Tax Fund Receipts. Pursuant to the State Finance Law, a portion of the New York State Sales Tax Receipts also are required to be deposited in the Local Government Assistance Tax Fund in a separate amount equal to a one percent rate of taxation, from which both the LGAC Obligations and the \$170 million annual obligation to The City of New York are paid. The Enabling Act provides that the Sales Tax Revenue Bond Tax Fund Receipts shall be separate and distinct from the Local Government Assistance Tax Fund Receipts. The LGAC Obligations are expected to be paid or otherwise discharged on or before April 1, 2025. See “PART 4 — SOURCES OF NEW YORK STATE SALES TAX RECEIPTS FOR THE SALES TAX REVENUE BOND TAX FUND — New York State Sales Tax Receipts.”

Financing agreement payments made from amounts set aside in the Sales Tax 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 Sales Tax Revenue Bonds) shall have any lien on amounts on deposit in the Sales Tax Revenue Bond Tax Fund; (ii) Sales Tax 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 Sales Tax Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation bonds) 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 Sales Tax.

Series 2018 Bonds

The Series 2018 Bonds are special obligations of DASNY, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to The Bank of New York Mellon, 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 General Resolution). A copy of the form of the Financing Agreement relating to the Series 2018 Bonds is included as APPENDIX C hereto. The Series 2018 Bonds are entitled to a lien, created by a pledge under the General Resolution, on the Pledged Property.

The Enabling Act and each of the general resolutions permit or are expected to permit the Authorized Issuers to issue additional State Sales 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 (or to be included) in each general resolution authorizing State Sales Tax Revenue Bonds. In accordance with the additional bonds test described herein, Sales Tax Revenue Bond Tax Fund Receipts on a pro forma basis, of approximately \$3.4 billion are available to pay Financing Agreement Payments, which amount represents approximately 3.6 times the maximum annual Debt Service for all outstanding State Sales Tax Revenue Bonds, including the debt service on the Series 2018 Bonds. While additional State Sales Tax Revenue Bonds are expected to be issued by Authorized Issuers as appropriate for Authorized Purposes, in no event may any additional State Sales Tax Revenue Bonds (other than certain refunding bonds) 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 SALES TAX RECEIPTS FOR THE SALES TAX REVENUE BOND TAX FUND — Projected Debt Service Coverage.”

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

The Enabling Act, the general resolutions and the financing agreements of the Authorized Issuers provide (or are expected to provide) procedures for setting aside amounts from the New York State Sales Tax Receipts deposited to the Sales Tax 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 Sales 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 Director 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) the amount of the estimated monthly New York State Sales Tax Receipts to be deposited in the Sales Tax 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 Sales Tax Revenue Bond Tax Fund to make the financing agreement payments required to meet the cash requirements of the Authorized Issuers.
3. Based on the Certificate of the Director of the Budget, the State Comptroller is required to set aside on a monthly basis Sales Tax Revenue Bond Tax Fund Receipts in amounts calculated to be sufficient to pay debt service on all State Sales Tax Revenue Bonds and other cash requirements of the Authorized Issuers when due, as more particularly described below under the heading “— Set Aside of Sales Tax Revenue Bond Tax Fund Receipts.”

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 Sales 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 Sales Tax Revenue Bond Tax Fund 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 deposit Sales Tax Revenue Bond Tax Fund Receipts so certified by the Commissioner in the Sales Tax Revenue Bond Tax Fund.

Set Aside of Sales Tax 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 set aside, on a monthly basis, Sales Tax Revenue Bond Tax Fund Receipts on deposit in the Sales Tax Revenue Bond Tax Fund, until:

- (a) with respect to financing agreement payments to be made to Authorized Issuers on a semi-annual or annual basis, the amount set aside in the fund during the then current month, together with amounts previously set aside in the fund, equals the sum of (i) one-fifth of the interest due on such obligations on the next succeeding interest payment date multiplied by the number of months from the last such interest payment, and (ii) one-eleventh of the next principal installment due on such obligations where principal is due on an annual basis or one-fifth of the next principal installment due on such obligations where principal is due on a semi-annual basis, in each case multiplied by the number of months from the last such principal payment; and
- (b) with respect to financing agreement payments due on a monthly basis or more frequently, the amount so set aside is, in the reasonable judgment of the Director of the Budget as set forth in his or her certificate, sufficient to make the required payment on or before such payment date.

The Enabling Act provides that Sales Tax 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 Sales Tax Revenue Bond Tax Fund (except, if necessary, for payments authorized to

be made to the holders of State general obligation bonds) until they are appropriated and used to make financing agreement payments.

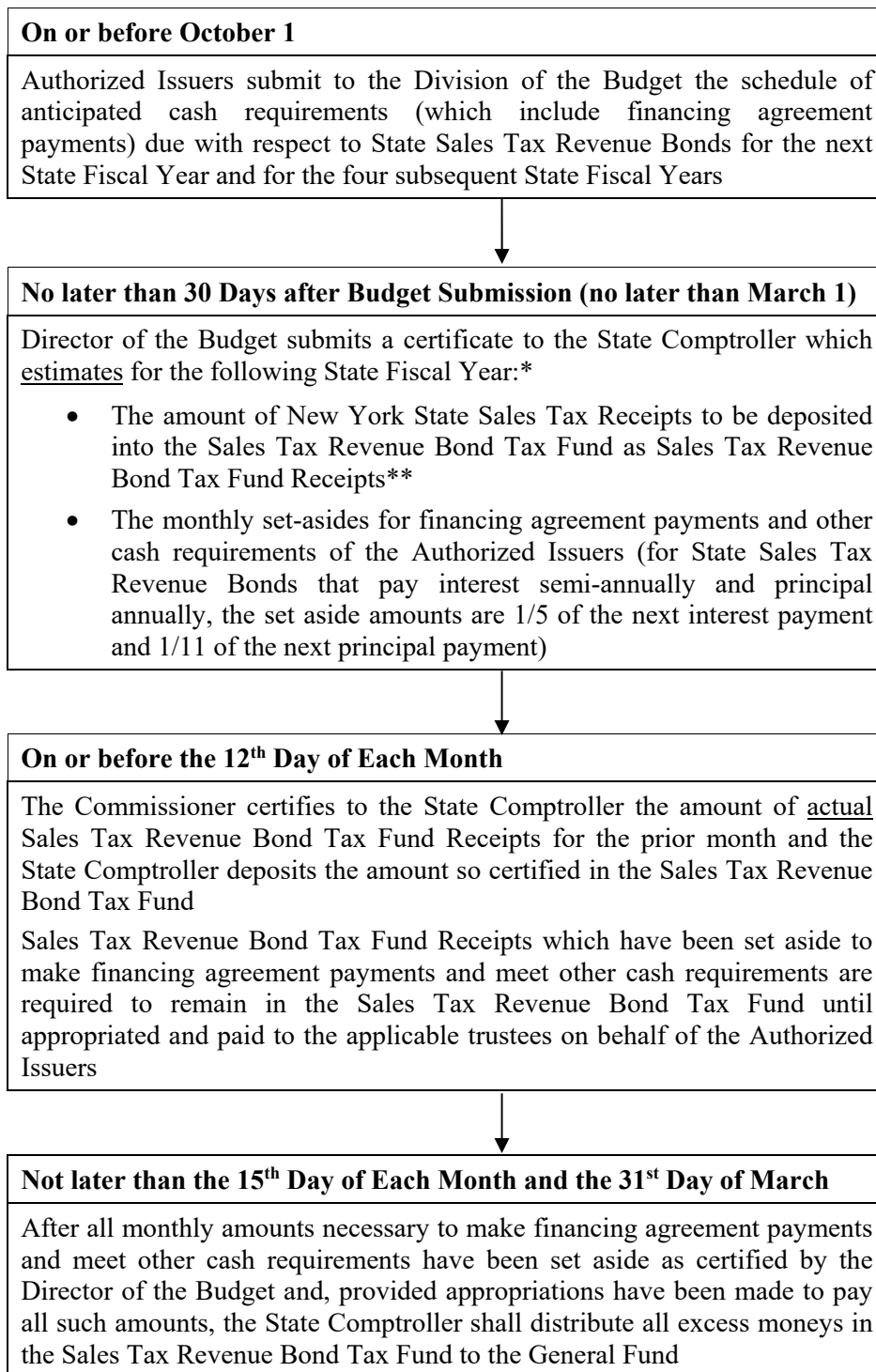
Subject to appropriation by the State Legislature, upon receipt of a request for payment from any Authorized Issuer pursuant to a financing agreement, the State Comptroller shall pay over to the trustee, on behalf of such Authorized Issuer, such amount. In the event that Sales Tax Revenue Bond Tax Fund Receipts are insufficient to meet financing agreement payments on all State Sales 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 from the General Fund to the Sales Tax Revenue Bond Tax Fund, the amount of such deficiency. Amounts so transferred to the Sales Tax 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 bonds).

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 Sales Tax 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Flow of Sales Tax Revenue Bond Tax Fund Receipts

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



* The Director of the Budget may revise such certification at any time to more precisely account for revised New York State Sales 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 Sales Tax Revenue Bonds.

** Equal to a one percent rate of taxation until the LGAC Obligations are met or discharged, at which time Sales Tax Revenue Bond Tax Fund Receipts shall increase to a two percent rate of taxation.

Moneys Held in the Sales Tax Revenue Bond Tax Fund

The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Sales Tax Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation bonds) 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.

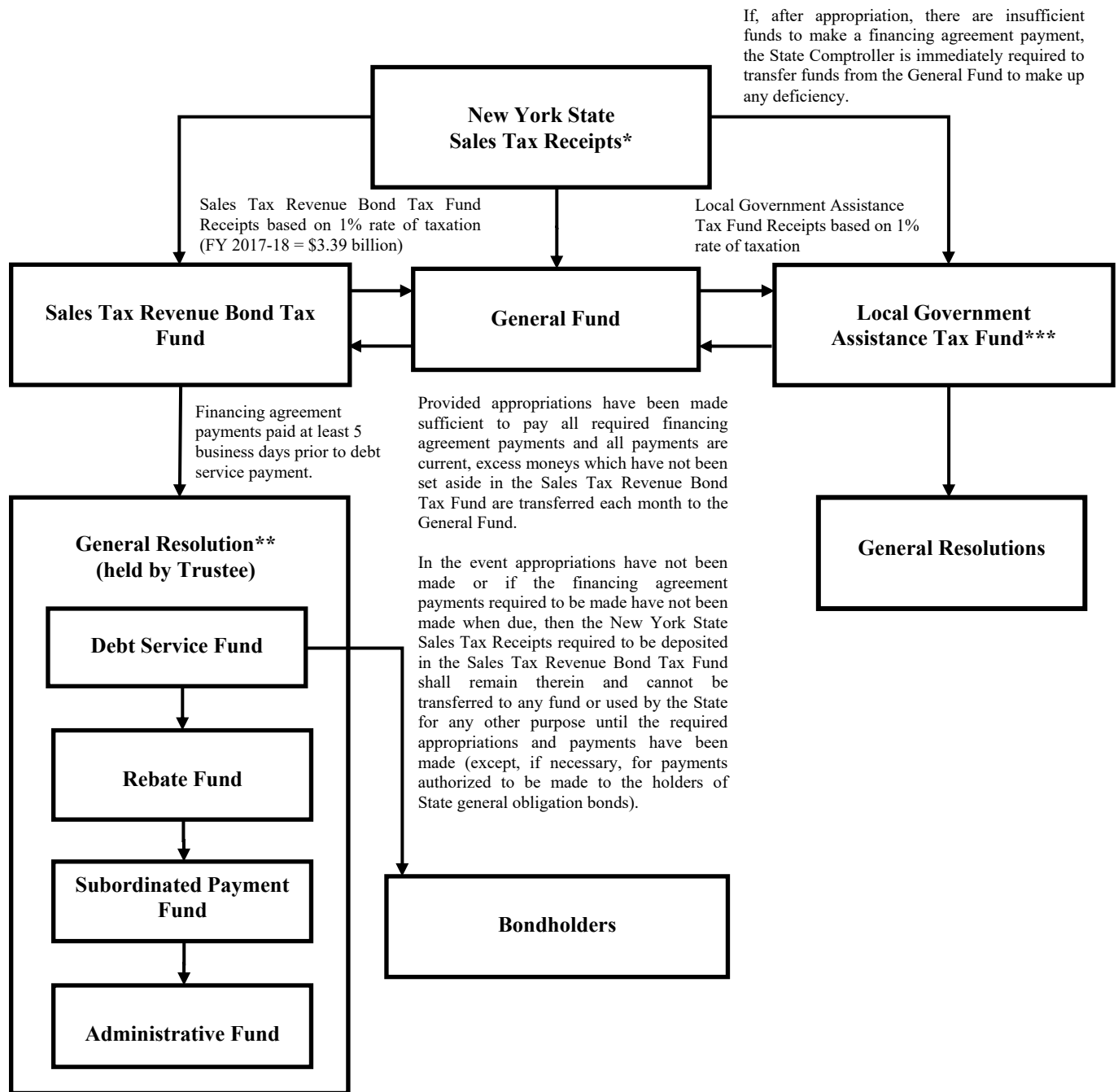
If such appropriations have been made to pay all annual amounts specified in the certificate of the Director of the Budget as being required by DASNY and all other Authorized Issuers for a State Fiscal Year and all such payments to the applicable trustees on behalf of DASNY and all other Authorized Issuers 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 Sales Tax 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 Sales Tax 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 Sales 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 Sales Tax Revenue Bonds, the Enabling Act requires that all of the New York State Sales Tax Receipts required to be deposited in the Sales Tax Revenue Bond Tax Fund remain in such fund. Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Sales Tax 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 bonds) until such time as the required appropriations have been made 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 Sales Tax Revenue Bonds) shall have any lien on moneys on deposit in the Sales Tax 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Flow of New York State Sales Tax Receipts



* 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 Sales Tax.

** The other Authorized Issuers are expected to adopt similar general resolutions.

*** Including the \$170 million annual obligation (ending June 30, 2034) to The City of New York.

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 Sales Tax 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 Sales Tax Revenue Bond Tax Fund” in this section.

It is expected that the State Legislature will make an appropriation by amounts on deposit in the Sales Tax Revenue Bond Tax Fund sufficient to pay Financing Agreement Payments when due. Sales Tax Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay Financing Agreement Payments. The Enabling Act prohibits the transfer of moneys in the Sales Tax 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 bonds) 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 New York State Sales Tax.

All payments required by financing agreements entered into by the State shall be executory only to the extent of the revenues available in the Sales Tax 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 Sales Tax Revenue Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall State Sales 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 Sales Tax Revenue Bonds.

Pursuant to the Enabling Act, Sales Tax 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 Sales Tax 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 Sales Tax 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 bonds. 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 Sales Tax 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 Sales Tax 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 the General Resolution, and expected to be provided in each of the general resolutions of the other Authorized Issuers, except as provided in the next paragraph with respect to certain refunding bonds, additional State Sales Tax Revenue Bonds may be issued only if the amount of Sales Tax 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 annual Calculated Debt Service on all outstanding State Sales Tax Revenue Bonds, the additional State Sales Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations.

The General Resolution also provides, and each of the other general resolutions is also expected to provide, that additional State Sales Tax Revenue Bonds may be issued to refund outstanding State Sales Tax Revenue 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 State Sales Tax Revenue 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 Sales 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 the 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 Sales 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 Sales 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 Sales Tax Revenue Bonds, without acceleration. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION — Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations.”

Certain Covenants of the State

Pursuant to the general resolutions, the State pledges and agrees with the holders of State Sales 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 Sales Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations until such State Sales 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 New York State Sales Tax. 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 New York State Sales Tax could have a serious impact on the flow of New York State Sales Tax Receipts to the Sales Tax Revenue Bond Tax Fund, the ability of the Authorized Issuers to issue additional State Sales Tax Revenue Bonds and the marketability of outstanding State Sales 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 Sales 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 Sales 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 Sales 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 Sales 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 Sales Tax Revenue Bonds Standard Resolution Provisions — Reservation of State Rights of Assumption, Extinguishment and Substitution."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

General

In 1965, New York became the 39th state to impose a general sales and compensating use tax; 46 states now impose sales or gross receipts taxes. The statewide rate has been raised three times: from 2 percent to 3 percent on April 1, 1969, to 4 percent on June 1, 1971, and to 4.25 percent effective June 1, 2003 through May 31, 2005. The rate returned to 4 percent on June 1, 2005. The New York State Sales Tax now applies to: (1) sales and use within the State of most tangible personal property; (2) certain utility service billings; and (3) charges for restaurant meals, hotel and motel occupancy, and for specified admissions and services. The base of the tax has been amended periodically since its imposition in 1965. The New York State Sales Tax is generally collected from the consumer by the final vendor, who is generally required to remit the tax quarterly. However, vendors with more than \$300,000 of taxable sales and purchases in one of the immediately preceding four quarters must remit the tax monthly by the twentieth day of the month following the month of collection. Vendors collecting less than \$3,000 yearly may elect to file annually, in March. Vendors required to file monthly with an annual sales and use tax liability exceeding \$500,000 or with an annual liability for prepaid sales tax on motor fuel and diesel motor fuel exceeding \$5 million are required to file using the State Tax Department's PromptTax program. PromptTax is an electronic filing and payment program that is mandatory for certain businesses. The New York State Department of Taxation and Finance notifies vendors if they are required to participate. The payment schedule requires New York State Sales Tax for the first 22 days of a month to be paid within three business days thereafter. Effective May 30, 2011, all filers are subject to a \$50 penalty for each failure to e-file unless the taxpayer can show that the failure was due to reasonable cause.

To reduce tax evasion, special provisions for remitting the New York State Sales Tax on motor fuel and cigarettes have been enacted. Since 1985, the New York State Sales Tax on gasoline has been remitted by the first importer of the fuel into New York. Prior to 2006, the New York State Sales Tax was prepaid at a per gallon rate based on regional prices. Currently, the pre-payment is fixed at 17.5 cents in the Metropolitan Commuter Transportation District ("MCTD") region and 15 cents per gallon for the rest of the State. The cigarette prepayment rate is 8 percent and is prepaid by cigarette agents at the same time as payment for cigarette excise tax stamps.

Quarterly and annual sales tax filers are allowed to retain a portion of the New York State Sales Tax that they have collected, both as partial compensation for the administrative costs of collecting and remitting the New York State Sales Tax and as an incentive for timely payment of the New York State Sales Tax to the State. The vendor allowance applies to non-monthly filers and is 5 percent of tax liability, up to a maximum of \$200 per quarter for returns filed on time.

New York State Sales Tax Receipts

New York State Sales Tax Receipts constitute the State's second largest source of tax receipts after the personal income tax and accounted for approximately 18.3 percent of State tax receipts in all State Funds in State Fiscal Year 2017-18. The level of New York State Sales Tax Receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to collections of the New York State Sales Tax will be indicative of future receipts.

The following table sets forth historical information relating to New York State Sales Tax Receipts from State Fiscal Years 2008-09 through 2017-18, and estimated amounts for the State Fiscal Year 2018-19. The information reflects State Tax Law changes described below.

New York State Sales Tax Receipts⁽¹⁾
(Dollars in Billions)

| <u>State Fiscal Year</u> | New York State Sales <u>Tax Receipts</u> | Sales Tax Revenue Bond <u>Tax Fund Receipts⁽²⁾</u> | <u>% Change⁽³⁾</u> |
|--------------------------|---|--|-------------------------------|
| 2008-09 | \$10.274 | \$2.567 | (3.0)% |
| 2009-10 | 9.871 | 2.467 | (3.9) |
| 2010-11 | 10.782 | 2.697 | 9.3 |
| 2011-12 | 11.125 | 2.780 | 3.1 |
| 2012-13 | 11.232 | 2.809 | 1.0 |
| 2013-14 | 11.786 | 2.954 | 5.2 |
| 2014-15 | 12.137 | 3.027 | 2.5 |
| 2015-16 | 12.485 | 3.121 | 3.1 |
| 2016-17 | 12.967 | 3.242 | 3.9 |
| 2017-18 | 13.553 | 3.388 | 4.5 |
| 2018-19 ⁽⁴⁾ | 14.114 | 3.529 | 4.2 |

Source: Division of the Budget.

-
- (1) Reflects sales and compensating use tax receipts, net of refunds. Amounts are unadjusted for rate and base changes.
 - (2) Reflects amounts equivalent to a 1 percent rate of taxation. Amounts shown prior to the enactment of the Sales Tax Revenue Bond Tax Fund (pre-2013-14) are pro forma.
 - (3) Represents growth rate of net receipts of 1% rate share.
 - (4) As estimated in the FY 2019 Enacted Budget Financial Plan.

Actual 2008-09 receipts of \$10.274 billion reflect a decrease of 2.2 percent in the continuing New York State Sales Tax base and State Tax Law changes. These State Tax Law changes included a new voluntary compliance program allowing taxpayer disclosure of certain underreported tax liabilities, non-profit tax-exempt restrictions and a new vendor registration fee. In addition, there is an evidentiary presumption that certain sellers using State residents to solicit sales in the State are vendors required to collect New York State Sales Tax (The New York State Court of Appeals upheld the constitutionality of this law).

Actual 2009-10 receipts of \$9.871 billion reflect a decrease of 6.1 percent in the continuing New York State Sales Tax base and State Tax Law changes. These State Tax Law changes included a sales tax on certain transportation services, increased tax compliance efforts, and expanded the definition of vendor to preclude certain taxpayers from avoiding the New York State Sales Tax.

Actual 2010-11 receipts of \$10.782 billion reflect an increase of 6.9 percent in the continuing New York State Sales Tax base and State Tax Law changes. These State Tax Law changes included the elimination of the clothing and footwear exemption from October 1, 2010 to March 31, 2011, the elimination of the vendor credit for monthly filers and a clarification that room remarketers are required to collect sales and New York City occupancy taxes.

Actual 2011-12 receipts of \$11.125 billion reflect an increase of 3.9 percent in the continuing New York State Sales Tax base and State Tax Law changes such as the tax modernization project. In addition, clothing and footwear priced up to \$55 were exempt from New York State Sales Tax until March 31, 2012.

Actual 2012-13 receipts of \$11.232 billion reflect an increase of 3.2 percent in the continuing New York State Sales Tax base and State Tax Law changes such as the exemption for items of clothing and footwear priced under \$110, which went back into effect on April 1, 2012.

Actual 2013-14 receipts of \$11.786 billion reflect an increase of 4.1 percent in the continuing New York State Sales Tax base and certain State Tax Law changes affecting sales tax receipts that went into effect during FY 2013-14. These State Tax Law changes included START-UP NY (tax-free zones on or near qualifying university and college campuses), a driver's license suspension program for certain tax delinquencies and restrictions on certain Industrial Development Agencies ("IDAs") retail projects and a benefit clawback provision.

Actual 2014-15 receipts of \$12.137 billion reflect an increase of 4.7 percent in the continuing New York State Sales Tax base and State Tax Law changes. These Tax Law changes included increasing the sales tax exemption from \$0.75 to \$1.50 on certain food and drink items sold through vending machines and establishing three regions for the prepaid sales tax on fuel to reduce tax evasion at retail.

Actual 2015-16 receipts of \$12.485 billion reflect an increase of 3.6 percent in the continuing New York State Sales Tax base and State Tax Law changes. These Tax Law changes included imposing local sales tax on prepaid wireless based on retail location instead of the customer's residence, exempting solar purchase power agreements from state and local sales tax, extending wine tasting sales and use tax exemption to other alcoholic beverages, an exemption of the portion of the purchase or lease of a boat in excess of \$230,000 from sales and use tax, exempting general aviation aircraft and machinery or equipment installed on aircraft from state and local sales tax, and exempting certain related-party sales arising as a result of the Federal Dodd-Frank Wall Street Reform and Consumer Protection Act.

Actual FY 2016-17 receipts of \$12.967 billion, reflect an increase of 3.9 percent in the continuing New York State Sales Tax base and State Tax Law changes. These Tax Law changes include motor fuel enforcement provisions that require wholesalers to file informational returns that will be used to audit retailers, and the exemption of feminine hygiene products.

FY 2017-18 receipts of \$13.567 billion, reflect an increase of 4.1 percent in the continuing New York State Sales Tax base and State Tax Law changes. These Tax Law changes include exemption of cemetery monuments, the closure of related entities sales tax loopholes and motor fuel prepayment reform.

FY 2018-19 receipts are estimated to be \$14.114 billion, reflecting an increase of 4.2 percent in the continuing New York State Sales Tax base.

(Note: The New York State Sales Tax Receipts described in this section do not include additional New York State Sales Tax collections in the MCTD region for the Mass Transportation Operating Assistance ("MTOA") Fund.)

The following table sets forth monthly Sales Tax Revenue Bond Tax Fund Receipts from April 1, 2013 through March 31, 2018 and reflects the State Tax Law changes described above.

Monthly Sales Tax Revenue Bond Tax Fund Receipts⁽¹⁾
April 1, 2013 Through March 31, 2018
(Millions of Dollars)

| MONTH | 2013-14 | % ⁽²⁾ | 2014-15 | % ⁽²⁾ | 2015-16 | % ⁽²⁾ | 2016-17 | % ⁽²⁾ | 2017-18 | % ⁽²⁾ |
|-----------|--------------------------------|------------------|--------------------------------|------------------|--------------------------------|------------------|--------------------------------|------------------|--------------------------------|------------------|
| APRIL | \$ 163.3 ⁽³⁾ | 6% | \$ 215.8 | 7% | \$ 240.0 | 8% | \$ 249.1 | 8% | \$ 236.5 | 7% |
| MAY | 271.4 ⁽³⁾ | 9 | 228.1 | 8 | 232.7 | 7 | 237.2 | 7 | 243.9 | 7 |
| JUNE | 302.3 | 10 | 301.0 | 10 | 319.8 | 10 | 327.5 | 10 | 338.2 | 10 |
| JULY | 226.4 | 8 | 234.5 | 8 | 248.4 | 8 | 254.2 | 8 | 263.3 | 8 |
| AUGUST | 225.9 | 8 | 233.0 | 8 | 241.8 | 8 | 242.7 | 7 | 257.6 | 8 |
| SEPTEMBER | 297.4 | 10 | 309.9 | 10 | 320.3 | 10 | 326.3 | 10 | 340.6 | 10 |
| OCTOBER | 223.5 | 8 | 232.8 | 8 | 218.3 | 7 | 249.9 | 8 | 259.9 | 8 |
| NOVEMBER | 223.2 | 8 | 236.1 | 8 | 241.2 | 8 | 249.3 | 8 | 275.3 | 8 |
| DECEMBER | 297.4 | 10 | 306.2 | 10 | 297.2 | 10 | 316.5 | 10 | 346.4 | 10 |
| JANUARY | 236.1 | 8 | 242.4 | 8 | 254.2 | 8 | 267.5 | 8 | 279.9 | 8 |
| FEBRUARY | 201.0 | 7 | 200.4 | 7 | 206.9 | 7 | 218.7 | 7 | 235.1 | 7 |
| MARCH | 286.4 | 10 | 286.3 | 10 | 300.6 | 10 | 302.8 | 9 | 311.5 | 9 |
| TOTAL | <u>\$2,954.1⁽⁴⁾</u> | <u>100%</u> | <u>\$3,026.6⁽⁴⁾</u> | <u>100%</u> | <u>\$3,121.3⁽⁴⁾</u> | <u>100%</u> | <u>\$3,241.6⁽⁴⁾</u> | <u>100%</u> | <u>\$3,388.3⁽⁴⁾</u> | <u>100%</u> |

Source: Division of the Budget.

⁽¹⁾ Amounts reflect the monies directed to the Sales Tax Revenue Bond Tax Fund starting April 1, 2013; amounts shown prior to the enactment of the Sales Tax Revenue Bond Tax Fund are pro forma.

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

⁽³⁾ In May 2014, receipts were adjusted upward by roughly \$54 million to reflect monies that should have been posted in April.

⁽⁴⁾ Total may not add due to rounding.

The following table sets forth the stability in the shares of New York State Sales Tax Receipts when examined by industry. For the entirety of the ten-year period, receipts from the retail and services industries together consistently comprised roughly 70 percent of total receipts.

History of Industry Shares of New York State Sales Tax Receipts⁽¹⁾

| Year ⁽²⁾ | Retail | | Wholesale | | | Utilities | Manufacturing | Construction | Unclassified |
|---------------------|--------|----------|-----------|-------------|----------------------|-----------|---------------|--------------|--------------|
| | Trade | Services | Trade | Information | Other ⁽³⁾ | | | | |
| 2007 | 45.8% | 23.4% | 8.7% | 7.5% | 4.7% | 3.4% | 2.7% | 2.4% | 1.4% |
| 2008 | 44.1 | 25.0 | 8.8 | 7.6 | 4.8 | 3.5 | 2.8 | 2.5 | 1.0 |
| 2009 | 44.2 | 25.1 | 9.0 | 7.7 | 4.6 | 3.6 | 2.7 | 2.5 | 0.7 |
| 2010 | 45.1 | 25.4 | 8.4 | 7.8 | 4.6 | 3.5 | 2.5 | 2.3 | 0.4 |
| 2011 | 48.2 | 25.7 | 5.0 | 6.4 | 4.5 | 3.5 | 4.3 | 2.3 | 0.2 |
| 2012 | 48.4 | 26.2 | 5.2 | 6.0 | 4.5 | 3.1 | 4.2 | 2.4 | 0.0 |
| 2013 | 46.4 | 26.7 | 5.5 | 7.0 | 4.6 | 3.1 | 4.2 | 2.5 | 0.1 |
| 2014 | 45.8 | 27.3 | 5.6 | 6.8 | 4.6 | 3.0 | 4.1 | 2.7 | 0.2 |
| 2015 | 45.3 | 28.1 | 5.6 | 6.7 | 4.7 | 2.8 | 4.1 | 2.6 | 0.1 |
| 2016 ⁽⁴⁾ | 45.3 | 28.7 | 5.6 | 6.4 | 4.7 | 2.6 | 3.9 | 2.7 | 0.1 |

Source: New York State Department of Taxation and Finance.

⁽¹⁾ Industry shares within a fiscal year may not add due to rounding.

⁽²⁾ March to February.

⁽³⁾ Includes Agriculture, Mining, Transportation, FIRE (Finance, Insurance and Real Estate), Education, and Government.

⁽⁴⁾ Preliminary.

Debt Service Coverage

The following table sets forth (1) Sales Tax 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 annual debt service on all outstanding State Sales Tax Revenue Bonds, including the debt service on the Series 2018 Bonds, and (3) resulting debt service coverage. There can be no assurance that actual Sales Tax Revenue Bond Tax Fund Receipts will not be less than the amounts collected during the calculation period, as a result of numerous factors affecting New York State Sales Tax Receipts that cannot be predicted at this time.

**Debt Service Coverage on State Sales Tax Revenue Bonds
(Dollars in Thousands)**

| | |
|--|-------------|
| Sales Tax Revenue Bond Tax Fund Receipts | \$3,422,516 |
| Maximum Annual Debt Service | \$940,493 |
| Debt Service Coverage | 3.6x |

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 July 2, 2018), including assumed average State Sales Tax Revenue Bond issuances of approximately \$1.4 billion annually over the next four years, State Sales Tax Revenue Bond debt service coverage based only upon the Sales Tax Revenue Bond Tax Fund’s statutory allocation of an amount equal to a one percent rate of taxation is expected to decline from 4.0 times in State Fiscal Year 2018-19 to 3.8 times in State Fiscal Year 2021-22.

**Projected Debt Service Coverage on State Sales Tax Revenue Bonds
State Fiscal Years 2018-19 Through 2021-22
(Dollars in Thousands)**

| | <u>FY 2018-19</u> | <u>FY 2019-20</u> | <u>FY 2020-21</u> | <u>FY 2021-22</u> |
|---|-------------------|-------------------|-------------------|-------------------|
| Projected Sales Tax Revenue Bond Tax Fund Receipts | \$3,528,500 | \$3,665,750 | \$3,806,000 | \$3,949,000 |
| Projected New State Sales Tax Revenue Bonds Issuances | 1,326,720 | 1,366,521 | 1,407,517 | 1,449,742 |
| Projected Total State Sales Tax Revenue Bonds Outstanding | 8,292,216 | 9,317,915 | 10,149,634 | 11,131,916 |
| Projected Maximum Annual Debt Service | 875,228 | 993,468 | 1,117,603 | 1,052,942 |
| Projected Debt Service Coverage | 4.0x | 3.7x | 3.4x | 3.8x |

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

PART 5 — DESCRIPTION OF THE SERIES 2018 BONDS

General

The Series 2018 Bonds will bear interest, computed on the basis of a 360-day year and 30-day month, from their date of delivery payable on September 15, 2018, and on each March 15 and September 15 thereafter at the rates set forth on the inside cover page of this Official Statement. The Series 2018 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

The Series 2018 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 2018 Bonds. Principal or redemption price of and interest on the Series 2018 Bonds are payable by The Bank of New York Mellon, as Trustee and Paying Agent, to Cede & Co., so long as Cede & Co. is the registered owner of the Series 2018 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 2018C Bonds

The Series 2018C Bonds maturing on and before March 15, 2028 are not subject to optional redemption prior to maturity. The Series 2018 Bonds maturing after March 15, 2028 are subject to optional redemption prior to maturity on or after March 15, 2028, 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 2018D Bonds

The Series 2018D Bonds are subject to optional redemption prior to maturity as a whole or in part, at the option of DASNY, on any Business Day, (i) before March 15, 2028 at the Make-Whole Redemption Price described below, and (ii) on or after March 15, 2028, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Series 2018D 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 2018D Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2018D Bonds are to be redeemed, discounted to the date on which the Series 2018D 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 10 basis points, plus, in each case, accrued and unpaid interest on the Series 2018D 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 2018D 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.

Selection of Bonds to be Redeemed; Notice of Redemption

In the case of redemptions of Series 2018 Bonds at the option of DASNY, DASNY will select the maturities of the Series 2018 Bonds to be redeemed.

If less than all of the Series 2018C Bonds of a maturity are to be redeemed, the Trustee shall assign to each Outstanding Series 2018C Bond of such maturity to be redeemed a distinctive number for each unit of the principal amount of such Series 2018C Bonds, equal to the lowest denomination in which such Series 2018C 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 2018C Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which such Series 2018C Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2018C Bonds to be redeemed.

In the case of optional redemption of the Series 2018D Bonds, if less than all of the Series 2018D Bonds are to be redeemed, the particular Series 2018D 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 2018D 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 2018D 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 2018D Bonds on a “Pro Rata Pass-Through Distribution of Principal” basis, the Series 2018D Bonds will be selected for redemption by lot.

Any notice of redemption of the Series 2018 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2018 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 2018 Bonds are to be redeemed, the Trustee shall give notice, in the name of DASNY, of the redemption of such Series 2018 Bonds, which notice shall specify the Series 2018 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 2018 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2018 Bonds to be redeemed, if applicable, that such notice is conditional and the conditions that must be satisfied, and in the case of Series 2018 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 2018 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 2018 Bonds or portions thereof to be redeemed.

Notice of any redemption shall be mailed by the Trustee, postage prepaid, no less than thirty (30) days before the redemption date, to the Owners of any Series 2018 Bonds or portions of Series 2018 Bonds, which are to be redeemed, at their last address, if any, appearing upon the registry books.

PART 6 — THE PROJECTS

The Series 2018 Bonds are being issued for the purposes of financing Authorized Purposes.

It is expected that proceeds of the Series 2018 Bonds will be used to (a) finance or reimburse all or a portion of the costs of programs and projects within the State, including capital projects for educational facilities and rail, highway and bridge capital projects and other transportation infrastructure projects, and (b) refund certain outstanding State-supported debt previously issued by the Authorized Issuers. See “APPENDIX F—SUMMARY OF REFUNDED BONDS” for a complete list of bonds to be refunded..

Additionally, all or a portion of the cost of issuance of the Series 2018 Bonds will be financed with the proceeds thereof. **The Series 2018 Bonds are not secured by the Projects or any interest therein.**

PART 7—THE REFUNDING PLAN

A portion of the proceeds of the Series 2018C Bonds and the Series 2018D Bonds, together with other available funds, will be used to refund various series of State-supported debt issued by DASNY, UDC and the Thruway Authority, as listed in “APPENDIX F—SUMMARY OF REFUNDED BONDS” hereto (collectively, the “Refunded Bonds”).

Simultaneously with the issuance and delivery of the Series 2018 Bonds, a portion of the proceeds of the Series 2018C Bonds and the Series 2018D Bonds will be deposited in escrows with the various trustees for the respective Refunded Bonds and, together with other available funds, will be used to purchase securities (the “Defeasance Securities”), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the redemption price of and interest due on the applicable Refunded Bonds to their respective redemption dates. See “PART 18—VERIFICATION OF MATHEMATICAL COMPUTATIONS.” At the time of such deposit, DASNY, the Thruway Authority and UDC, as applicable, will give the trustees for the Refunded Bonds irrevocable instructions to give notices of the defeasance and 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 principal or redemption price of and interest coming due on the applicable Refunded Bonds to their respective redemption dates.

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 2018 Bonds. References to the Series 2018 Bonds under this caption "— Book-Entry Only System" shall mean all Series 2018 Bonds, the beneficial interests in which are owned in the United States. The Series 2018 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 2018 Bond certificate will be issued for each maturity of each series of the Series 2018 Bonds, each in the aggregate principal amount of such maturity (and interest rates, 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.

Purchases of the Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the related Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018 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 2018 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 2018 Bonds, except in the event that use of the book-entry system for the Series 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018 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 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018 Bonds;

DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018 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 any series of the Series 2018 Bonds within a stated maturity (and interest rates, if applicable) are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity (and interest rates, if applicable) to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2018 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 2018 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 2018 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 2018 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2018 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2018 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 2018 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 2018 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 2018 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 2018 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 2018 Bonds. In that event, Series 2018 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 2018 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 2018 BONDS.

So long as Cede & Co. is the registered owner of the Series 2018 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2018 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 2018 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 2018 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.

NEITHER DASNY NOR THE PURCHASERS SHALL 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 2018 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2018 BONDHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2018 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 2018 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 2018 Bonds, for the payment of debt service on other outstanding State Sales Tax Revenue Bonds and the aggregate total during each such period.

| 12-Month Period Ending March 31 | Series 2018 Bonds | | | Other Outstanding State Sales Tax Revenue Bonds Debt Service ⁽¹⁾⁽²⁾ | Aggregate Debt Service ⁽²⁾ |
|--|------------------------|------------------------|--------------------------|--|--|
| | Principal Payments | Interest Payments | Total Debt Service | | |
| 2019 | \$ 41,825,000 | \$ 56,089,357 | \$ 97,914,357 | \$ 742,423,752 | \$ 840,338,109 |
| 2020 | 24,115,000 | 83,485,706 | 107,600,706 | 601,177,049 | 708,777,755 |
| 2021 | 91,560,000 | 82,307,441 | 173,867,441 | 766,625,524 | 940,492,965 |
| 2022 | 142,510,000 | 78,209,859 | 220,719,859 | 577,460,214 | 798,180,073 |
| 2023 | 131,765,000 | 71,858,029 | 203,623,029 | 577,443,894 | 781,066,923 |
| 2024 | 88,330,000 | 65,320,479 | 153,650,479 | 563,029,644 | 716,680,123 |
| 2025 | 93,115,000 | 60,947,920 | 154,062,920 | 563,697,475 | 717,760,395 |
| 2026 | 77,875,000 | 56,335,880 | 134,210,880 | 534,512,313 | 668,723,193 |
| 2027 | 81,845,000 | 52,465,462 | 134,310,462 | 505,594,313 | 639,904,775 |
| 2028 | 72,560,000 | 48,396,137 | 120,956,137 | 477,276,563 | 598,232,700 |
| 2029 | 66,145,000 | 44,786,136 | 110,931,136 | 477,271,063 | 588,202,199 |
| 2030 | 54,005,000 | 41,491,924 | 95,496,924 | 477,276,713 | 572,773,637 |
| 2031 | 47,825,000 | 38,797,000 | 86,622,000 | 477,270,113 | 563,892,113 |
| 2032 | 50,215,000 | 36,405,750 | 86,620,750 | 477,266,613 | 563,887,363 |
| 2033 | 52,725,000 | 33,895,000 | 86,620,000 | 459,333,863 | 545,953,863 |
| 2034 | 55,360,000 | 31,258,750 | 86,618,750 | 459,331,450 | 545,950,200 |
| 2035 | 58,130,000 | 28,490,750 | 86,620,750 | 405,735,450 | 492,356,200 |
| 2036 | 61,035,000 | 25,584,250 | 86,619,250 | 353,803,700 | 440,422,950 |
| 2037 | 64,085,000 | 22,532,500 | 86,617,500 | 264,487,200 | 351,104,700 |
| 2038 | 67,295,000 | 19,328,250 | 86,623,250 | 264,479,950 | 351,103,200 |
| 2039 | 28,880,000 | 15,963,500 | 44,843,500 | 264,494,450 | 309,337,950 |
| 2040 | 30,320,000 | 14,519,500 | 44,839,500 | 264,491,075 | 309,330,575 |
| 2041 | 31,840,000 | 13,003,500 | 44,843,500 | 264,502,538 | 309,346,038 |
| 2042 | 33,430,000 | 11,411,500 | 44,841,500 | 264,495,375 | 309,336,875 |
| 2043 | 35,100,000 | 9,740,000 | 44,840,000 | 264,486,606 | 309,326,606 |
| 2044 | 36,855,000 | 7,985,000 | 44,840,000 | 214,961,250 | 259,801,250 |
| 2045 | 38,330,000 | 6,510,800 | 44,840,800 | 182,004,750 | 226,845,550 |
| 2046 | 39,865,000 | 4,977,600 | 44,842,600 | 162,368,200 | 207,210,800 |
| 2047 | 41,460,000 | 3,383,000 | 44,843,000 | 162,374,800 | 207,217,800 |
| 2048 | 43,115,000 | 1,724,600 | 44,839,600 | 85,300,800 | 130,140,400 |
| Total | <u>\$1,781,515,000</u> | <u>\$1,067,205,576</u> | <u>\$2,848,720,576</u> | <u>\$12,154,976,697</u> | <u>\$15,003,697,273</u> |

(1) The information set forth under the column captioned “Other Outstanding State Sales Tax Revenue Bonds Debt Service” reflects debt service on outstanding State Sales Tax Revenue Bonds and on State Sales 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 Sales Tax Revenue Bonds from time to time and to the extent that such other State Sales 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.

(2) Totals may not add due to rounding.

PART 10 — ESTIMATED SOURCES AND USES OF FUNDS

Series 2018C Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2018C Bonds:

| | |
|--|---------------------------|
| Sources of Funds | |
| Principal Amount of Series 2018C Bonds | \$1,707,610,000.00 |
| Original Issue Premium | 254,220,942.90 |
| Other Available Funds | <u>24,636,795.68</u> |
| Total Sources | <u>\$1,986,467,738.58</u> |
| Uses of Funds | |
| Deposit to Bond Proceeds Fund..... | \$1,295,000,000.00 |
| Deposit to Refunding Escrows..... | 673,888,497.09 |
| Costs of Issuance* | 14,977,828.44 |
| Underwriters' Discount..... | <u>2,601,413.05</u> |
| Total Uses..... | <u>\$1,986,467,738.58</u> |

*Includes New York State Bond Issuance Charge.

Series 2018D Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2018D Bonds:

| | |
|--|------------------------|
| Sources of Funds | |
| Principal Amount of Series 2018 Bonds..... | <u>\$73,905,000.00</u> |
| Total Sources | <u>\$73,905,000.00</u> |
| Uses of Funds | |
| Deposit to Bond Proceeds Fund..... | \$55,000,000.00 |
| Deposit to Refunding Escrows..... | 18,093,935.58 |
| Costs of Issuance* | 654,436.01 |
| Underwriters' Discount..... | <u>156,628.41</u> |
| Total Uses..... | <u>\$73,905,000.00</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 June 30, 2018, DASNY had approximately \$51.3 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 507 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 46 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. One of the appointments to the Board by the Governor is 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 term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

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 expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

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. Mr. Gardner is a partner of the law firm Kavinoky Cook, LLP in Buffalo, New York. His practice areas include corporate and securities law, commercial transactions, private placements, venture capital financing and business combinations representing private and public companies. Mr. Gardner is also an adjunct professor at the University of Buffalo Law School. He holds a Bachelor of Arts degree from Brown University and a Juris Doctor degree from the University of Chicago Law School. Mr. Gardner's term expired on March 31, 2015 and by law he continues to serve until a successor shall be chosen and qualified.

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 expired on August 31, 2016 and by law she continues to serve until a successor shall be chosen and qualified.

GERARD ROMSKI, ESQ., Mount Kisco.

Gerard Ronski was reappointed as a Member of DASNY by the Temporary President of the State Senate on May 9, 2016. 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.

PAUL S. ELLIS, ESQ., New York

Paul S. Ellis was appointed as a Member of DASNY by the Speaker of the State Assembly on September 19, 2016. Mr. Ellis is the Managing Member of Paul Ellis Law Group LLC, a law firm with a corporate/ securities/capital markets practice with emphasis on private placements, mergers and acquisitions, venture capital/ private equity transactions and joint ventures. He previously worked for Donovan Leisure Newton & Irvine and Winston & Strawn and served in staff positions in the U.S. Senate and the Massachusetts House of Representatives. He co-founded the New York Technology Council and serves on the Board of the NY Tech Alliance and as Chairman of the Housing Committee of Bronx Community Board 8. He holds a Bachelor of Arts degree from Harvard University and a Juris Doctor degree from Georgetown University Law Center.

MARYELLEN ELIA, *Commissioner of Education of the State of New York*, Loudonville; *ex-officio*.

MaryEllen Elia was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective July 6, 2015. As Commissioner of Education, Ms. Elia 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. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo's Sweet Home Central School District and taught for 19 years before becoming an administrator. She holds a Bachelor of Arts degree in History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

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

Howard A. Zucker, M.D., J.D., was appointed Commissioner of Health on May 5, 2015 after serving as Acting Commissioner of Health since May 5, 2014. Prior to that, 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 Juris Doctor degree from Fordham University School of Law and a Master of Laws degree from Columbia Law School.

ROBERT F. MUJICA, JR., *Budget Director of the State of New York*, Albany; *ex-officio*.

Robert F. Mujica Jr. was appointed Director of the Budget by the Governor and began serving on January 14, 2016. 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. Prior to his appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, he advised various elected and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his Bachelor of Arts degree in Sociology from Brooklyn College at the City University of New York. He received his Master's degree in Government Administration from the University of Pennsylvania and holds a Juris Doctor degree from Albany Law School.

The principal staff of DASNY is as follows:

GERRARD P. BUSHELL is the President and chief executive officer of DASNY. Mr. Bushell is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Bushell was Director, Senior Institutional Advisor of BNY Mellon's alternative and traditional investment management businesses. Prior thereto, he held a number of senior advisory roles, including Director, Client Partner Group at Kohlberg Kravis Roberts & Co. (KKR), Managing Director, Institutional Sales at Arden Asset Management LLC and Head of Institutional Sales at ClearBridge: a Legg Mason Company (formerly Citi Asset Management). Mr. Bushell previously served as Director of

Intergovernmental Affairs for New York State Comptroller H. Carl McCall. Mr. Bushell holds a Bachelor of Arts degree, Master of Arts degree and Ph.D. in Political Science from Columbia University.

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 of Arts degree in Economics from the State University of New York at Plattsburgh and a Master of Arts degree in Business Administration from the University of Massachusetts.

KIMBERLY J. NADEAU is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Nadeau is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable, financial reporting functions, budget, payroll, insurance and information services, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. She previously was Vice President-Accounting and Controller for US Light Energy. Prior to that she was Vice President-Accounting and Controller for CH Energy Group, Inc. and held various positions culminating in a director level position at Northeast Utilities. Ms. Nadeau also held various positions with increasing responsibility at Coopers & Lybrand LLP. She holds a Bachelor of Science degree in Accounting, a Master of Business Administration with a concentration in Management and a Juris Doctor degree from the University of Connecticut. She is licensed to practice law in New York and Connecticut.

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. In addition, he is responsible for the supervision of DASNY's environmental affairs unit. 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.

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 of Arts degree from the State University of New York at Albany.

STEPHEN D. CURRO is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, resource acquisition, contract administration, interior design, real property, sustainability and engineering, as well as other technical 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.

CAROLINE V. GRIFFIN is the Chief of Staff of DASNY. She is responsible for overseeing intergovernmental relations and managing the Communications & Marketing Department, as well as coordinating policy and operations across DASNY's multiple business lines. Ms. Griffin most recently served as the Director of Intergovernmental Affairs for Governor Andrew M. Cuomo where she worked as the Governor's liaison with federal, state and local elected officials and managed staff serving in various capacities in the Governor's Office. Prior to that she served as the Assistant Executive Deputy Secretary for Governor Andrew M. Cuomo overseeing the operations staff and Assistant Secretary for Intergovernmental Affairs for both Governor David A. Paterson and Governor Eliot Spitzer. She holds a Bachelor of Arts degree in Communications from Boston College.

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, 2018. 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 Sales Tax imposed pursuant to Sections 1105 and 1110 of the State 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

The Series 2018C Bonds

General

In the opinion of Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2018C Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2018C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed 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 for taxable years beginning prior to January 1, 2018. In rendering such opinion, Hawkins Delafield & Wood LLP has relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, DASNY, the New York State Department of Transportation ("DOT"), the Thruway 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 Corrections and Community Supervision ("DOCCS") and others, and Hawkins Delafield & Wood LLP has assumed compliance by, as applicable, DASNY, DOT, the Thruway Authority, SUNY, SUCF, CUNY, CUCF and DOCCS with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2018C Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Hawkins Delafield & Wood LLP, under existing statutes, interest on the Series 2018C 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).

Hawkins Delafield & Wood LLP expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2018C Bonds, or the ownership or disposition thereof, except as stated above. Hawkins Delafield & Wood LLP renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Hawkins Delafield & Wood LLP expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Hawkins Delafield & Wood LLP expresses no opinion on the effect of any action taken or not taken in reliance upon an

opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2018C Bonds.

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 2018C Bonds in order that interest on the Series 2018C 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 2018C 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 2018C 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, DOT, the Thruway Authority, SUNY, SUCF, CUNY, CUCF and DOCCS, as applicable, have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2018C 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 2018C Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2018C 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 2018C Bonds.

Prospective owners of the Series 2018C 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 2018C 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 2018C 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 2018C 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 and amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2018C 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 2018C 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 2018C 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 2018C Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2018C 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 2018C Bonds.

Prospective purchasers of the Series 2018C Bonds should consult their own tax advisors regarding the foregoing matters.

The proposed form of the opinion of Hawkins Delafield & Wood LLP relating to the Series 2018C Bonds is set forth in Appendix D hereto.

The Series 2018D Bonds

General

In the opinion of Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, interest on the Series 2018D 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 the 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

In the opinion of Hawkins Delafield & Wood, LLP, Co-Bond Counsel to DASNY, (i) interest on the Taxable Bonds is not excludable from gross income for United States Federal income tax purposes; and (ii) interest on the Taxable Bonds is exempt, under existing statutes, from personal income tax imposed by the State of New York or any political subdivision thereof (including The City of New York).

Original Issue Discount

For United States Federal income tax purposes, a Taxable Bond will be treated as issued with original issue discount (“OID”) if the excess of a Taxable Bond’s “stated redemption price at maturity” over its “issue price” equals or exceeds a statutorily determined de minimis amount. The “issue price” of each Taxable Bond in a particular issue equals the first price at which a substantial amount of such issue is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The “stated redemption price at maturity” of a Taxable Bond is the sum of all payments provided by such Taxable Bond other than “qualified stated interest” payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In general, if the excess of a Taxable Bond’s stated redemption price at maturity over its issue price is less than .25 percent of the Taxable Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity (the “de minimis amount”), then such excess, if any, constitutes de minimis OID, and the Taxable Bond is not treated as being issued with OID and all payments of stated interest (including stated interest that would otherwise be characterized as OID) is treated as qualified stated interest, as described below.

Payments of qualified stated interest on a Taxable Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received in accordance with the U.S.

Holder's regular method of tax accounting. A U.S. Holder of a Taxable Bond having a maturity of more than one year from its date of issue generally must include OID in income as ordinary interest as it accrues on a constant-yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. The amount of OID included in income by the U.S. Holder of a Taxable Bond is the sum of the daily portions of OID with respect to such Taxable Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Taxable Bond. The daily portion of OID on any Taxable Bond is determined by allocating to each day in any "accrual period" a ratable portion of the OID allocable to the accrual period. All accrual periods with respect to a Taxable Bond may be of any length and the accrual periods may vary in length over the term of the Taxable Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or final day of an accrual period. The amount of OID allocable to an accrual period is generally equal to the difference between (i) the product of the Taxable Bond's "adjusted issue price" at the beginning of such accrual period and such Taxable Bond's yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Taxable Bond at the beginning of any accrual period is the issue price of the Taxable Bond plus the amount of accrued OID includable in income for all prior accrual periods minus the amount of any prior payments on the Taxable Bond other than qualified stated interest payments. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (i) the amount payable at the maturity of the Taxable Bond (other than a payment of qualified stated interest) and (ii) the Taxable Bond's adjusted issue price as of the beginning of the final accrual period. Under the OID rules, U.S. Holders generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may elect to include in gross income all interest that accrues on a Taxable Bond using the constant-yield method described immediately above under the heading "Original Issue Discount," with the modifications described below. For purposes of this election, interest includes, among other things, stated interest, OID and de minimis OID, as adjusted by any amortizable bond premium described below under the heading "Bond Premium". In applying the constant-yield method to a Taxable Bond with respect to which this election has been made, the issue price of the Taxable Bond will equal its cost to the electing U.S. Holder, the issue date of the Taxable Bond will be the date of its acquisition by the electing U.S. Holder, and no payments on the Taxable Bond will be treated as payments of qualified stated interest. The election will generally apply only to the Taxable Bond with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service. If this election is made with respect to a Taxable Bond with amortizable bond premium, then the electing U.S. Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludable from gross income) held by the electing U.S. Holder as of the beginning of the taxable year in which the Taxable Bond with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the Internal Revenue Service.

U.S. Holders of any Taxable Bonds issued with OID should consult their own tax advisors with respect to the treatment of OID for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Bonds.

Bond Premium

In general, if a U.S. Holder acquires a Taxable 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 Taxable 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 Taxable Bond (a “Taxable Premium Bond”). In general, if a U.S. Holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable 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 highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to such holder’s basis in the Taxable Premium Bond. Any such election applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired, and is irrevocable without the Internal Revenue Service’s consent. A U.S. Holder of a Taxable Premium Bond that so elects to amortize bond premium does so by offsetting the qualified stated interest allocable to each interest accrual period under the U.S. Holder’s regular method of Federal tax accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is treated as a bond premium deduction under Section 171(a)(1) of the Code, subject to certain limitations. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules may apply with respect to the amortization of bond premium. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder’s original acquisition cost.

U.S. Holders of any Taxable Premium Bonds should consult their own tax advisors with respect to 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, and disposition of Taxable Premium Bonds.

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”), 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 for 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.

The proposed form of the opinion of Hawkins, Delafield & Wood LLP relating to the Series 2018D Bonds is set forth in 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 2018 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2018 Bonds are to be issued, (ii) the pledge effected under the General Resolution, or (iii) the validity of any provision of the Enabling Act, the Series 2018 Bonds, the General Resolution or the Financing Agreement.

PART 15 — CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2018 Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York and Golden Holley James 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 2018 Bonds. The proposed forms of such opinions are included in this Official Statement as Appendix D.

PART 16 — SALE BY COMPETITIVE BIDDING

The Series 2018C Bonds were awarded pursuant to four separate competitive bidding processes on July 11, 2018. The Series 2018C Group 1 Bonds, comprised of Series 2018C Bonds maturing in the years 2019 through 2023, inclusive, were sold to J.P. Morgan Securities LLC. The Series 2018C Group 2 Bonds, comprised of Series 2018C Bonds maturing in the years 2024 through 2028, inclusive, and the Series 2018C Group 3 Bonds, comprised of Series 2018C Bonds maturing in the years 2029 through 2036, inclusive, were sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated. The Series 2018C Group 4 Bonds, comprised of Series 2018C Bonds maturing in the years 2037 through 2048, inclusive, were sold to Morgan Stanley & Co. LLC. The Series 2018C Bonds will be purchased by the respective purchasers at an aggregate price of \$1,959,229,529.85, which reflects original issue premium of \$254,220,942.90 and an underwriters' discount of \$2,601,413.05.

The Series 2018D Bonds also were awarded, pursuant to a competitive bidding process, on July 11, 2018 to Morgan Stanley & Co. LLC. The Series 2018D Bonds will be purchased at a price of \$73,748,371.59, which reflects an underwriter's discount of \$156,628.41.

The respective purchasers have supplied the information as to the initial public offering prices of the Series 2018 Bonds as set forth on the inside cover of this Official Statement. The Series 2018 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 2018 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 2018 Bonds.

PART 18—VERIFICATION OF MATHEMATICAL COMPUTATIONS

When the Series 2018 Bonds are issued, Samuel Klein and Company, Certified Public Accountants (the "Verification Agent"), will deliver its 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 principal or redemption price coming due on the Refunded Bonds and (b) certain calculations relating to the Refunded Bonds and the Series 2018C Bonds. See "PART 7—THE REFUNDING PLAN."

PART 19— RATINGS

The Series 2018 Bonds are rated "AA+" by Fitch Ratings and "AAA" by S&P Global Ratings. An explanation of the significance of such ratings should be obtained from the respective rating agency furnishing the same. There is no assurance that such ratings and/or outlooks will prevail for any given period of time or that they will not be changed or withdrawn by such rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings and/or outlooks may

have an adverse effect on the market price of the Series 2018 Bonds. A securities rating is not a recommendation to buy, sell or hold securities.

PART 20 — CONTINUING DISCLOSURE

In order to assist the initial purchasers of the Series 2018 Bonds in complying with Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended, DASNY, the State and the Trustee have entered into a Master Continuing Disclosure Agreement (the “Master Disclosure Agreement”) for the benefit of the holders of all State Sales Tax Revenue Bonds, including the holders of the Series 2018 Bonds, to provide continuing disclosure of certain financial and operating data concerning the State and the sources of the Sales Tax Revenue Bond Tax Fund Receipts (collectively, the “Annual Information”) in accordance with the requirements of Rule 15c2-12 and as described in the Master Disclosure Agreement. It is expected that on or before the issuance of State Sales Tax Revenue Bonds, if any, by each of the other Authorized Issuers, such Authorized Issuer and the applicable trustee will join as parties to the Master Disclosure Agreement by executing the same. See “APPENDIX E — FORM OF MASTER CONTINUING DISCLOSURE AGREEMENT.”

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 undertaken or are expected to undertake, for the benefit of all holders of the State Sales Tax Revenue Bonds, including holders of Series 2018 Bonds, 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 Sales Tax Revenue Bonds, including the holders of the Series 2018 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 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 undertakings of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Sales Tax Revenue Bonds, including the holders of the Series 2018 Bonds, may recover monetary damages thereunder under any circumstances. Any holder of State Sales Tax Revenue Bonds, including the holders of Series 2018 Bonds, including any beneficial owner, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders 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 any previous undertakings pursuant to Rule 15c2-12 in relation to State Sales Tax Revenue Bonds. Pursuant to the terms of the Master Disclosure Agreement, DASNY, as conduit issuer of State Sales Tax Revenue Bonds, has agreed in such contract to provide notices of certain events as described in such Agreement and has complied with such contractual undertaking in all material respects. The Master Disclosure Agreement is intended to set forth 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 where 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 will be provided. As a result, the parties to the Master Disclosure Agreement do not anticipate 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 Sales Tax Revenue Bonds — Sales Tax Revenue Bond Tax Fund Receipts,” as to which no representation is made), (ii) “PART 2 — INTRODUCTION” (the second, third, fourth, sixth, seventh, eighth and eleventh (other than the last sentence thereof) paragraphs only), (iii) “PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS,” (iv) “PART 4 — SOURCES OF NEW YORK STATE SALES TAX RECEIPTS FOR THE SALES TAX REVENUE BOND TAX FUND,” (v) “PART 9 — DEBT SERVICE REQUIREMENTS” as to the column “Other Outstanding State Sales Tax Revenue Bonds Debt Service” and (vi) “PART 20 — CONTINUING DISCLOSURE” (the first sentence of the fourth paragraph only), 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 or her attention that would lead him or her 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 or she believes to be reliable and he or she 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 or her information and belief, having made such inquiries as he or she 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 2018 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 2018 Bonds.

The references herein to Authority Act, the Enabling Act, 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 2018 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2018 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2018 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.

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/ Gerrard P. Bushell
Authorized Officer

APPENDIX A
INFORMATION CONCERNING THE STATE OF
NEW YORK

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 July 2, 2018. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at <http://www.budget.ny.gov>.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2017 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 28, 2017 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]



New York State Annual Information Statement

July 2, 2018

[THIS PAGE INTENTIONALLY LEFT BLANK]

| | |
|--|-----|
| INTRODUCTION | 1 |
| Usage Notice | 3 |
| BUDGETARY AND ACCOUNTING PRACTICES | 7 |
| Significant Budgetary and Accounting Practices..... | 7 |
| FINANCIAL PLAN OVERVIEW | 13 |
| Budget Negotiations and Subsequent Events | 14 |
| Annual Spending Growth..... | 16 |
| Impact of Federal Tax Law Changes | 17 |
| General Fund Cash-Basis Financial Plan | 24 |
| FY 2019 Detailed General Fund Gap-Closing Plan | 29 |
| Changes to Executive Budget..... | 35 |
| State Operating Funds – Summary of Annual Spending Changes..... | 37 |
| Extraordinary Monetary Settlements | 41 |
| Other Matters Affecting the Financial Plan..... | 46 |
| STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2018 THROUGH 2022 | 67 |
| Introduction | 67 |
| Summary | 68 |
| Receipts | 71 |
| Disbursements..... | 85 |
| PRIOR FISCAL YEARS | 131 |
| Cash-Basis Results for Prior Fiscal Years | 134 |
| State Operating Funds FY 2016 Through FY 2018 | 137 |
| All Funds FY 2016 Through FY 2018 | 141 |
| GAAP-Basis Results for Prior Fiscal Years..... | 148 |
| ECONOMICS AND DEMOGRAPHICS | 151 |
| The U.S. Economy | 151 |
| The New York Economy | 154 |
| Economic and Demographic Trends | 158 |
| CAPITAL PROGRAM AND FINANCING PLAN OVERVIEW | 163 |
| Capital Plan..... | 163 |
| Financing FY 2019 Capital Projects Spending | 166 |
| Financing Plan | 167 |
| State-Supported Debt Outstanding | 169 |
| State-Related Debt Outstanding..... | 177 |
| Borrowing Plan | 179 |
| State-Related Debt Service Requirements..... | 181 |
| State Bond Caps and Debt Outstanding | 184 |
| For More Information | 184 |
| AUTHORITIES AND LOCALITIES | 187 |
| Public Authorities..... | 187 |
| Localities | 189 |
| The City of New York..... | 189 |
| Other Localities | 191 |
| STATE GOVERNMENT EMPLOYMENT | 197 |
| STATE RETIREMENT SYSTEM | 203 |
| General | 203 |
| The System..... | 204 |
| Comparison of Benefits by Tier..... | 204 |
| Contributions and Funding..... | 205 |
| Pension Assets and Liabilities | 208 |
| Additional Information Regarding the System..... | 212 |
| LITIGATION | 215 |
| General | 215 |
| Real Property Claims..... | 216 |
| School Aid..... | 216 |
| Canal System Financing..... | 219 |
| EXHIBIT A - SELECTED STATE GOVERNMENT SUMMARY | 223 |
| EXHIBIT B - STATE-RELATED BOND AUTHORIZATIONS | 229 |
| EXHIBIT C - GAAP-BASIS FINANCIAL PLAN | 235 |
| EXHIBIT D - PRINCIPAL STATE TAXES AND FEES | 239 |
| EXHIBIT E - GLOSSARY OF FINANCIAL TERMS | 251 |
| EXHIBIT F - GLOSSARY OF ACRONYMS | 259 |

[THIS PAGE INTENTIONALLY LEFT BLANK]

Introduction

[THIS PAGE INTENTIONALLY LEFT BLANK]

This Annual Information Statement (AIS) is dated July 2, 2018 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 20, 2017 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 fiscal year 2019 (FY 2019)¹ Enacted Budget Financial Plan (the “Enacted Budget Financial Plan”), issued by the Division of the Budget (DOB) in May 2018. The Enacted Budget Financial Plan sets forth the State’s official financial projections for FY 2019 through FY 2022. It includes, among other things, information on the major components of the FY 2019 General Fund gap-closing plan, future potential General Fund budget gaps, and multi-year projections of receipts and disbursements in the State’s operating funds. While the disclosure contained in this AIS is derived from the Enacted Budget Financial Plan, this AIS contains certain updates to information set forth in the Enacted Budget Financial Plan which are not deemed by DOB to materially change the projections contained in the Enacted Budget Financial Plan. DOB next expects to update the State’s multi-year financial projections in July 2018 with the First Quarterly Update to the Financial Plan.
2. Note that the Enacted Budget Financial Plan projections do not reflect approximately \$294 million in recent monetary settlements between the Department of Financial Services (DFS) and major financial and other institutions, which are described under the heading “Financial Plan Overview – Extraordinary Monetary Settlements”. A discussion of issues and risks that may affect the State’s financial projections during the 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 that has the potential to adversely affect the State’s finances.

DOB is responsible for preparing the State’s Enacted Budget 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).

¹ The State fiscal year is identified by the calendar year in which it ends. For example, FY 2019 is the fiscal year that began on April 1, 2018 and ends on March 31, 2019.

In particular, information contained in the section entitled “State Retirement System” has been furnished by OSC, while information relating to matters described in the section entitled “Litigation” 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. Investors and other market participants should, however, refer to this AIS, as updated or supplemented, for the most current official information regarding the financial position of the State.

The factors affecting the State's financial condition are numerous and complex. This AIS contains "forward-looking statements" relating to future results and economic performance 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 at the time they were prepared 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”, “assumes” and analogous expressions are intended to identify forward-looking statements in this 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 projections. Such risks and uncertainties include, but are not limited to, 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 these risks and uncertainties are beyond the control of the State. These forward-looking statements are based on the State's expectations as of the date of this AIS.

Note that all FY 2018 financial results contained within this AIS are unaudited and preliminary.

The annual independent audit of the State's Basic Financial Statements for the fiscal year ending March 31, 2018 is expected to be completed by July 29, 2018. 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, 2018. These reports will contain the final FY 2018 financial results. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2017 are available in electronic form at www.osc.state.ny.us and at 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. 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 at 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. No incorporation by reference or republication of any information contained on any website is intended or shall be deemed to have occurred as a result of the inclusion of any website address in this AIS.

Neither this AIS nor any portion thereof may be: (i) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224, or (ii) considered to be continuing disclosure in connection with any offering unless a CDA relating to the offered 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]



Budgetary and Accounting Practices

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 most State taxes and all income not earmarked for a specified program or activity. State law requires the Governor to submit, and the Legislature to enact, a General Fund budget that is balanced. The General Fund is balanced using the 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 required by law to be balanced, the focus of the State's budgetary and gap-closing discussion in this AIS 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, but not uniformly, 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 in the General Fund, as well as State-funded special revenue funds and Debt Service Funds (spending from Capital Projects Funds and Federal funds are excluded). As a significant amount of financial activity occurs in funds outside of the General Fund, State Operating Funds is, 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 eliminates 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 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. The State's adherence to a 2 percent annual spending growth benchmark is calculated on the State Operating Funds basis.

As described later in this AIS, the Enacted Budget Financial Plan reflects some actions that have affected, or are intended to affect, the amount of annual spending accounted for in the State Operating Funds basis of reporting. These include but are not limited to: (i) realignment of certain operating costs to the capital budget to provide greater consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; (iii) the restructuring of the School Tax Relief (STAR) program such that the spending for certain benefits is instead provided as a tax credit consistent with other State tax credits; (iv) appropriation of certain operating costs for the Department of Transportation (DOT) and Department of Motor Vehicles (DMV) from the General Fund instead of the DHBTF, a change which will increase reported disbursements from State Operating Funds; and (v) an amendment to the enabling statute for the Payroll Mobility Tax (PMT) to no longer require that receipts payable to the Metropolitan Transportation Authority (MTA) be appropriated by the State Legislature, a change which is intended to improve credit quality of MTA bonds that may be secured by the PMT, and has the effect of lowering State Operating Funds receipts and disbursements. In general, if these and other transactions are not executed or reported in a manner consistent with DOB's interpretation of legislation included with the FY 2019 Enacted Budget (the "Enacted Budget"), then the annual spending growth in State Operating Funds would be higher than Enacted Budget Financial Plan projections.

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 Enacted Budget Financial Plan tables present 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 specified purposes; 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 on the State's behalf by 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). The GAAP-basis financial plan is informational only. It is not used by DOB as a benchmark for managing State finances during the fiscal year, nor 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, but there can be no assurance that the pro forma GAAP financial plan conforms to all GAAP principles.

The Enacted Budget Financial Plan projections for future years may show budget gaps or budget surpluses 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 projected level of resources, including transfers from other funds, to pay for these disbursements. The General Fund projections are based on many assumptions and are 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 general, the Enacted Budget 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 reviewed annually, considering the current and projected fiscal position of the State.

The Enacted Budget Financial Plan projections for FY 2020 and thereafter reflect savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending, as State Operating Funds is currently constituted in the Enacted Budget Financial Plan, to no greater than 2 percent. Total disbursements in the tables and narrative contained in this AIS do not reflect these assumed savings, which are reflected instead on a distinct line and labeled “Adherence to 2% Spending Benchmark.” Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors that are currently unknown. If the 2 percent annual State Operating Funds spending growth benchmark is not adhered to, projected budget gaps would be higher (or projected surpluses would be lower).

Differences may occur from time to time between the State's Financial Plan and OSC's financial reports in the presentation and reporting of receipts and disbursements. For example, the Enacted Budget Financial Plan may reflect a net expenditure amount while OSC may report the gross amount of the expenditure. Any such differences in reporting between DOB and OSC could result in differences in the presentation and reporting of receipts and disbursements for discrete funds, as well as differences in the presentation and reporting for total receipts and disbursements under different fund perspectives (e.g., State Operating Funds and All Governmental Funds).

[THIS PAGE INTENTIONALLY LEFT BLANK]

Financial Plan Overview

[THIS PAGE INTENTIONALLY LEFT BLANK]

The following table provides certain Financial Plan information for FY 2018 and FY 2019.

| FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars) | | | | |
|---|----------------------|----------------|--------------------------------|----------------|
| | FY 2018 | | FY 2019 | |
| | Revised ¹ | Results | Executive Amended ² | Enacted |
| State Operating Funds Disbursements | | | | |
| Size of Budget | \$98,126 | \$98,151 | \$99,977 | \$100,135 |
| Annual Growth | 2.0% | 2.0% | 1.9% | 2.0% |
| Other Disbursement Measures | | | | |
| General Fund (Excluding Transfers) ³ | \$60,343 | \$59,872 | \$62,890 | \$70,361 |
| Annual Growth | 4.1% | 3.2% | 5.0% | 17.5% |
| General Fund (Including Transfers) ^{3,4} | \$70,023 | \$69,724 | \$74,232 | \$76,601 |
| Annual Growth | 2.9% | 2.4% | 6.5% | 9.9% |
| Capital Budget (Federal and State) | \$12,675 | \$10,640 | \$14,490 | \$14,474 |
| Annual Growth | 24.8% | 4.8% | 36.2% | 36.0% |
| Federal Operating Aid | \$53,636 | \$54,953 | \$53,718 | \$55,673 |
| Annual Growth | 5.9% | 8.5% | -2.2% | 1.3% |
| All Funds ⁵ | \$164,437 | \$163,744 | \$168,185 | \$170,282 |
| Annual Growth | 4.7% | 4.3% | 2.7% | 4.0% |
| Capital Budget (Including "Off-Budget" Capital) ⁶ | \$13,359 | \$11,284 | \$15,165 | \$15,146 |
| Annual Growth | 24.4% | 5.1% | 34.4% | 34.2% |
| All Funds (Including "Off-Budget" Capital) ⁶ | \$165,121 | \$164,388 | \$168,860 | \$170,954 |
| Annual Growth | 4.8% | 4.3% | 2.7% | 4.0% |
| Inflation (CPI) | 2.0% | 2.1% | 2.2% | 2.3% |
| All Funds Receipts | | | | |
| Taxes | \$78,952 | \$79,266 | \$77,429 | \$77,923 |
| Annual Growth | 6.2% | 6.6% | -2.3% | -1.7% |
| Miscellaneous Receipts | \$27,829 | \$27,262 | \$27,899 | \$28,005 |
| Annual Growth | 4.6% | 2.5% | 2.3% | 2.7% |
| Federal Receipts (Operating and Capital) | \$57,777 | \$58,942 | \$57,878 | \$60,083 |
| Annual Growth | 4.3% | 6.4% | -1.8% | 1.9% |
| Total Receipts ⁵ | \$164,558 | \$165,470 | \$163,206 | \$166,011 |
| Annual Growth | 5.2% | 5.8% | -1.4% | 0.3% |
| General Fund Cash Balance | <u>\$9,167</u> | <u>\$9,445</u> | <u>\$5,120</u> | <u>\$5,504</u> |
| Tax Stabilization/Rainy Day Reserve | \$1,798 | \$1,798 | \$1,798 | \$1,798 |
| Extraordinary Monetary Settlements | \$4,749 | \$5,020 | \$2,646 | \$3,013 |
| All Other Reserves/Fund Balances | \$2,620 | \$2,627 | \$676 | \$693 |
| Debt | | | | |
| Debt Service as % All Funds Receipts | 3.9% | 4.0% | 3.5% | 3.3% |
| State-Related Debt Outstanding | \$51,970 | \$51,631 | \$55,182 | \$54,964 |
| Debt Outstanding as % Personal Income | 4.3% | 4.3% | 4.3% | 4.3% |
| State Workforce FTEs (Subject to Direct Executive Control) - All Funds | 118,512 | 117,397 | 118,705 | 118,868 |

¹ FY 2018 "Revised" estimates reflect the estimates in the FY 2019 Executive Budget, as amended.

² The annual percentage change calculations in the FY 2019 "Executive Amended" column have been updated to reflect FY 2018 results.

³ FY 2019 Enacted Budget for the General Fund, with and without transfers, excludes the reclassification to the General Fund of mental hygiene funds from Special Revenue Funds, and certain DOT and DMV operating expenses from the Dedicated Highway and Bridge Trust Fund.

⁴ Annual growth includes the planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds.

⁵ All Funds disbursements are expected to exceed receipts (including other financing sources) in FY 2019 with the difference funded from other available resources, including Extraordinary Monetary Settlements and GO bond proceeds used to reimburse planned first instance capital spending.

⁶ Includes capital spending that occurs outside the All Funds budget financed directly from State-supported bond proceeds held by public authorities.

Budget Negotiations and Subsequent Events

The Governor submitted the Executive Budget proposal to the Legislature on January 16, 2018, and amendments to it on February 16, 2018, in accordance with statutory requirements. In developing the FY 2019 Executive Budget, as proposed in January 2018 and amended in February 2018 (the “Executive Budget”), DOB estimated that the State faced a potential budget gap² of approximately \$4.4 billion for FY 2019. DOB estimated that, if enacted without modification, the Executive Budget Financial Plan would have provided for balanced operations in the General Fund, as required by law, and limited annual growth in State Operating Funds spending to 2 percent.

Legislative Action on the Executive Budget

By March 30, 2018, the Legislature had voted to approve the appropriations and accompanying legislation that comprise the Enacted Budget. Consistent with past practice, the Legislature enacted the annual debt service appropriations on March 22, 2018 in advance of other appropriations. The Governor completed his review of all FY 2019 budget bills, including exercising his line-item veto of certain appropriations added by the Legislature, on April 13, 2018.

During budget negotiations, the Governor and Legislature agreed to \$1.1 billion of new costs for General Fund additions, spending restorations, and tax law changes to the Executive Budget.³ The Enacted Budget Financial Plan includes savings and resources in FY 2019 that DOB estimates will be sufficient to fund the negotiated additions, restorations, and tax law changes to the Executive Budget, as well as to fully cover the new costs.

DOB estimates that the Enacted Budget is balanced on a cash basis in the General Fund, as required by law, and limits the expected annual growth in State Operating Funds spending to 2 percent.⁴ Enacted Budget Financial Plan projections reflect changes to the Executive Budget proposal made during negotiations, updated data on economic activity and tax receipts, and operating results for FY 2018.

² Budget gaps represent the difference between (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and (b) the expected level of resources to pay for them. The estimates are based on many assumptions and projections developed by the DOB in consultation with State agencies.

³ Additions represent distinct new spending added to the Executive Budget Financial Plan. Restorations are costs from the rejection of certain savings proposals contained in the Executive Budget Financial Plan.

⁴ As State Operating Funds is currently constituted, including changes enacted with the FY 2019 Budget that affect the calculation of annual spending.

The following table summarizes the multi-year impact of the Enacted Budget on General Fund operations. The table begins with the initial “base level” budget gaps (i.e., the gaps projected prior to the submission of the Executive Budget⁵) and ends with the Enacted Budget surplus/(gap) projections.

| GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS | | | | |
|--|--------------|--------------|--------------|--------------|
| FY 2019 ENACTED BUDGET | | | | |
| GAP-CLOSING PLAN | | | | |
| (millions of dollars) | | | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| INITIAL BUDGET SURPLUS/(GAP) ESTIMATE ¹ | (4,443) | (6,385) | (8,053) | (8,413) |
| Spending Changes | 1,951 | 1,010 | 607 | 925 |
| Local Assistance | 1,242 | 1,479 | 1,056 | 1,540 |
| Agency Operations | 68 | (79) | (146) | (280) |
| Debt Management/Capital Projects | 557 | (55) | 8 | (16) |
| FY 2018 Payment of FY 2019 Expenses | 594 | 0 | 0 | 0 |
| Legislative Initiatives ² | (510) | (335) | (311) | (319) |
| Resource Changes | 1,887 | 743 | 279 | 435 |
| Revenue Actions | 605 | 605 | 221 | 96 |
| ENACTED BUDGET SURPLUS/(GAP) ESTIMATE ¹ | 0 | (4,027) | (6,946) | (6,957) |
| Adherence to 2% Spending Benchmark³ | 0 | 3,247 | 5,548 | 6,470 |
| ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AT 2% | 0 | (780) | (1,398) | (487) |
| ¹ Before actions to adhere to the 2 percent benchmark. | | | | |
| ² 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" and "Revenue Actions" categories. | | | | |
| ³ Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower). | | | | |

The Enacted Budget Financial Plan projects potential General Fund budget gaps of \$4.0 billion in FY 2020, \$6.9 billion in FY 2021, and \$7.0 billion in FY 2022. The outyear gaps are affected by the expiration of the top PIT rate (taxable incomes exceeding \$1,077,550 for single filers and more than \$2,155,350 for married couples filing jointly) of 8.82 percent at the end of tax year 2019, which is scheduled to drop to 6.85 percent absent legislative action. However, DOB estimates that if future budgets hold spending growth to 2 percent annually in State Operating Funds, the General Fund would have potential budget gaps of \$780 million in FY 2020, \$1.4 billion in FY 2021, and \$487 million in FY 2022. These calculations assume that all savings from the reductions in spending are made available to the General Fund. The spending benchmark is calculated on a cash basis, as described elsewhere in this AIS, and based on the current composition of the State Operating Funds.

⁵ Projected as of the FY 2018 Mid-Year Update to the Financial Plan, dated November 2017.

Annual Spending Growth

DOB estimates spending in State Operating Funds will grow at 2 percent from FY 2018 to FY 2019, consistent with the 2 percent spending growth benchmark. The table below illustrates major sources of annual change in State spending by major program, purpose and fund perspective.

| STATE SPENDING MEASURES (millions of dollars) | | | | |
|---|--------------------|--------------------|---------------|--------------|
| | FY 2018 Results | FY 2019 Enacted | Annual Change | |
| | | | \$ | % |
| LOCAL ASSISTANCE | 65,604 | 66,752 | 1,148 | 1.7% |
| School Aid (School Year Basis) | 25,639 | 26,553 | 914 | 3.6% |
| DOH Medicaid ¹ | 19,143 | 20,358 | 1,215 | 6.3% |
| Transportation ² | 5,025 | 3,961 | (1,064) | -21.2% |
| STAR ³ | 2,589 | 2,459 | (130) | -5.0% |
| Social Services | 2,837 | 2,972 | 135 | 4.8% |
| Higher Education | 2,833 | 3,065 | 232 | 8.2% |
| Mental Hygiene | 2,350 | 2,257 | (93) | -4.0% |
| All Other ⁴ | 5,188 | 5,127 | (61) | -1.2% |
| STATE OPERATIONS/GENERAL STATE CHARGES | 26,674 | 28,001 | 1,327 | 5.0% |
| State Operations | 18,821 | 19,459 | 638 | 3.4% |
| Personal Service: | 13,170 | 13,542 | 372 | 2.8% |
| Executive Agencies | 7,314 | 7,375 | 61 | 0.8% |
| DOT/DMV Operations Reclassification | 0 | 167 | 167 | 0.0% |
| University Systems | 3,806 | 3,921 | 115 | 3.0% |
| Elected Officials | 2,050 | 2,079 | 29 | 1.4% |
| Non-Personal Service: | 5,651 | 5,917 | 266 | 4.7% |
| Executive Agencies | 2,690 | 2,817 | 127 | 4.7% |
| DOT/DMV Operations Reclassification | 0 | 115 | 115 | 0.0% |
| University Systems | 2,377 | 2,382 | 5 | 0.2% |
| Elected Officials | 584 | 603 | 19 | 3.3% |
| General State Charges | 7,853 | 8,542 | 689 | 8.8% |
| Pension Contribution | 2,442 | 2,469 | 27 | 1.1% |
| Health Insurance | 3,963 | 4,286 | 323 | 8.2% |
| Other Fringe Benefits/Fixed Costs | 1,448 | 1,787 | 339 | 23.4% |
| DEBT SERVICE | 5,873 | 5,382 | (491) | -8.4% |
| TOTAL STATE OPERATING FUNDS | 98,151 | 100,135 | 1,984 | 2.0% |
| Capital Projects (State and Federal Funds) | 10,640 | 14,474 | 3,834 | 36.0% |
| Federal Operating Aid | 54,953 | 55,673 | 720 | 1.3% |
| TOTAL ALL GOVERNMENTAL FUNDS | 163,744 | 170,282 | 6,538 | 4.0% |

¹ Total State share Medicaid funding excludes Master Settlement Agreement (MSA) payments to the State that will be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund to defray the cost of the State's takeover of Medicaid costs for counties and New York City.

² The FY 2019 amount does not include the MTA PMT because the Enacted Budget provides that the PMT will be remitted to MTA without an appropriation beginning in FY 2019.

³ The FY 2018 Enacted Budget converted the New York City Personal Income Tax (PIT) rate reduction benefit to a nonrefundable State PIT credit. This change has no impact on STAR benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "STAR Program" in "State Financial Plan Projections Fiscal Years 2018 Through 2022" herein.

⁴ "All Other" includes a reconciliation between school year and State fiscal year spending for School Aid. On a State fiscal year basis, School Aid is estimated to total \$26.5 billion in FY 2019, an increase of \$1 billion from FY 2018. It also includes the portion of the State's takeover of Medicaid costs for counties and New York City that will be funded from MSA payments deposited directly to the MMIS Escrow Fund (\$435 million in FY 2019) and therefore reduces reported disbursements. Lastly, it includes spending for public health, other education, local government assistance, parks, environment, economic development, and public safety, as well as reclassifications.

Impact of Federal Tax Law Changes

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (TCJA) (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which are effective in the 2018 tax year. The new Federal tax law makes extensive changes to Federal personal income taxes, corporate income taxes, and estate taxes.

The State's income tax system interacts with the Federal system in numerous ways. The changes to the Federal tax code will have significant flow-through effects on state tax burdens and state tax receipts. From the standpoint of individual New York State taxpayers, one of the most onerous provisions in the TCJA is a new \$10,000 limit on the deductibility of State and Local Tax (SALT) payments, effective for tax year 2018. The TCJA's SALT limit represents a large increase in the State's effective tax rate relative to historical experience, and may adversely affect New York's economic competitiveness.

DOB and the Department of Taxation and Finance (DTF) estimate that the SALT limit raises Federal tax liability for New York taxpayers by \$14.3 billion for tax year 2018, relative to what taxpayers would have paid absent the limitation. Over the course of the eight years the SALT limit is scheduled to be in effect, the State estimates that resident taxpayers who itemize at the Federal level for each year through 2025 will collectively pay an additional \$121 billion in Federal taxes relative to what they would have paid absent the SALT limit.

Moreover, the TCJA contains numerous provisions that may adversely affect residential real estate prices in New York State and elsewhere, of which the SALT limit is the most significant. A loss of wealth associated with a decline in home prices could have a statistically significant impact on household spending in the State through the wealth effect, whereby consumers perceive the rise and fall of the value of an asset, such as a home, as a corresponding increase or decline in income, causing them to alter their spending practices. Reductions in household spending by New York residents, if they were to occur, would be expected to result in lower sales for the State's businesses, which, in turn, would cause further reductions in economic activity and employment. Lastly, falling home prices could result in homeowners delaying the sale of their homes. The combined impact of lower home prices and fewer sales transactions could result in lower real estate transfer tax collections.

In sum, the Federal tax law changes may intensify migration pressures and erode the value of home prices, thereby posing risks to the State's tax base.

State Response to Federal Tax Law Changes

The Enacted Budget includes State tax reforms intended to mitigate issues arising from the Federal law, including decoupling many State tax provisions from the Federal changes, the creation of an optional payroll tax program, and the establishment of a new State charitable giving vehicle, all of which are described below. The State is evaluating other tax law changes in response to the TCJA, including the feasibility of an unincorporated business tax.

In addition, the State, Connecticut, Maryland, and New Jersey (the “Plaintiff States”) intend to file a lawsuit seeking declaratory and injunctive relief to invalidate the SALT limit. The Plaintiff states are expected to contend that the new limits on SALT deductibility violate the intent of the Sixteenth Amendment to the United States Constitution and subsequent Congressional enactments, as well as state sovereignty, guaranteed by the Tenth Amendment of the United States Constitution.

Decoupling From Federal Tax Code

The State tax code is closely aligned in many respects with the Federal tax code. The Enacted Budget includes legislation that decouples the State tax code from the Federal tax code, where appropriate, to minimize roughly \$1 billion in State tax increases that would otherwise have been the result of the Federal tax changes. Those decoupled Federal changes, which would have affected the General Fund budget gaps projected in FY 2020 and beyond, include:

- **Federal Limit on SALT.** The TCJA capped the itemized deduction for SALT at \$10,000. The State tax code is updated to decouple from this limit, preventing a State tax increase from the linkage of this Federal limit to State income tax returns.
- **Federal Changes and Eliminations to Certain Deductions.** The State decoupled from new Federal limits on other deductions.
- **Temporary Federal Medical Expense Deduction Increase.** Federal changes impose a two-year increase in the itemized medical expense deduction, thereby lowering taxpayer liability. The State has not changed its tax code.
- **Child Tax Credit.** Federal law changes the value of, and eligibility for, the child tax credit. The Empire State Child Tax Credit program will remain unchanged.
- **New York Single Filer Standard Deduction.** The Federal repeal of personal exemptions would have eliminated the ability of New York single-filer taxpayers to claim the standard deduction on their State tax returns. The Enacted Budget includes legislation to address this issue. Absent this legislation, New York State taxpayers would have been subject to an annual State tax increase of \$840 million, beginning in FY 2020.

Employer Compensation Expense Program (ECEP)

Under legislation approved with the Enacted Budget, employers may opt in to a new ECEP, which is intended to mitigate the tax burden for employees affected by the SALT limit. While the TCJA limits deductibility for individuals, it does not cap deductibility for ordinary and necessary business expenses paid or incurred by employers in carrying on a trade or business.

Employers that elect to participate in the ECEP program would be subject to a 5 percent State tax on all annual payroll expenses in excess of \$40,000 per employee, phased in over three years beginning on January 1, 2019 as follows: 1.5 percent in tax year 2019, 3 percent in 2020, and 5 percent in 2021. Employers must elect to participate in the ECEP for the upcoming tax year by December 1 of the preceding calendar year, with the first annual election due by December 1, 2018 for the tax year beginning on January 1, 2019.

The ECEP is intended to be revenue neutral, with any decrease in New York State PIT receipts expected to be offset by a comparable increase in ECEP revenue. Remittance of ECEP revenue to the State is expected to occur on the same schedule as PIT withholdings, with remittances starting in the fourth quarter of FY 2019. A new State PIT credit will be available to employees whose wages are subject to the tax; any decrease in New York State PIT receipts is expected to be offset by a comparable increase in ECEP revenue because the formula used to calculate the State PIT credit corresponds in value to the ECEP.

DOB expects to include information on actual ECEP participation by the third quarterly update to the Financial Plan, as information on employer elections becomes available.

State Charitable Gifts Trust Fund

The Enacted Budget authorizes the creation of a new State Charitable Gifts Trust Fund, which will accept gifts, starting in tax year 2018, for the purposes of improving health care and education in New York State. Taxpayers who itemize deductions may claim these charitable gifts as deductions on their Federal and State income tax returns. Any taxpayer making a donation may also claim a State tax credit equal to 85 percent of the donation amount for the tax year after the donation is made. State PIT receipts will be reduced by the State tax deduction and 85 percent tax credit.⁶ Amounts on deposit in the Charitable Gifts Trust Fund at the close of 2018 are expected to be appropriated for authorized purposes in the FY 2020 Budget.

The Enacted Budget Financial Plan does not include any estimates for charitable gifts. DOB expects to include information on charitable gifts in future Financial Plan updates, once activity on donations can be observed. See the discussion below under “Impact of Tax Law Changes on PIT Revenue Bonds” including stress test projections on such impact, based upon various assumed levels of State taxpayer charitable gift payments under this change in State law.

⁶ The Enacted Budget also provides that the SUNY Research Foundation, the CUNY Research Foundation, and Health Research, Inc. may accept up to \$10 million each in charitable gifts on an annual basis. State PIT receipts will also be reduced by the State tax deduction and an 85 percent credit for those donations that will be available beginning in tax year 2019.

Impact of Tax Law Changes on PIT Revenue Bonds

To offset the potential reduction in the level of New York State PIT receipts resulting from activity of the ECEP and the State Charitable Gifts Trust Fund, the Enacted Budget amends the State Finance Law provisions creating the Revenue Bond Tax Fund to increase the percentage of New York State PIT receipts required to be deposited upon receipt in the Revenue Bond Tax Fund from 25 percent to 50 percent. In addition, the legislation that created the ECEP requires that 50 percent of ECEP receipts received by the State be deposited to the Revenue Bond Tax Fund. These changes became effective April 1, 2018.

The amendments also increase the amount of all New York State PIT receipts collected from payroll withholding and ECEP receipts that must be deposited in the Revenue Bond Tax Fund in the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on State PIT Revenue Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, debt service payments and other cash requirements under the Financing Agreement have not been made when due on the State PIT Revenue Bonds. Under prior law, New York State PIT receipts from payroll withholding were to be deposited to the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equaled the greater of 25 percent of annual New York State PIT receipts or \$6 billion. Under the new law, New York State PIT receipts and ECEP receipts will be deposited to the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 40 percent of the aggregate of annual New York State PIT receipts and ECEP receipts or \$12 billion.

Donations to the Charitable Gifts Trust Fund could reduce State PIT receipts by nearly one dollar for every dollar donated. Accordingly, the amount of donations to the State Charitable Gifts Trust Fund is the principal direct risk to the amount of New York State PIT receipts deposited to the Revenue Bond Tax Fund under the tax law changes enacted by the State as part of the Enacted Budget. To address this risk, the State increased the amount of PIT receipts deposited into the Revenue Bond Tax Fund from 25 percent to 50 percent.

DOB and DTF have prepared a calculation of the maximum amount of charitable donations to the State Charitable Gifts Trust Fund that could occur annually under varying assumptions. The calculation of this ceiling is intended as a stress test on State PIT receipts that may flow to the Revenue Bond Tax Fund under different levels of assumed taxpayer participation. It should not, under any circumstances, be viewed either as an estimate or projection of likely donations. The factors that may influence donation activity are complex and include, but are not limited to, possible statements, actions, or interpretive guidance by the Internal Revenue Service (IRS) or other governmental actors relating to the deductibility of such donations; the liquidity position, risk tolerance, and knowledge of individual taxpayers; advice or guidance of tax advisors or other professionals; changes in general economic conditions; adoption of similar trusts in other states; and tax reciprocity agreements among states.

The ceiling on the amount of potential donations is calculated to be in the range of \$28 billion annually, on average (2018 through 2022).⁷ The calculation of the ceiling assumes that every resident taxpayer who has an incentive to donate will do so, and such donations will be equal to the total value of each resident taxpayer's SALT payments, less the value of the \$10,000 Federal SALT deduction limit, up to the value of the taxpayer's total State tax liability. The calculation is dependent on several assumptions concerning the number of itemized filers. It relies on the most recent personal income tax population study file (2015), as trended forward, as well as the impact of the TCJA and State law changes on the number and distribution of itemized and standardized filers. The calculation also assumes that (i) no further changes in Federal tax law occur, and (ii) DOB projections of the level of State taxpayer liability for the forecast period as set forth in the Enacted Budget Financial Plan are materially accurate.

IRS Guidance

On May 23, 2018, the IRS issued Notice 2018-54 (the "IRS Guidance"), which advised that the Department of the Treasury and the IRS intend to propose regulations addressing recent state and local legislative proposals or enactments (such as Charitable Gifts Trust Fund provisions) that are intended to allow taxpayers to make transfers to funds controlled by state or local governments, to characterize such transfers as fully deductible charitable contributions for Federal income tax purposes, and to use the same transfers to satisfy state or local tax liabilities. The IRS Guidance characterized such proposals as "efforts to circumvent the new statutory limitation on state and local tax deductions," and cautioned that "taxpayers should be mindful that Federal law controls the proper characterization of payments for Federal income tax purposes."

⁷ The calculation of maximum potential donations is based on current law, including the scheduled reversion of the top PIT rate to 6.85 percent starting in tax year 2020.

The following table summarizes the calculation of the potential impact of charitable donations on deposits to the Revenue Bond Tax Fund under different scenarios of taxpayer participation.

| Potential Effect of Contributions to the State Charitable Gifts Trust Fund on Revenue Bond Tax Fund Receipts State Fiscal Years 2019 through 2022 ³ (Dollars in Billions) | | | | |
|--|---------|---------|---------|---------|
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| Revenue Bond Tax Fund Receipts, Prior Law | \$12.6 | \$13.5 | \$13.8 | \$14.4 |
| Revenue Bond Tax Fund Receipts, Current Law | 25.2 | 27.0 | 27.5 | 28.7 |
| RBTF Receipts After Charitable Gifts ^{1,2} | | | | |
| 100% Participation ⁴ | 21.1 | 14.3 | 14.6 | 16.1 |
| 75% Participation | 22.2 | 17.5 | 17.8 | 19.3 |
| 50% Participation | 23.2 | 20.7 | 21.1 | 22.4 |
| 25% Participation | 24.2 | 23.8 | 24.3 | 25.6 |
| 10% Participation | 24.8 | 25.7 | 26.2 | 27.5 |

NOTE: The calculation of the maximum amount of donations is intended as a stress test on PIT receipts that may flow to the Revenue Bond Tax Fund under certain conditions. It should not under any circumstances be viewed either as an estimate or projection of likely donations.

1. RBTF Receipts After Charitable Gifts reflects a State income tax deduction for the tax year that the charitable donation is made (assumes an average Personal Income Tax rate of 7% for tax years 2018 and 2019, and 6.3% thereafter), and an 85% State tax credit in the following tax year.

2. *Cap on State income tax deductions.* This table assumes that all charitable gifts are associated with a reduction in PIT receipts equal to a uniform percentage of the dollar value of the charitable gift (7% for tax years 2018 and 2019, and 6.3% thereafter). In practice, the State deduction for charitable giving is capped for high-income filers. Individuals with a State Adjusted Gross Income (AGI) of \$1 million or more may claim 50% of their Federal charitable deduction on their State return, while individuals with a State AGI of \$10 million or more may claim 25% of their Federal deduction. Under current statute, the 25% cap expires (reverts to 50%) after tax year 2019. Assumptions about the average State income tax rate and the cap on charitable deductions for high-income filers do not have a material impact on conclusions drawn from this model.

3. *Timing assumptions.* The values in this table assume that taxpayers adjust withholdings and estimated payments in anticipation of a decrease in their PIT liability. The values are based on the assumption that PIT is remitted and collected in real-time as taxable income is earned (rather than as quarterly payments due in April, July, October, and January). This assumption likely overstates the speed and efficiency with which taxpayers could actually adjust PIT remittances. In practice, inefficiencies would likely result in slightly higher receipts to the Revenue Bond Tax Fund than shown in the table. For example, a taxpayer making a charitable gift for the 2019 Tax Year in December 2019 is assumed to have reduced withholdings and estimated payments remitted during Calendar Year 2019 by the expected decrease in liability associated with the income deduction for charitable giving that the taxpayer will claim on his or her 2019 tax return (due in April 2020). This lowers State PIT receipts in the last quarter of FY 2019 and the first three quarters of FY 2020. The taxpayer is then assumed to reduce withholdings and estimated payments remitted during tax Year 2020 by an amount equal to 85% of the charitable gift, in anticipation of the credit the taxpayer will claim on his or her 2020 tax return (due in April 2021). This lowers State PIT receipts in the last quarter of FY 2020 and the first three quarters of FY 2021. PIT receipts are assumed to flow evenly throughout the Fiscal Year.

4. 100% Participation shows Revenue Bond Tax Fund receipts assuming the maximum level of charitable giving calculated by DOB and DTF. For further illustration of the range of possible outcomes, subsequent rows show Revenue Bond Tax Fund receipts if charitable gifts equal 75%, 50%, 25%, and 10% of the maximum dollar value of charitable giving.

In general, taxpayer behavior is simplified using assumptions that maximize the impact of charitable giving on PIT receipts in each year. After these adjustments and with inclusion of ECEP revenues, receipts to the Revenue Bond Tax Fund are projected to remain above the level of receipts that would have been expected under statute effective prior to enactment of the FY 2019 budget, even in a maximum participation scenario.

The DOB and DTF calculation of the projected ceiling on the amount of donations is necessarily based on many assumptions that may turn out to be inaccurate, or that might change materially over time, or both. While DOB believes that these factors can be expected to constrain donation activity, there can be no assurance that, under conditions of maximum participation, the amount of annual charitable gifts will not reduce the level of PIT receipts deposited into the Revenue Bond Tax Fund below the levels projected in the Enacted Budget Financial Plan. If that were to occur, it is DOB's expectation that changes to the tax law would be recommended to further increase the percentage of PIT receipts deposited into the Revenue Bond Tax Fund.

Accordingly, although the calculation of a maximum amount reflects DOB's and DTF's current best judgment and estimates, such amount may be higher.

Implementation

The State developed the ECEP and Charitable Gifts Trust Fund based on a review of existing laws, regulations, and precedents. However, there can be no assurance that the IRS will allow taxes paid under the ECEP by an electing employer, or donations made by taxpayers to the Charitable Gifts Trust Fund, to be deductible for Federal tax purposes under current law and the TCJA.

The Enacted Budget allows taxpayers to claim reimbursement from the State for interest on underpayments of Federal tax liability for the 2019, 2020 and 2021 tax years if the underpayments arise from reliance on amendments to State tax law enacted in 2018. To receive reimbursement, taxpayers are required to submit their reimbursement claims to DTF within 60 days of making an interest payment to the IRS.

There could be a material expense to the State if taxpayer participation in the ECEP and Charitable Gifts initiatives for the 2019, 2020 and 2021 tax years results in Federal determinations of underpayment of Federal income tax. Any cost to the Enacted Budget Financial Plan from State reimbursement of interest charges would occur in FY 2021 at the earliest, for determinations on 2019 tax payments due in April 2020, or thereafter.

The Enacted Budget Financial Plan does not include any estimate of the magnitude of the possible interest expense to the State, which depends on several factors, including: rates of participation in the ECEP; the magnitude of donations to the State Charitable Gifts Trust Fund; the amount of determinations of underpayment attributable to reliance on other changes in State tax law made in 2018; the amount of time between the due date of the return and the date any Federal determination is issued; the interest rate applied; and the frequency at which taxpayers submit timely reimbursement claims to the State. Interest on unpaid Federal tax generally accrues from the due date of the return until the date of payment in full. Under current Federal law, the interest rate is determined quarterly and is the Federal short-term rate plus 3 percent, compounded daily.

General Fund Cash-Basis Financial Plan

Enacted Budget Financial Plan

The General Fund is affected by two fund reclassifications approved in the Enacted Budget. The changes have no net impact on General Fund operations, but change the reporting of receipts and disbursements in total and among spending categories.

- **Mental Hygiene Fund Reclassification.** Spending from two State Special Revenue Fund accounts, the Mental Hygiene Program Fund and Patient Income Account, is reclassified to the General Fund to improve reporting transparency by eliminating large transfers between funds. The reclassification moves local assistance and operations spending, as well as the supporting revenue, into the General Fund, and eliminates transfers from the General Fund to the two Mental Hygiene State Special Revenue Fund accounts. In addition, roughly \$1.4 billion of fringe benefit spending associated with Mental Hygiene agencies will move from the respective agencies to the central General State Charges (GSCs) budget.
- **DOT/DMV Operating Cost Reclassification.** Certain DOT and DMV operating costs related to snow and ice removal, bus, truck and rail inspection, and DMV regulatory activities are reclassified from the DHBTF to the General Fund. In the General Fund, the increased operating spending is offset by an identical reduction in the transfer to the DHBTF. The reclassification is intended to align operating and capital functions with their revenue sources.

The reclassifications affect the comparability of FY 2018 results to FY 2019 estimates. In addition, General Fund receipts and disbursements continue to be affected by the receipt and use of Extraordinary Monetary Settlements. The following table adjusts for the impact of the reclassifications and Extraordinary Monetary Settlements. Unless otherwise noted, the discussions of receipts and disbursements that follow the table exclude (a) the receipts and use of Extraordinary Monetary Settlements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that take effect in FY 2019. See “State Financial Plan Projections Fiscal Years 2018 Through 2022 - Financial Plan Tables” herein for the unadjusted plan.

| GENERAL FUND FINANCIAL PLAN (millions of dollars) | | | | | | | |
|---|--------------------|---------------------|---------------|--------------------|--------------------|------------------------|---------------|
| | FY 2018 Results | FY 2019 Adjusted | MH Reclass | DOT/DMV Reclass | FY 2019 Enacted | Adjusted Annual Change | |
| | | | | | | Dollar | Percent |
| Opening Fund Balance (Excluding Extraordinary Monetary Settlements) | 2,414 | 4,425 | 0 | 0 | 4,425 | 2,011 | 83.3% |
| Total Receipts | <u>70,642</u> | <u>71,536</u> | <u>986</u> | <u>30</u> | <u>72,552</u> | <u>894</u> | <u>1.3%</u> |
| Taxes | 67,370 | 67,695 | 0 | 0 | 67,695 | 325 | 0.5% |
| Miscellaneous Receipts/Federal Grants ¹ | 2,351 | 2,155 | (166) | 30 | 2,019 | (196) | -8.3% |
| Transfers from Other Funds | 921 | 1,686 | 1,152 | 0 | 2,838 | 765 | 83.1% |
| Total Disbursements | <u>69,323</u> | <u>73,853</u> | <u>986</u> | <u>30</u> | <u>74,869</u> | <u>4,530</u> | <u>6.5%</u> |
| Local Assistance | 46,072 | 49,353 | 1,710 | 0 | 51,063 | 3,281 | 7.1% |
| State Operations | 13,800 | 14,835 | 4,075 | 388 | 19,298 | 1,035 | 7.5% |
| Transfers to Other Funds ² | 9,451 | 9,665 | (4,799) | (358) | 4,508 | 214 | 2.3% |
| Net Change in Operations | 1,319 | (2,317) | 0 | 0 | (2,317) | (3,636) | -275.7% |
| General Fund Use of Extraordinary Monetary Settlements ³ | 692 | 383 | | | 383 | (309) | - |
| Closing Fund Balance (Excluding Extraordinary Monetary Settlements) ² | <u>4,425</u> | <u>2,491</u> | <u>0</u> | <u>0</u> | <u>2,491</u> | <u>(1,934)</u> | <u>-43.7%</u> |
| Extraordinary Monetary Settlements | | | | | | | |
| Opening Balance | 5,335 | 5,020 | | | 5,020 | (315) | -5.9% |
| New Settlements Received ⁴ | 805 | 183 | | | 183 | (622) | -77.3% |
| Transfers/Uses | (1,120) | (2,190) | | | (2,190) | (1,070) | -95.5% |
| Closing Balance (Extraordinary Monetary Settlements) | <u>5,020</u> | <u>3,013</u> | | | <u>3,013</u> | <u>(2,007)</u> | <u>-40.0%</u> |
| Closing Fund Balance (Including Extraordinary Monetary Settlements) | <u>9,445</u> | <u>5,504</u> | | | <u>5,504</u> | <u>(3,941)</u> | <u>-41.7%</u> |
| ¹ Excludes the Extraordinary Monetary Settlements received by the General Fund, except those amounts retained by the Department of Law in other funds to support operational costs. | | | | | | | |
| ² Excludes the use of Extraordinary Monetary Settlements to support transfers from the General Fund to other funds (e.g., Dedicated Infrastructure Investment Fund). | | | | | | | |
| ³ FY 2018: \$461 million for operations, \$76 million for an unbudgeted litigation payment, and \$155 million set aside to fund potential retroactive salary increases. FY 2019: \$383 million expected to be used for operations. | | | | | | | |
| ⁴ Includes the gross value of all settlements received by the State, including funds retained by the Department of Law in other funds to support operational costs. | | | | | | | |

Receipts⁸

General Fund receipts, including transfers from other funds, are projected to total \$71.5 billion in FY 2019, an increase of \$894 million (1.3 percent) from FY 2018 results. The annual change is impacted by the shift of an estimated \$1.9 billion of receipts from FY 2019 into FY 2018 due to Federal Tax Cuts and Jobs Act (TCJA) and the payment of approximately \$500 million in additional personal income tax refunds in the last quarter of FY 2018. Excluding these shifts, the total receipts increase is \$4.2 billion or 6.1 percent.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total \$46.5 billion, an annual decrease of \$486 million. Excluding the shifts described above, the underlying PIT growth of roughly 6.2 percent is consistent with forecasted economic growth and revisions based on April preliminary results.

General Fund consumption/use tax receipts, including transfers after payment of debt service on Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total \$13.6 billion, an annual increase of \$322 million (2.4 percent). This reflects projected growth in disposable income and taxable consumption.

General Fund business tax receipts are estimated at \$5.6 billion, an increase of \$710 million (14.4 percent). This growth is due to projected increases in corporate profits and new for-profit insurance providers subject to a premium insurance tax.

Other tax receipts to the General Fund are expected to total \$2.0 billion including transfers after payment of debt service on Clean Water/Clean Air bonds, a decrease of \$221 million (9.7 percent), reflecting a return to an average number of estate tax payments exceeding \$25 million.

Non-tax receipts are estimated at \$3.8 billion, an increase of \$569 million. The growth is mainly due to the expected transfer of resources from the Health Transformation Fund.

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 2018 Through 2022" herein.

⁸ The reported activity by Financial Plan category excludes the impact of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTf that take effect in FY 2019.

Disbursements⁹

General Fund disbursements, including transfers to other funds, are expected to total \$73.9 billion in FY 2019, an annual increase of \$4.5 billion (6.5 percent).

Local assistance grants are expected to total \$49.4 billion in FY 2019, an annual increase of \$3.3 billion (7.1 percent). The largest increases include \$1.1 billion for School Aid (on a State fiscal year basis) and \$934 million for Medicaid.

General Fund disbursements for agency operations, including fringe benefits and fixed costs, are expected to total \$14.8 billion, an annual increase of \$1.0 billion (7.5 percent). Personal and non-personal service costs increase \$580 million from FY 2018, reflecting increased personal service costs driven by labor agreements. Fringe benefit costs associated with State employees, including retiree health insurance costs, are expected to increase by \$455 million (8.2 percent), mainly due to negotiated rate increases reflecting medical cost inflation and current enrollment levels. The State's costs for Workers' Compensation are expected to increase by \$170 million, due to underlying growth in the average weekly wage benefit and medical costs (\$65 million), as well as a reduction in other resources available to offset costs (\$105 million).

General Fund transfers to other funds are estimated to total \$9.7 billion, an increase of \$214 million. The increase is mainly due to transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements), reflecting the timing of General Fund capital reimbursements from bond proceeds.

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 2018 through 2022" herein.

⁹ The reported activity by Financial Plan category excludes the impacts of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTf that take effect in FY 2019.

Closing Balance for FY 2019

DOB projects that the State will end FY 2019 with a General Fund cash balance of \$5.5 billion, a decrease of \$3.9 billion from FY 2018. The General Fund closing balance, excluding Extraordinary Monetary Settlements, is estimated at \$2.5 billion, or \$1.9 billion lower than the closing balance at the end of FY 2018. The change is due almost entirely to the expected use of the \$1.9 billion in cash received in FY 2018 attributed to the acceleration of tax payments in response to the Federal law changes limiting the SALT deductibility.

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve and the Rainy Day Reserve, are expected to remain unchanged at \$1.8 billion. The Enacted Budget Financial Plan continues to maintain a reserve of \$500 million for debt management purposes. DOB will decide on the use of these funds based on market conditions, Financial Plan needs, and other factors.

The balance from Extraordinary Monetary Settlements is expected to total \$3.0 billion at the close of FY 2019, a decrease of \$2.0 billion from FY 2018. The anticipated decrease reflects the use of Extraordinary Monetary Settlements to fund activities appropriated from other funds (\$1.5 billion); the MTA Subway Action Plan (\$194 million); and general operations (\$383 million), partly offset by the receipt of settlement payments (\$183 million less \$75 million retained by the Department of Law in other funds).

DOB expects the State will have sufficient liquidity in FY 2019 to make all planned payments as they become due. The State continues to reserve General Fund resources on a quarterly basis for debt service payments. 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.

| TOTAL BALANCES (millions of dollars) | | | |
|--|----------------------------------|----------------------------------|--------------------------------|
| | FY 2018 Results | FY 2019 Enacted | Annual Change |
| TOTAL GENERAL FUND BALANCE | 9,445 | 5,504 | (3,941) |
| General Fund (Excl. Extraordinary Monetary Settlements) | 4,425 | 2,491 | (1,934) |
| Statutory Reserves: | | | |
| "Rainy Day" Reserves | 1,798 | 1,798 | 0 |
| Community Projects | 46 | 17 | (29) |
| Contingency Reserve | 21 | 21 | 0 |
| Fund Balance Reserved for: | | | |
| Debt Management | 500 | 500 | 0 |
| Labor Agreements | 155 | 155 | 0 |
| Undesignated Fund Balance | 1,905 | 0 | (1,905) |
| Extraordinary Monetary Settlements Fund Balance | 5,020 | 3,013 | (2,007) |

FY 2019 Detailed General Fund Gap-Closing Plan

The following table begins with the initial "base line" budget gaps (i.e., the gaps projected prior to the submission of Executive Budget¹⁰) and ends with the Enacted Budget surplus/(gap) projections.

| FY 2019 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN (millions of dollars) | | | | |
|---|----------------|----------------|----------------|----------------|
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| INITIAL BUDGET SURPLUS/(GAP) ESTIMATE¹ | (4,443) | (6,385) | (8,053) | (8,413) |
| SPENDING CHANGES | 2,461 | 1,345 | 918 | 1,244 |
| Local Assistance | 1,242 | 1,479 | 1,056 | 1,540 |
| Education | 439 | 727 | 897 | 990 |
| Health Care: | 496 | 243 | 44 | 5 |
| Global Cap | 425 | 425 | 425 | 425 |
| Minimum Wage | (125) | (184) | (229) | (300) |
| Other Health Care | 196 | 2 | (152) | (120) |
| Mental Hygiene | 181 | 106 | (18) | (137) |
| Human Services | 132 | 150 | 208 | 205 |
| STAR | 60 | 35 | (17) | 415 |
| MTA Subway Action Plan | (194) | 0 | 0 | 0 |
| All Other | 128 | 218 | (58) | 62 |
| Agency Operations | 68 | (79) | (146) | (280) |
| Executive Agencies | 39 | (108) | (174) | (316) |
| University Systems | 81 | 77 | 80 | 93 |
| Elected Officials | (52) | (48) | (52) | (57) |
| Debt Management/Capital | 557 | (55) | 8 | (16) |
| Prepayment of FY 2019 Debt Service Expenses | 594 | 0 | 0 | 0 |
| LEGISLATIVE ADDITIONS² | (510) | (335) | (311) | (319) |
| School Aid | (152) | (220) | (226) | (233) |
| Education/Higher Education | (142) | (103) | (78) | (78) |
| Human Services | (75) | 0 | 0 | 0 |
| Health Care | (40) | 0 | 0 | 0 |
| All Other | (101) | (12) | (7) | (8) |
| RESOURCE CHANGES | 1,887 | 743 | 279 | 435 |
| Taxpayer Acceleration of PIT Payments into FY 2018: | 0 | 0 | 0 | 0 |
| FY 2019 Impact of FY 2018 PIT Tax Acceleration | (1,905) | 0 | 0 | 0 |
| Offset to FY 2018 PIT Taxpayer Acceleration | 1,905 | 0 | 0 | 0 |
| Other Resource Changes: | 1,887 | 743 | 279 | 435 |
| Tax Receipts Revisions | 1,025 | 734 | 243 | 265 |
| Extraordinary Monetary Settlements - Operations | 383 | 0 | 0 | 0 |
| Extraordinary Monetary Settlements - MTA Subway Action Plan | 194 | 0 | 0 | 0 |
| Other Resource Changes | 285 | 9 | 36 | 170 |
| REVENUE ACTIONS | 605 | 605 | 221 | 96 |
| Contributions for Health Care Transformation | 500 | 500 | 154 | 118 |
| Opioid Stewardship and Prevention Fund | 100 | 100 | 100 | 100 |
| All Other Revenue Actions | 5 | 5 | (33) | (122) |
| ENACTED BUDGET SURPLUS/(GAP) ESTIMATE¹ | 0 | (4,027) | (6,946) | (6,957) |
| ADHERENCE TO 2% SPENDING BENCHMARK³ | 0 | 3,247 | 5,548 | 6,470 |
| ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AT 2% | 0 | (780) | (1,398) | (487) |
| ¹ Before actions to adhere to the 2 percent benchmark. ² 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" and "Revenue Actions" categories. ³ Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower). | | | | |

¹⁰ Projected as of the FY 2018 Mid-Year Update, November 2017.

Spending Changes

The Enacted Budget Financial Plan reflects a reduction to General Fund spending in FY 2019 by \$2.5 billion, net of new initiatives and costs, compared to the FY 2019 baseline estimate.¹¹ The reductions include reestimates to spending based on updated information, specific cost-containment proposals, and prepayment of FY 2019 expenses in FY 2018.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Reductions from the baseline estimate of local assistance spending are expected to generate nearly \$1.2 billion in General Fund savings. Savings are expected from both targeted actions and continuation of prior-year cost containment.

- **Education.** The Enacted Budget Financial Plan includes \$26.6 billion in School Aid for SY 2019, an increase of \$914 million (3.6 percent) over SY 2018. The final gap-closing plan displays this in two parts, (i) as savings compared to the baseline estimate (“spending changes”) and (ii) as a legislative addition. The savings compared to the baseline estimate are due mainly to the impact of the Personal Income Growth Index (PIGI),¹² The remaining savings compared to the baseline estimate reflect the impact of School Aid database updates for expense-based aids, slower than anticipated grant-based awards, and one-time audit recoveries for the preschool special education program.
- **Health Care.** Medicaid spending under the Global Cap¹³ is expected to total \$18.9 billion in FY 2019, an increase of \$593 million, consistent with the statutory index of 3.2 percent. Total Medicaid spending, including spending outside the Global Cap, is expected to increase to \$20.4 billion in FY 2019. In addition, the State continues to provide capital funding to support health care delivery. The Enacted Budget Financial Plan includes \$525 million in new capital spending, which is expected to be funded with bonds (\$400 million) and Extraordinary Monetary Settlements (\$125 million). The Enacted Budget Financial Plan includes savings from an additional \$425 million for non-Department of Health (DOH) Medicaid expenses within the Global Cap. To achieve savings within the Global Cap to support these additional costs, DOH will continue to implement various Medicaid Redesign Team (MRT) actions to improve the efficiency and effective delivery of the statewide Medicaid program.

¹¹ Projected as of the FY 2018 Mid-Year Update to the Financial Plan, November 2017.

¹² For SY 2019, the PIGI is 1.5 percent. If School Aid growth had been limited to the PIGI, it would have resulted in savings of \$431 million compared to the baseline estimate, which represented 3.9 percent growth. The Executive Budget proposed a reduced annual increase, from 3.9 percent to 3 percent, which resulted in savings of \$232 million.

¹³ The Medicaid Global Cap is a statutory limit on annual State-funded Medicaid expenditures, indexed to the Medical component of the Consumer Price Index (CPI). Total State-funded Medicaid expenditures also include certain program costs which are not subject to the indexed provisions of the Global Cap.

Medicaid costs attributable to the minimum wage increase are projected to be higher than initially estimated, mainly due to higher-than-expected enrollment growth in home and personal long-term care. The Enacted Budget Financial Plan reflects increases in Medicaid spending of \$125 million in FY 2019, growing to \$300 million by FY 2022. The Enacted Budget funding for minimum wage increases for health care workers who provide services that are reimbursed by Medicaid is expected to total \$703 million in FY 2019.

Other health care savings include modifications to certain pharmacy benefit programs and elimination of Cost of Living Adjustment (COLA) payments for certain human service providers. The Enacted Budget Financial Plan also includes savings from the one-time recoupment of ineligible claims paid during program years 2015 and 2016.

- **Mental Hygiene.** Spending revisions reflect updated assumptions and revised timelines for ongoing transformation efforts to ensure efficient use of State resources in the mental hygiene service delivery system.
- **Human Services.** Savings reflect, among other things, expiration of State reimbursements to New York City for the Close to Home initiative, and reestimates in other programs. Funding has been increased for higher projected public assistance caseload costs and to return child care subsidy funding to \$806 million.
- **STAR.** The Enacted Budget includes legislation that mandates enrollment of STAR benefit recipients in the Income Verification Program.
- **Subway Action Plan.** The Enacted Budget includes legislation dedicating \$836 million to the MTA's NYC Subway Action Plan, which is addressing system failures, breakdowns, delays and deteriorating customer service. These investments will position the system for further modernization. The plan will provide \$508 million for operating purposes and \$328 million for capital purposes. The State and the City will each fund 50 percent of the plan (\$418 million). The State is expected to make payments monthly from April through December 2018, while the City is scheduled to contribute its share from July through December 2018.

If the City does not fulfill the monthly funding requirement, the Enacted Budget contains legislation that allows the Budget Director to direct the State Comptroller to reduce State aid payments to the City or intercept City revenues to the extent necessary to fulfill the City's \$418 million obligation. These funds would be redirected to a new Subway Assistance Fund and would be paid directly from that Fund to the MTA for use in executing the Subway Action Plan.

- **All Other.** Revisions include savings from the elimination of the planned FY 2019 1.9 percent human services cost-of-living increase; updated spending projections across various program areas, including updated enrollment data for the State University of New York (SUNY) Community Colleges that results in a reduction in projected Full-Time Equivalent (FTE) students; and continued utilization of JP Morgan Settlement and Mortgage Insurance Fund (MIF) resources to fund housing and homelessness programs. Spending increases in the outyears mainly reflect expected payment of matching funds to local governments that achieve savings consistent with County-Wide Shared Services Property Tax Savings Plans.

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies and utilities). Reductions from baseline projections for agency operations contribute \$68 million to the General Fund gap-closing plan.

- **Executive Agencies.** State agencies are expected to continue to use less costly forms of service delivery, improve administrative practices, and pursue statewide solutions, including the utilization of Lean initiatives to streamline operations and management. New costs that may occur during the year, including costs for labor settlements, are expected to be managed within the cash ceilings contained in the Enacted Budget Financial Plan. Growth in agency operations is concentrated in DOH, for costs of the New York State of Health (NYSOH) marketplace and the Essential Plan (EP) program, and in the Office of Children and Family Services (OCFS), for the Raise the Age initiative.

Spending increases in later years of the Financial Plan are for inflationary cost increases, an additional administrative payroll in FY 2021, and higher Medicaid administration expenses to support the NYSOH marketplace, as available Federal funding is assumed to expire.

Pension estimates reflect the payment of the full FY 2019 Employees' Retirement System/Police and Fire Retirement System (ERS/PFRS) pension bill in April 2018, including repayment of amortized amounts due in FY 2019, rather than making monthly payments as previously assumed.

- **University Systems.** Savings reflect a decrease in General Fund support for SUNY hospitals, which is expected to be offset by other resources available to SUNY.
- **Elected Officials.** Increases for the Judiciary include retroactive payments pursuant to collective bargaining agreements and expected increases for legal representation in Family Courts resulting from Raise the Age legislation and the Attorney for the Child program. The Legislature also provides increases for personal service costs and equipment.

Debt Management/Capital Projects

The Enacted Budget Financial Plan reflects FY 2019 debt service savings from the payment of \$594 million of FY 2019 expenses in FY 2018, as well as expected refundings, continued use of competitive bond sales, and other debt management actions. Additionally, the use of available bond proceeds to reimburse capital spending from prior years results in a downward revision to transfers needed to fund capital projects in FY 2019.

Legislative Additions

- **School Aid.** The Enacted Budget Financial Plan increases the School Year (SY) 2019 School Aid by \$914 million (3.6 percent), including \$618 million in Foundation Aid, bringing the new School Aid school year total to \$26.6 billion. The Enacted Budget added \$281 million in Foundation Aid funding for School Aid above the Executive Budget (a net increase of \$152 million on a State fiscal year basis). Total education aid, including reimbursement for charter school supplemental tuition and facilities aid, is projected at \$26.7 billion, an increase of nearly \$1 billion (3.9 percent) from SY 2018.
- **Education/Higher Education.** The Enacted Budget Financial Plan provides additional funding for charter schools, operating aid increases for community colleges, and various other targeted funding.
- **Human Services.** The Enacted Budget Financial Plan adds funding for several program areas supporting children, families, and communities. During the negotiation process, the Legislature added funding for eligible families with child care costs; and services for sexually exploited children, disabled New Yorkers, job seekers and worker training.
- **All Other.** The Enacted Budget Financial Plan provides additional funding for various purposes agreed to during budget negotiations, including mental health services in schools and legal services for domestic violence victims.

Resource Changes

- **Taxpayer Acceleration of FY 2019 PIT Payments into FY 2018.** The State received an estimated \$1.9 billion in accelerated PIT payments at the end of calendar year 2017 as taxpayers responded to Federal tax law changes, that limit SALT deductibility, by pre-paying personal income taxes. The increase in FY 2018 cash balance that DOB attributes to the acceleration of PIT receipts is expected to be used to offset a corresponding reduction of PIT receipts in FY 2019.
- **Tax Receipts Revisions.** The Enacted Budget Financial Plan reflects revisions to tax receipts across most tax categories, reflecting the updated economic and revenue forecast, which includes decoupling the State's tax law from certain Federal tax provisions impacted by the TCJA, including certain deductions; the temporary medical expense deduction increase; child tax credit changes; and the single filer standard deduction.

- **Use of Extraordinary Monetary Settlements.** The Enacted Budget Financial Plan reflects the expectation that the State will use \$194 million to help fund the State's share of the MTA Subway Action Plan and \$383 million for General Fund operating purposes.
- **Other Resource Changes.** These include updated estimates of various miscellaneous receipts and transfers of available resources from other funds, including Federal Emergency Management Agency (FEMA) reimbursements expected in FY 2019.

Revenue Actions

- **Contributions for Health Care Transformation Efforts.** Pursuant to the September 2017 asset purchase agreement between Centene Corporation and New York State Catholic Health Plan, Inc., d/b/a Fidelis Care New York ("Fidelis Care") (collectively the "Parties"), Centene Corporation will, subject to approvals from DFS, OAG and DOH, among others, purchase substantially all of Fidelis Care's assets for approximately \$3.75 billion (the "Transaction"). To offset the State's costs associated with health care transformation efforts and consistent with prior similar asset transfers in the State, the Parties have agreed to make \$2 billion in payments to the State through a combination of direct payments and increased tax obligations resulting from the Transaction over the course of a five-year period commencing with the closing of the Transaction ("Transaction Payments"). The State intends to use the Transaction Payments exclusively for the purposes of (a) enhancing access to affordable quality healthcare related services for the poor, disabled, disadvantaged, elderly and/or under-served people of the State, and/or (b) to assist such populations with any unmet healthcare and healthcare-related needs including, but not limited to, those associated with the social determinants of health.
- **Opioid Stewardship and Prevention Fund.** The Enacted Budget includes authorization for a new fund to support ongoing prevention, treatment, and recovery services that will be funded by payments from manufacturers and distributors of opioids.
- **Other Actions.** The Enacted Budget includes other tax credits/extensions and enforcement initiatives. These include a two-year extension of the Hire a Vet Tax Credit through calendar year 2020; an extension for the Musical and Theatrical Production Tax Credit for four additional years; and the extension of the Historic Properties Tax Credit through 2024.

Changes to Executive Budget

The table below summarizes all the changes to the Executive Budget General Fund Financial Plan.

| CHANGES TO THE EXECUTIVE BUDGET FINANCIAL PLAN | | | | |
|--|----------------|----------------|----------------|----------------|
| GENERAL FUND | | | | |
| (millions of dollars) | | | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| TOTAL NEGOTIATED CHANGES TO EXECUTIVE BUDGET | (1,124) | (1,551) | (1,875) | (2,027) |
| SPENDING RESTORATIONS/ADDITIONS | (694) | (753) | (821) | (898) |
| <u>New Spending Adds:</u> | <u>(510)</u> | <u>(335)</u> | <u>(311)</u> | <u>(319)</u> |
| School Aid - Foundation Aid Increase (SFY Basis) | (152) | (220) | (226) | (233) |
| Other Education Aid | (81) | (71) | (52) | (52) |
| Higher Education | (61) | (32) | (26) | (26) |
| Human Services | (75) | 0 | 0 | 0 |
| Health Care | (40) | 0 | 0 | 0 |
| All Other | (101) | (12) | (7) | (8) |
| <u>Restorations/Modifications:</u> | <u>(184)</u> | <u>(418)</u> | <u>(510)</u> | <u>(579)</u> |
| STAR Exemption Cap | (49) | (94) | (141) | (185) |
| Special Education Reimbursement Methodology | (34) | (61) | (67) | (67) |
| Bundy Aid Reduction | (25) | (35) | (35) | (35) |
| Child Welfare Reimbursement Cap | (17) | (17) | (17) | (17) |
| Retiree Health Insurance | (3) | (13) | (24) | (39) |
| Public Health Program Consolidations | (9) | (9) | (9) | (9) |
| Interest on Court of Claims Judgments | (6) | (6) | (6) | (6) |
| Elimination of NYC Charter Supplemental Tuition | 0 | (121) | (131) | (140) |
| Other Restorations/Modifications | (41) | (62) | (80) | (81) |
| TAX LAW/REVENUE CHANGES | (430) | (798) | (1,054) | (1,129) |
| <u>Not Accepted:</u> | <u>(402)</u> | <u>(726)</u> | <u>(649)</u> | <u>(615)</u> |
| Healthcare Insurance Windfall Profit Fee | (140) | (140) | (140) | (140) |
| ESCO Sales Tax Exemption Discontinuation | (90) | (120) | (120) | (120) |
| Business-Related Tax Credit Claims Deferral | (82) | (278) | (199) | (164) |
| Internet Fairness Conformity Tax | (75) | (150) | (150) | (150) |
| Cigar Tax Enforcement | (12) | (23) | (23) | (23) |
| All Other Revenue Actions | (3) | (15) | (17) | (18) |
| <u>Modified/New:</u> | <u>(28)</u> | <u>(72)</u> | <u>(405)</u> | <u>(514)</u> |
| Contributions for Health Care Transformation | 0 | 0 | (346) | (382) |
| Opioid Stewardship and Prevention Fund | (27) | (71) | (54) | (38) |
| Extend/Decouple Historic Tax Credit | 0 | 0 | 0 | (89) |
| Extend Theater Production Tax Credit | 0 | 0 | (4) | (4) |
| All Other | (1) | (1) | (1) | (1) |
| NEW INITIATIVES/COSTS | (111) | (49) | (49) | (49) |
| DOT Snow & Ice Costs | (29) | 0 | 0 | 0 |
| February School Aid Database Update | (28) | 0 | 0 | 0 |
| Human Services Minimum Wage | (15) | (15) | (15) | (15) |
| Western NY Children's Psychiatric Center Continued Operation | (6) | (16) | (16) | (16) |
| Housing Preservation | (6) | 0 | 0 | 0 |
| Legal Services | (5) | 0 | 0 | 0 |
| All Other | (22) | (18) | (18) | (18) |
| SPENDING OFFSETS | 346 | 399 | (5) | 38 |
| FY 2018 Prepayments | 254 | 0 | 0 | 0 |
| MSA Payments | 106 | 0 | 0 | 0 |
| Local Assistance | (51) | 361 | (43) | 0 |
| Fringe Benefits/Fixed Cost | 37 | 38 | 38 | 38 |
| RESOURCES | 889 | 645 | 172 | 193 |
| Tax Receipts Revisions | 965 | 714 | 224 | 246 |
| Transfers/Risk Reserves/Other Resources | (76) | (69) | (52) | (53) |
| NET SAVINGS/(COSTS)¹ | 0 | (556) | (1,757) | (1,845) |

¹ Before projected savings achieved by limiting future annual growth to 2 percent.

New Costs

During budget negotiations, the Governor and Legislature agreed to \$1.1 billion of new costs for General Fund additions, spending restorations, and tax law changes to the Executive Budget proposal. The Enacted Budget added \$281 million in Foundation Aid funding for School Aid above the Executive Budget (a net increase of \$152 million on a State fiscal year basis), bringing the annual Foundation Aid increase to \$618 million. In addition, growth in expense-based and other school aid funding brings the total increase for SY 2019 to approximately \$914 million (3.6 percent). Other spending additions of \$358 million were approved to fund a range of purposes, including education, higher education, and human services. Executive Budget cost containment proposals that were not approved added \$184 million in costs in FY 2019. Lastly, several tax and revenue proposals were not approved or were modified in a manner that will yield less revenue than proposed, adding \$430 million in costs in FY 2019.

The Enacted Budget Financial Plan includes \$111 million in additional FY 2019 costs for the removal of snow and ice, updated School Aid data, and funding to allow the Western New York Children's Psychiatric Center to remain open, as well as other targeted investments and additions.

Spending Offsets and Resources

The Enacted Budget Financial Plan includes savings and resources in FY 2019 that DOB estimates will be sufficient both to fund the negotiated additions and restorations to the Executive Budget, and to fully cover the new costs described above. Spending offsets (as compared to the Executive Budget) include the payment of FY 2019 expenses in FY 2018 beyond the level assumed in the Executive Budget Financial Plan (\$254 million); use of available Master Settlement Agreement (MSA) payments received in, but not used in, FY 2018; and other spending revisions reflecting a review of FY 2018 operating results and the cautious estimation of General Fund expenses. In addition, upward revisions to tax receipts based on DOB's review of March and April 2018 tax collections provide roughly \$1.4 billion in resources in FY 2019, which include the accelerated payment of refunds in March 2018. DOB plans to accelerate refunds again in March 2019, which has the effect of moving \$500 million in resources to FY 2020.

State Operating Funds -- Summary of Annual Spending Change

A significant amount of spending that occurs in State Operating Funds is supported with resources generated in exchange for services provided by State entities. Examples include SUNY operations that are funded with tuition, patient and fee revenue, and regulatory activities by the Workers' Compensation Board (WCB) and DFS that are funded with industry assessments. In addition, other spending is supported with revenues that are used exclusively, or nearly exclusively, for dedicated purposes, such as the various taxes collected and disbursed to the MTA and other transit systems from the Metropolitan Mass Transportation Fund and public transportation funds. These "own-source" revenues contribute more than \$400 million in spending growth from FY 2018 to FY 2019. These activities have no direct bearing on the State's ability to maintain a balanced budget in the General Fund.

In addition, spending growth in recent years reflects the State's effort to address long-standing public policy issues. For example, in FY 2015, the State absorbed the full cost of growth in Medicaid on behalf of local governments. Secondly, in FY 2017, the State enacted a law that provides for predictable increases in the minimum wage. In FY 2019, State Operating Funds spending increases by over \$900 million, reflecting the incremental cost of the local Medicaid growth takeover, and nearly \$800 million for the direct cost of the minimum wage increase on health care providers.

Local Assistance

Medicaid and School Aid are the State's largest local aid programs, comprising approximately 45 percent of State Operating Funds spending. In SY 2019, School Aid is expected to total \$26.6 billion, an increase of \$914 million (3.6 percent), including a \$618 million increase in Foundation Aid.¹⁴ Medicaid spending subject to the Global Cap will grow at the indexed rate of 3.2 percent to \$18.9 billion. In total, Medicaid spending that is funded from State resources will increase to \$20.4 billion, the takeover of local Medicaid growth costs (\$182 million growth), the cost of minimum wage (\$448 million growth), and other spending outside the Global Cap.

In FY 2018, bonds secured by annual payments from tobacco manufactures under the MSA were retired, with no remaining debt service requirements to be paid on these bonds. Thus, DOB expects payments under the MSA of approximately \$435 million to be available in FY 2019 (including \$103 million from FY 2018) and additional payments to be available in subsequent years. Legislation included in the FY 2018 Enacted Budget directed these payments be used to help defray costs of the State's takeover of Medicaid costs for counties and New York City. The State takeover, in which local Medicaid costs are capped permanently at 2015 calendar year levels, is expected to cost the State \$917 million in FY 2019 and \$1.1 billion in FY 2020. Consistent with State law, DOB expects MSA payments to be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund. The deposit mechanism has no impact on overall

¹⁴ Total education aid, including reimbursement for charter school supplemental tuition and facilities aid, is projected at \$26.7 billion, an increase of nearly \$1 billion (3.9 percent) from School Year (SY) 2018.

Medicaid spending funded with State resources, but does decrease by \$435 million reported State-supported Medicaid spending accounted for in FY 2019 State Operating Funds.

The Enacted Budget includes legislation dedicating \$836 million to the MTA's NYC Subway Action Plan. The Plan will provide \$508 million for operating purposes and \$328 million for capital purposes. The State and the City will each fund 50 percent of the Plan (\$418 million). The State will provide \$194 million from Extraordinary Monetary Settlements and \$60 million in accelerated PMT pass-through resources, which constitute the State's operating obligation consistent with the MTA's NYC Subway Action Plan to address system failures, breakdowns, delays and deteriorating customer service.

The PMT will no longer be appropriated annually by the State Legislature. Previously, the State collected the PMT on behalf of, and disbursed the entire amount to, the MTA. The Enacted Budget amended the enabling statute to no longer require the PMT to be appropriated annually by the State Legislature but instead paid directly to MTA from a sole custody fund. In addition, PMT receipts will be received by the MTA without delays or uncertainty related to the appropriation process. Consistent with this statutory change, the Enacted Budget Financial Plan does not include PMT receipts and related local assistance disbursements. In FY 2019, the PMT receipts and disbursements that have been excluded are estimated at approximately \$1.5 billion and \$1.4 billion, respectively.

STAR spending in FY 2018 and FY 2019 is affected by the conversion of STAR benefits to State PIT credits. The conversion of STAR benefits to PIT credits has no impact on the value of the STAR benefits received by taxpayers. It does, however, decrease the level of reported PIT receipts and reported disbursements for STAR on a State Operating Funds basis by an identical amount (estimated at \$778 million in FY 2018 and \$862 million in FY 2019.)

Higher Education spending growth is due mainly to the second phase of the Excelsior Free Tuition Program and increased funding for other scholarships, which provide financial aid to approximately 400,000 students.

Local assistance spending reported in the Enacted Budget Financial Plan is affected by the accounting treatment of State payments to the Sales Tax Asset Receivable Corporation (STARC). Pursuant to legislation enacted in FY 2017, New York City is remitting savings to the State from a 2014 refunding of STARC bonds, which are supported solely by the annual payment of State aid. The FY 2017 legislation specified that the money refunded from STARC could be received by the State as a miscellaneous receipt, or directed by the State to a State public authority to offset debt service costs on State-supported bonds. In the FY 2018 Enacted Budget, the Legislature authorized the money recouped from the STARC refunding to be treated as an offset to State spending by adding specific language to the STARC appropriation. The Enacted Budget Financial Plan reflects the offset to spending in the calculation of FY 2019 State Operating Funds spending. In FY 2017 and FY 2018, the State accounted for the money as a miscellaneous receipt.

State Operations/Fringe Benefits

Spending for Executive agency operations is expected to increase by 1.9 percent in FY 2019, excluding the reclassification of certain DOT and DMV operating costs to the General Fund. Beginning in FY 2019, the Enacted Budget appropriates certain transportation operating costs from the General Fund instead of the DHBTF. These operating expenses were previously funded by a transfer from the General Fund to the DHBTF. The change, which will increase disbursements in State Operating Funds by nearly \$390 million in FY 2019, applies to operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities.

Operations spending for the University Systems and elected officials, which include the Attorney General, Comptroller, Legislature and Judiciary, are expected to increase by 1.9 percent and 1.8 percent, respectively.

Spending growth for fringe benefits is due mainly to rising employee health care and prescription drug costs. The State continues to repay the State Retirement System for amounts amortized from FY 2011 through FY 2016. The payments were amortized to mitigate the extraordinary increase in annual contributions following investment losses. The amortized payments are \$432 million in FY 2018 and in FY 2019.

Debt Service

Spending from Debt Service Funds is expected to decline, due mainly to the payment of \$594 million in planned FY 2019 debt service costs during FY 2018.

Cash Flow

State Finance Law authorizes the General Fund to borrow money temporarily from available funds held in the Short-Term Investment Pool (STIP). Money may be borrowed for up to four months, or until the end of the fiscal year, whichever period is shorter. The State last used this authorization in April 2011 when the General Fund needed to borrow funds from STIP for a period of five days. The amount of resources that can be borrowed by the General Fund is limited to 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 money 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 in FY 2019 to make all planned payments as they become due without having to temporarily borrow from STIP. The State continues to reserve money on a quarterly basis for debt service payments 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.

| PROJECTED MONTH-END CASH BALANCES | | | |
|-----------------------------------|---------|-------|--------|
| FY 2019 | | | |
| (millions of dollars) | | | |
| | General | Other | All |
| | Fund | Funds | Funds |
| April ¹ | 9,946 | 4,074 | 14,020 |
| May | 5,130 | 3,520 | 8,650 |
| June | 4,502 | 4,000 | 8,502 |
| July | 4,607 | 5,295 | 9,902 |
| August | 4,201 | 4,705 | 8,906 |
| September | 5,918 | 3,261 | 9,179 |
| October | 6,077 | 3,329 | 9,406 |
| November | 4,084 | 2,749 | 6,833 |
| December | 6,066 | 3,552 | 9,618 |
| January | 11,780 | 3,907 | 15,687 |
| February | 11,282 | 3,549 | 14,831 |
| March | 5,504 | 3,523 | 9,027 |

¹ DOB Preliminary Result.

Extraordinary Monetary Settlements

From the beginning of FY 2015 through April 2018, DOB calculates that the State has received a total of \$10.9 billion in Extraordinary Monetary Settlements for violations of State laws by major financial and other institutions.

The Enacted Budget Financial Plan projections and tables that follow do not reflect that:

- (i) Nationstar Mortgage LLC (“Nationstar”) paid a \$5 million penalty pursuant to an April 11, 2018 consent order between Nationstar and DFS. This consent order pertains to Nationstar’s violations of laws, regulations and applicable industry guidance, including (i) failure to obtain authorization for the use of multiple domain names; (ii) failure to maintain books, records and customer files; (iii) failure to fund mortgage loans within the timeframe set forth in various loan or other documents for individual borrowers; (iv) operation of two branch locations without authorization; (v) failure to maintain required documentation in servicing files; (vi) failure to maintain a schedule of fees on its website; (vii) failure to submit quarterly reports in a timely manner; and (viii) failure to file multiple 90-day pre-foreclosure notices.
- (ii) The Goldman Sachs Group, Inc. (“Goldman Sachs”) paid a \$54.75 million civil monetary penalty pursuant to a May 1, 2018 Consent Order between Goldman Sachs and DFS. This consent order pertains to Goldman Sachs’ conducting business in an improper, unsafe, and unsound manner by failing to implement effective controls over its foreign exchange business.
- (iii) Lockton Affinity, LLC and Lockton Companies, LLC (collectively, “Lockton”) paid a \$7 million civil monetary penalty pursuant to a May 2, 2018 consent order between Lockton and DFS. This consent order pertains to Lockton’s brokerage, administration, solicitation and marketing of insurance coverage that violated New York State laws and regulations, and its submission of inaccurate affidavits required by the insurance law pertaining to excess lines insurance coverage.
- (iv) William Penn Life Insurance Company of New York (“William Penn”) paid a \$6.3 million civil penalty pursuant to a May 3, 2018 consent order between William Penn and DFS. This consent order pertains to William Penn’s unapproved reinsurance transactions in 2014 through 2018, and its materially inaccurate statements to DFS regarding such reinsurance transactions.
- (v) Chubb Group Holdings Inc. and Illinois Union Insurance Company (collectively, “Chubb”) paid a \$1.3 million civil monetary penalty pursuant to a May 7, 2018 consent order between Chubb and DFS. This consent order pertains to Chubb’s issuance of insurance policies in New York State, or otherwise issuing policies covering New York State residents, which provided insurance coverage that may not be offered in the New York State excess line market and issuing liability insurance coverage to New York residents that failed to contain required liability insurance policy provisions.

- (vi) Deutsche Bank AG and Deutsche Bank AG New York Branch (collectively, “Deutsche Bank”), paid a \$205 million civil monetary penalty pursuant to a June 20, 2018 consent order between Deutsche Bank and DFS. This consent order pertains to Deutsche Bank’s conducting business in an improper, unsafe, and unsound manner by failing to implement effective controls over its foreign exchange business.
- (vii) Athene Life Insurance Company of New York (“Athene”) will pay a \$15 million civil monetary penalty pursuant to a June 28, 2018 consent order between Athene and DFS. This consent order pertains to Athene’s failure to provide required information to about 15,000 policyholders from 2015 to 2017.

DOB expects to update the State’s multi-year financial projections, including settlements described above, with the First Quarterly Update to the Enacted Budget Financial Plan.

The following table lists the Extraordinary Monetary Settlements by firm and amount.

**SUMMARY OF RECEIPTS OF EXTRAORDINARY MONETARY SETTLEMENTS BETWEEN
REGULATORS AND FINANCIAL INSTITUTIONS**
(millions of dollars)

| | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> | <u>Total</u> |
|---|----------------|----------------|----------------|----------------|----------------|---------------|
| Extraordinary Monetary Settlements | 4,942 | 3,605 | 1,317 | 805 | 183 | 10,852 |
| BNP Paribas | 2,243 | 1,348 | 0 | 350 | 0 | 3,941 |
| Department of Financial Services (DFS) | 2,243 | 0 | 0 | 350 | 0 | 2,593 |
| Asset Forfeiture (DANY) | 0 | 1,348 | 0 | 0 | 0 | 1,348 |
| Deutsche Bank | 0 | 800 | 444 | 0 | 0 | 1,244 |
| Credit Suisse AG | 715 | 30 | 0 | 135 | 0 | 880 |
| Commerzbank | 610 | 82 | 0 | 0 | 0 | 692 |
| Barclays | 0 | 670 | 0 | 0 | 0 | 670 |
| Credit Agricole | 0 | 459 | 0 | 0 | 0 | 459 |
| Bank of Tokyo Mitsubishi | 315 | 0 | 0 | 0 | 0 | 315 |
| Bank of America | 300 | 0 | 0 | 0 | 0 | 300 |
| Standard Chartered Bank | 300 | 0 | 0 | 0 | 0 | 300 |
| Goldman Sachs | 0 | 50 | 190 | 0 | 0 | 240 |
| Morgan Stanley | 0 | 150 | 0 | 0 | 0 | 150 |
| Bank Leumi | 130 | 0 | 0 | 0 | 0 | 130 |
| Ocwen Financial | 100 | 0 | 0 | 0 | 0 | 100 |
| Citigroup (State Share) | 92 | 0 | 0 | 0 | 0 | 92 |
| MetLife Parties | 50 | 0 | 0 | 0 | 0 | 50 |
| American International Group, Inc. | 35 | 0 | 0 | 0 | 0 | 35 |
| PricewaterhouseCoopers LLP | 25 | 0 | 0 | 0 | 0 | 25 |
| AXA Equitable Life Insurance Company | 20 | 0 | 0 | 0 | 0 | 20 |
| Promontory | 0 | 15 | 0 | 0 | 0 | 15 |
| New Day | 0 | 1 | 0 | 0 | 0 | 1 |
| Volkswagen | 0 | 0 | 32 | 33 | 0 | 65 |
| Mega Bank | 0 | 0 | 180 | 0 | 0 | 180 |
| Agricultural Bank of China | 0 | 0 | 215 | 0 | 0 | 215 |
| PHH Mortgage | 0 | 0 | 28 | 0 | 0 | 28 |
| Intesa SanPaolo | 0 | 0 | 235 | 0 | 0 | 235 |
| Habib Bank | 0 | 0 | 0 | 225 | 0 | 225 |
| Cigna | 0 | 0 | 0 | 2 | 0 | 2 |
| Western Union | 0 | 0 | 0 | 60 | 0 | 60 |
| RBS Financial Products Inc. | 0 | 0 | 0 | 0 | 100 | 100 |
| Bank of America Merrill Lynch | 0 | 0 | 0 | 0 | 42 | 42 |
| UBS | 0 | 0 | 0 | 0 | 41 | 41 |
| Other Settlements | 7 | 0 | (7) | 0 | 0 | 0 |

Uses of Extraordinary Monetary Settlements

A total of \$10.8 billion in Extraordinary Monetary Settlements has been allocated to date. The remaining balance of \$76 million remains unallocated.

| GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM EXTRAORDINARY MONETARY SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars) | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Opening Settlement Balance in General Fund | 0 | 4,667 | 6,300 | 5,335 | 5,020 | 3,013 | 1,865 | 1,010 | 405 |
| Receipt of Extraordinary Monetary Settlement Payment | 4,942 | 3,605 | 1,317 | 805 | 183 | 0 | 0 | 0 | 0 |
| Use/Transfer of Funds | 275 | 1,972 | 2,282 | 1,120 | 2,190 | 1,148 | 855 | 605 | 329 |
| Capital Purposes: | | | | | | | | | |
| Transfer to DIIIF | 0 | 857 | 697 | 941 | 1,608 | 1,250 | 1,109 | 542 | 306 |
| Transfer to Environmental Protection Fund | 0 | 0 | 120 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer to Capital Projects Fund - Mass Transit | 0 | 0 | 0 | 67 | 10 | 8 | 0 | 0 | 0 |
| Transfer to Capital Projects Fund - Healthcare | 0 | 0 | 0 | 19 | 70 | 70 | 80 | 63 | 23 |
| Transfer to DIIIF for Javits Center Expansion | 0 | 0 | 0 | 164 | 350 | 320 | 166 | 0 | 0 |
| Bond Proceed Receipts for Javits Center Expansion | 0 | 0 | 0 | 0 | 0 | (500) | (500) | 0 | 0 |
| FY 2017 Temporary Loan to Capital Projects Fund | 0 | 0 | 1,300 | (1,300) | 0 | 0 | 0 | 0 | 0 |
| FY 2018 Temporary Loan to Capital Projects Fund | 0 | 0 | 0 | 500 | (500) | 0 | 0 | 0 | 0 |
| Other Purposes: | | | | | | | | | |
| Transfer to Audit Disallowance - Federal Settlement | 0 | 850 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CSX Litigation Payment | 0 | 0 | 0 | 76 | 0 | 0 | 0 | 0 | 0 |
| Financial Plan - General Fund Operating Purposes | 275 | 250 | 102 | 461 | 383 | 0 | 0 | 0 | 0 |
| Transfer to Local Assistance Account - Mass Transit Operating | 0 | 0 | 0 | 10 | 0 | 0 | 0 | 0 | 0 |
| MTA Operating Aid | 0 | 0 | 0 | 0 | 194 | 0 | 0 | 0 | 0 |
| Department of Law - Litigation Services Operations | 0 | 10 | 63 | 27 | 75 | 0 | 0 | 0 | 0 |
| Transfer to OASAS Chemical Dependence Program | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reservation of Funds: | | | | | | | | | |
| Reserve for Retroactive Labor Settlements | 0 | 0 | 0 | 155 | 0 | 0 | 0 | 0 | 0 |
| Closing Settlement Balance in General Fund | 4,667 | 6,300 | 5,335 | 5,020 | 3,013 | 1,865 | 1,010 | 405 | 76 |

A total of \$7.8 billion has been, or is expected to be, used to finance various spending from capital appropriations, including operating activities associated with the maintenance, protection, preservation, and operation of capital assets. Another \$2.9 billion has been, or is expected to be, used for other purposes, including resolution of Office for People with Developmental Disabilities (OPWDD) Federal disallowances in FY 2016, retroactive labor costs, General Fund operations, one-time litigation payments to CSX Transportation, Inc. (CSX), and costs of the Department of Law's Litigation Services Bureau.

The Enacted Budget Financial Plan reflects use of previously unallocated Extraordinary Monetary Settlements to support:

- **General Fund Operations (\$383 million).** Consistent with prior years, the Enacted Budget Financial Plan reflects the use of funds not appropriated for other purposes.
- **MTA Subsidy (\$194 million).** Additional support will be provided to the MTA for operations in FY 2019.
- **Health Care Capital Grants (\$125 million).** An additional \$525 million will be provided to the Health Care Facility Transformation Program, of which \$125 million will be funded from Extraordinary Monetary Settlements over a multi-year period.

Other Matters Affecting the Financial Plan

General

The Enacted Budget Financial Plan is subject to complex economic, social, financial, political, and environmental risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Enacted Budget Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. For instance, actual receipts collections have fallen substantially below the levels forecasted in certain fiscal years. In addition, certain projections contained in the Enacted Budget Financial Plan are based on the assumption that annual growth in State Operating Funds spending will be limited to 2 percent in FY 2020, FY 2021, and FY 2022, and that all savings that result from the 2 percent spending growth benchmark will be made available to the General Fund.

DOB routinely executes cash management actions to manage the State's large and complex budget. These actions are intended for a variety of purposes that include improving the State's cash flow, managing resources within and across State fiscal years, assisting in the adherence to spending targets and better positioning the State to address future risks and unanticipated costs, such as economic downturns, unexpected revenue deterioration and unplanned expenditures. As such, the State regularly makes certain payments above those initially planned, to maintain budget flexibility. All payments made above the planned amount are reflected in the year they occur, and adhere to the limit of the State's 2 percent spending growth benchmark.

The Enacted Budget Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant collection of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impacts of: national and international events; ongoing financial risks in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, hostilities or war; climate change and extreme weather events; Federal statutory and regulatory changes concerning financial sector activities; Federal tax law and other programmatic purposes; 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; the effect of household debt on consumer spending and State tax collections; and the outcomes of litigation and other claims affecting the State.

The Enacted Budget Financial Plan is subject to various 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 expected in the Enacted Budget Financial Plan; 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 issue

securities successfully in the public credit markets. Some of these issues are described in more detail herein. The projections and assumptions contained in the Enacted Budget Financial Plan are subject to revisions which may result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

Budget Risks and Uncertainties

There can be no assurance that the State's 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 financing of operating expenses; use of non-recurring resources; 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 action of the Governor.

The Enacted Budget Financial Plan projections for the outyears assume that School Aid and Medicaid disbursements will be limited to the annual growth in NYS personal income and the ten-year average growth of the medical component of the consumer price index (CPI), respectively. However, since FY 2014, the State has annually authorized School Aid spending increases above the personal income growth index. In SY 2019, the Enacted Budget Financial Plan reflects a 3.6 percent School Aid increase, compared to 1.5 percent growth in the personal income growth index. In SY 2020, School Aid is projected to increase by 3.6 percent, based on currently projected personal income growth.

State law grants the Commissioner of Health certain powers and authority to maintain Medicaid spending levels assumed in the Enacted Budget Financial Plan. Over the past six years, DOH State Funds Medicaid spending levels have remained at or below indexed levels without requiring the Commissioner to exercise this authority. However, Medicaid program spending is sensitive to several factors including fluctuations in economic conditions, which may increase caseload, and changes in Federal aid, which could affect State health care spending. The Commissioner's powers are intended to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated for the current fiscal year, through actions which may include reducing rates to providers. These actions may be dependent upon timely Federal approvals and other elements of the program that govern implementation. It should further be noted that the Medicaid Cap, which is indexed to historical CPI Medical trends, applies to State Operating Funds and, therefore, General Fund spending remains sensitive to revenue performance in the State's HCRA fund. The HCRA fund finances approximately one-quarter of the DOH State-share costs of Medicaid.

The Enacted Budget Financial Plan forecast contains specific transaction risks and other uncertainties including, but not limited to: receipt of certain payments from public authorities; receipt of certain revenue sharing payments under the Tribal-State compact, including payments

from the Seneca Nation¹⁵; receipt of miscellaneous revenues at the levels expected in the Enacted Budget Financial Plan; and achievement of cost-saving measures including, but not limited to, transfer of available fund balances to the General Fund at levels currently projected. Such risks and uncertainties, if they were to materialize, could adversely impact the Enacted Budget Financial Plan in current or future years, or both.

The Enacted Budget Financial Plan also includes actions that affect the spending reported in the State Operating Funds basis of reporting, including (i) the realignment of certain operating costs to the capital budget to provide consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; and (iii) the restructuring of the STAR program to a tax credit for consistency with the reporting of other State tax credits. If these and other transactions are not implemented as planned, annual spending growth in State Operating Funds would increase above current estimates.

In developing the Enacted Budget Financial Plan, DOB attempts to mitigate the financial risks from receipts volatility, litigation, and unexpected costs, with a particular emphasis on the General Fund. It does this by, among other things, exercising caution when calculating total General Fund disbursements and managing the accumulation of financial resources that can be used to offset new costs (including, but not limited to, fund balances not needed in a given year, acceleration of tax refunds above the level budgeted in a given year, and prepayment of expenses). There can be no assurance that such resources will be sufficient to address risks that may materialize in a given fiscal year.

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 respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid may be subject to change under the Trump Administration and the current Congress. Current Federal aid projections, and the assumptions on which they rely, are subject to revision as a result of changes in Federal policy. Actions by the Federal government, including the TCJA, pose a heightened risk to State finances. Enactment of Federal tax law changes is currently projected to add \$1.9 trillion to the Federal deficit over the next ten years,¹⁶ increasing the likelihood that Congress will seek material cuts in Federal aid programs or impose new barriers to the receipt of Federal aid by families and individuals.

In addition, the Enacted Budget Financial Plan may also be adversely affected by other Federal government actions, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. For instance, the Enacted Budget Financial Plan includes reimbursement to

¹⁵ The Seneca Nation has withheld payments to the State that were expected in FY 2018. The State and Seneca Nation are currently in the arbitration process. The Enacted Budget Financial Plan assumes successful resolution by October 2018.

¹⁶ Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028", April 2018.

the Federal government of \$100 million annually through FY 2027 pursuant to a March 2015 agreement between the State and the Centers for Medicare and Medicaid Services (CMS). The agreement resolved a pending disallowance for FY 2011 and all related payment disputes for State-operated services prior to April 1, 2013, including home and community-based waiver services. Pursuant to the agreement, the State must adjust the Federal/State share of future Medicaid costs to reimburse the Federal government. The State used \$850 million in Extraordinary Monetary Settlement payments, previously set aside for financial risks, to finance the initial repayment amount in FY 2016.

Given this uncertainty, the Enacted Budget Financial Plan includes legislation to continue authorization for a process by which the State would manage significant reductions in Federal aid during FYs 2019 and 2020 should such reductions occur. Specifically, the legislation allows the Budget Director to prepare a plan for consideration by the Legislature in the event that Federal policymakers (i) reduce Federal financial participation in Medicaid funding to New York State or its subdivisions by \$850 million or more; or (ii) reduce Federal financial participation or other Federal aid funding to New York State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately, and is not additive. The plan prepared by the Budget Director must equally and proportionally reduce appropriations and cash disbursements in the General Fund and State Special Revenue Funds. Upon receipt of the plan, the Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both the Senate and Assembly. Otherwise, the plan submitted by the Budget Director takes effect automatically.

Current Federal Aid

President Trump has proposed significant cuts to mandatory and discretionary domestic programs in Federal Fiscal Years (FFYs) 2018 and 2019. The proposed cuts for FFY 2018 were largely rejected by the Consolidated Appropriations Act of 2018, which was enacted in March 2018. The FFY 2019 budget is still under consideration by Congress. If the proposed cuts are adopted, it could reduce Federal aid to New York by billions of dollars.

The Budget Control Act (BCA) of 2011, which temporarily raised the debt limit, established discretionary spending caps on the Federal government through FFY 2021, and under certain conditions institutes automatic spending cuts for certain Federal funds on which the State relies. Discretionary Federal funding to the State could be reduced if these caps are not adjusted, suspended or eliminated. On February 9, 2018, the Federal government enacted legislation increasing the spending caps for FFYs 2018 and 2019, lessening the potential for significant spending cuts in discretionary domestic programs through FFY 2019.

Medicaid Disproportionate Share Hospital (DSH) Payments

Provisions within the Medicaid statute allow for a capped amount of payments to hospitals that treat a disproportionate number of Medicaid recipients. Changes made initially in the Affordable Care Act (ACA) to reduce the aggregate amount of Federal reimbursements for DSH payments came into effect with the start of FFY 2018, beginning October 1, 2017, but have since been delayed

to FFY 2020 (beginning October 1, 2019) by Federal legislation enacted on February 9, 2018. The legislation also accelerates full implementation of the DSH cuts to begin in FFY 2021, in contrast to the previous multi-year phase-in.

DOB estimates that if the changes do take effect as scheduled, New York will see the largest reduction among all states, costing the State billions of dollars in lost Federal DSH payments when fully phased in. DOB continues to monitor Federal Medicaid DSH payment policies.

Federal Health Care Policy

In 2017, the Federal government attempted to end the Basic Health Program (EP in New York State), the ACA's Medicaid expansion and to shift a larger share of growth in Medicaid costs to states by imposing per capita caps on Medicaid spending in lieu of Medicaid's current open-ended entitlement. If these bills had been enacted into law, these policies would have had a substantial adverse impact on the Enacted Budget Financial Plan.

Additionally, President Trump has taken unilateral executive action to withhold Cost Sharing Reduction (CSR) payments, threatening low-cost health insurance coverage for income-eligible recipients purchasing Qualified Health Plan (QHP) or EP coverage through NYSOH, New York's official health plan marketplace. Despite the Federal withholding of CSR payments, which amount to 25 percent of the Federal funding for the EP, the Enacted Budget continues to support the EP program. In order to offset this loss of funding, the State will utilize EP Medical Loss Ratio (MLR) remittances, reduce reimbursement rates to plans, and accelerate trust fund monies to maximize Federal benefits.

While Federal funding for the Children's Health Insurance Program (CHIP) has been reauthorized through FFY 2027, it remains possible that other Federal changes could affect the State's health care policies. DOB continues to monitor Federal health care policy.

Excise Tax on High-Cost Employer-Sponsored Health Coverage ("Cadillac Tax")

The Excise Tax on High-Cost Employer Sponsored Health Coverage (26 USC 4980I) is a 40 percent excise tax assessed on the portion of the premium for an employer-sponsored health insurance plan that exceeds a certain annual limit. The provision was initially included in the ACA to offset mandatory spending increases but has since been altered by intervening laws that delay the implementation of the tax until 2022.

Regulations from the IRS have yet to be published. DOB has no current estimate as to the potential impact to the Enacted Budget Financial Plan from this Federal excise tax.

MRT Medicaid Waiver

The Federal Centers for Medicare & Medicaid Services (CMS) and the State have an agreement authorizing up to \$8 billion in new Federal funding over several years to transform New York's health care system and ensure access to quality care for all Medicaid beneficiaries. This funding,

provided through an amendment to the State's Partnership Plan 1115 Medicaid waiver, is divided among the Interim Access Assurance Fund (IAAF), the Delivery System Reform Incentive Payment (DSRIP) Program, Health Homes, and various other Medicaid redesign initiatives.

Since January 1, 2014, in accordance with provisions of the ACA, the State has been eligible for enhanced Federal Medical Assistance Percentage (FMAP) funding associated with childless adults. The DOH continues to work with the CMS and to refine eligibility data systems to draw the appropriate amount of enhanced FMAP funding. This reconciliation may result in a modification of payments to the State and local governments.

Federal Debt Limit

On February 9, 2018, the Federal government enacted legislation suspending the Federal debt limit through March 1, 2019, forestalling the possibility of a default by the Federal government until at least that time. A Federal government default on payments, particularly for a prolonged period, could have a materially adverse effect on the national and the State economies, financial markets, and intergovernmental aid payments. The specific effects on the Enacted Budget Financial Plan of a future Federal government default 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, including the State, could face higher borrowing costs and impaired capital 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 obligations of the State, could be adversely affected.

Current Labor Negotiations and Agreements (Current Contract Period)

The State has multi-year labor agreements in place with the majority of its unionized workforce. The Civil Service Employees Association (CSEA) and DC-37 (Rent Regulation) employees have a five-year labor contract that provides annual salary increases of 2 percent for FYs 2017 through 2021 and additional compensation changes, offset by benefit design changes within the New York State Health Insurance Program (NYSHIP) and reductions in overtime costs.

Employees represented by the Public Employees Federation (PEF) and the Graduate Student Employees Union (GSEU) have a three-year collective bargaining agreement providing 2 percent annual salary increases in FYs 2017 through 2019. The salary increases provided to PEF and GSEU employees have also been extended to Management/Confidential (M/C) employees in FYs 2017 through 2019.

Members of the Police Benevolent Association of the New York State Troopers (NYSTPBA) and the New York State Police Investigators Association (NYSPIA) have a multi-year collective bargaining agreement that provides a 2 percent general salary increase for each of FY 2015 and FY 2016, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018. Negotiations on the next contract with NYSTPBA and NYSPIA have commenced.

On May 24, 2018, the State reached a tentative agreement with the United University Professions (UUP) for the six-year period that includes academic years 2017 through 2023 (July 1, 2016 through June 30, 2023). The agreement provides for a 2 percent general salary increase each year, and additional compensation changes, which are partly offset by benefit design changes within NYSHIP. The tentative agreement is contingent on legislative approval of a pay bill and UUP member ratification, the provisions of this agreement are estimated to cost approximately \$250 million in FY 2019.

The State is in negotiations with all other employee unions whose contracts concluded in FY 2016, including Council 82 and the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) following the March 2017 membership rejection of a tentative agreement on a five-year labor contract through FY 2021.¹⁷ Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

The Judiciary has reached agreement with all 12 unions represented within its workforce. The contract periods are as follows: FY 2018 to FY 2020 for CSEA, FY 2012 to FY 2019 for Court Officers Benevolent Association of Nassau County (COBANC), FY 2012 to FY 2021 for the NYS Supreme Court Officers Association, the NYS Court Officers Association and the Court Clerks Association, and FY 2017 to FY 2019 for seven other unions.

¹⁷ The five-year agreement with NYSCOPBA that was not ratified would have provided for annual 2 percent general salary increases through FY 2021, and differentials typically received within the law enforcement community (e.g., Hazardous Duty Pay), the costs of which were offset by benefit design changes within NYSHIP and reductions in overtime costs.

Pension Contributions¹⁸

Overview

The State makes annual contributions to the New York State and Local Retirement System (NYSLRS) for employees in ERS and PFRS. This section discusses contributions from the State, including the Judiciary, to the NYSLRS, which account for the majority of the State's pension costs.¹⁹ All projections are based on projected market returns and numerous actuarial assumptions which, if unrealized, could change these projections materially.

During FY 2016, the NYSLRS updated its actuarial assumptions based on the results of the 2015 five-year experience study. In September 2015, NYSLRS announced that employer contribution rates would decrease for FY 2017 and the assumed rate of return would be lowered from 7.5 percent to 7 percent. The salary scale assumptions were also changed – for ERS the scale was reduced from 4.9 percent to 3.8 percent and for PFRS the scale was reduced from 6.0 percent to 4.5 percent.

FY 2019 Projections

The preliminary FY 2019 ERS/PFRS pension liability of \$2.3 billion is impacted by the FY 2017 investment return of 11.5 percent, which was above the Comptroller's assumed rate of return (7 percent). The estimate also reflects the impact of past investment performance and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease from 15.3 percent of payroll to 14.9, while the average contribution rate for PFRS will decrease from 24.4 percent of payroll to 23.5 percent.²⁰

The pension liability also reflects changes to military service credit provisions found in Section 1000 of the Retirement and Social Security Law (RSSL) enacted during the 2016 legislative session (Chapter 41 of the Laws of 2016). All veterans who are members of NYSLRS may, upon application, receive extra service credit for up to three years of military duty if such veterans (i) were honorably discharged, (ii) have achieved five years of credited service in a public retirement system, and (iii) have agreed to pay the employee share of such additional pension credit. Costs to the State for employees in ERS will be incurred at the time each member purchases credit, as documented by OSC at the end of each calendar year, while costs for employees in PFRS will be distributed across PFRS employers and billed on a two-year lag (e.g. FY 2017 costs will first be billed in FY 2019). Additionally, Section 25 of the RSSL requires the State to pay the ERS employer

¹⁸ The information contained under this heading was prepared solely by DOB and reflects the budgetary aspects of pension amortization. The information that appears later in this AIS, under the section entitled "State Retirement System" was furnished solely by OSC.

¹⁹ The State's aggregate pension costs also include costs for State employees in the Teachers' Retirement System (TRS) for both SUNY and the State Education Department (SED), the Optional Retirement Program (ORP) for both SUNY and SED, and the New York State Voluntary Defined Contribution Plan (VDC).

²⁰ Average contribution rates include the Group Life Insurance Program (GLIP), and thus differ from the system average normal rates reported in the pension amortization section.

contributions associated with this credit on behalf of local governments. The State is also permitted to amortize the cost of past service credits newly incurred in a given fiscal year; however, the State does not anticipate choosing this option as there would be an interest rate of 7 percent applied to this amortization. The ERS cost to the State (including the costs covered for local ERS) was \$52 million in FY 2018 based on actual credit purchased through December 31, 2017. DOB currently estimates ERS costs of \$55 million in FY 2019 and \$39 million in FY 2020. Additionally, the State expects ongoing costs of \$7 million beginning in FY 2021 as new cohorts of veterans become eligible to purchase the credit.

Outyear Projections

Pension estimates for FY 2020 and beyond, as projected by DOB, reflect growth in normal costs primarily based on the expectation that collective bargaining will result in continued salary increases and that investment returns will be below the actuarially assumed 7 percent rate of return in the near-to-mid-term.

Pension Amortization²¹

Under legislation enacted in August 2010, the State and local governments may amortize (defer paying) a portion of their annual pension costs. 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 State and local governments are required to begin repayment on each new amortization in the fiscal year immediately following the year in which the amortization was initiated. The full amount of each amortization must be repaid within ten years at a fixed interest rate determined by OSC. Legislation included in the FY 2017 Enacted Budget authorized the State to prepay a portion of remaining principal associated with an amortization, and then pay a lower re-calculated interest installment in any subsequent year for which the principal has been prepaid. This option does not allow the State to delay the original ten-year repayment schedule, nor does it allow for the interest rate initially applied to the amortization amount to be modified.

The portion of an employer's annual pension costs that may be amortized is determined by comparing the employer's amortization-eligible contributions as a percentage of employee salaries (i.e., the normal rate²²) to a system-wide amortization threshold (i.e., the graded rate). Graded rates are determined for ERS and PFRS according to a formula enacted in the 2010 legislation and generally move toward their system's average normal rate by up to one percentage point per year. When an employer's normal rate is greater than the system-wide graded rate, the employer can

²¹ The information contained under this heading was prepared solely by DOB and reflects the budgetary aspects of pension amortization. The information that appears later in this AIS, under the section entitled "State Retirement System" was furnished solely by OSC.

²² For the purpose of this discussion, the "normal rate" refers to all amortization-eligible costs (i.e. normal and administrative costs, as well as certain employer-provided options such as sick leave credit) divided by salary base.

elect to amortize the difference. However, when the normal rate of an employer that previously amortized is less than the system-wide graded rate, the employer is required to pay the graded rate. Additional contributions are first used to pay off existing amortizations and are then deposited into a reserve account to offset future increases in contribution rates. Chapter 48 of the Laws of 2017 changed the graded rate computation to provide an employer specific graded rate based on the employer's own tier and plan demographics.

The State has not amortized its pension costs (including the Office of Court Administration (OCA)) since FY 2016.

The amortization threshold is projected to equal the normal rate in upcoming fiscal years. The following table reflects projected pension contributions and amortizations exclusively for Executive branch and Judiciary employers participating in ERS and PFRS.

| EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM IMPACTS OF AMORTIZATION ON PENSION CONTRIBUTIONS (millions of dollars) | | | | | | | | | |
|---|---|--|---------------------------|----------------------------------|---|--|----------|--------------------------------------|----------|
| Fiscal Year | Statewide Pension Payments ¹ | | | | Interest Rate on Amortization Amount (%) ³ | Rates for Determining (Amortization Amount) / Excess Contributions | | | |
| | Normal Costs ² | (Amortization Amount) / Excess Contributions | Repayment of Amortization | Total Statewide Pension Payments | | System Average Normal Rate ⁴ | | Amortization Threshold (Graded Rate) | |
| | | | | | | ERS (%) | PFRS (%) | ERS (%) | PFRS (%) |
| 2011 | 1,543.2 | (249.6) | 0.0 | 1,293.6 | 5.0 | 11.5 | 18.1 | 9.5 | 17.5 |
| 2012 | 2,037.6 | (562.9) | 32.3 | 1,507.0 | 3.8 | 15.9 | 21.6 | 10.5 | 18.5 |
| 2013 | 2,076.1 | (778.5) | 100.8 | 1,398.4 | 3.0 | 18.5 | 25.7 | 11.5 | 19.5 |
| 2014 | 2,633.8 | (937.0) | 192.0 | 1,888.8 | 3.7 | 20.5 | 28.9 | 12.5 | 20.5 |
| 2015 | 2,325.7 | (713.1) | 305.7 | 1,918.3 | 3.2 | 19.7 | 27.5 | 13.5 | 21.5 |
| 2016 | 1,972.1 | (356.1) | 389.9 | 2,005.9 | 3.2 | 17.7 | 24.7 | 14.5 | 22.5 |
| 2017 | 1,788.6 | 0.0 | 432.1 | 2,220.7 | 2.3 | 15.1 | 24.3 | 15.1 | 23.5 |
| 2018 | 1,788.7 | 0.0 | 432.1 | 2,220.8 | 2.8 | 14.9 | 24.3 | 14.9 | 24.3 |
| 2019 Est. | 1,866.7 | 0.0 | 432.1 | 2,298.8 | 0.0 | 14.4 | 23.5 | 14.4 | 23.5 |
| -----Projected by DOB ⁵ ----- | | | | | | | | | |
| 2020 | 1,921.4 | 0.0 | 432.1 | 2,353.5 | 0.0 | 15.2 | 24.0 | 15.2 | 24.0 |
| 2021 | 2,080.3 | 0.0 | 432.1 | 2,512.4 | 0.0 | 16.2 | 25.0 | 16.2 | 25.0 |
| 2022 | 2,272.5 | 0.0 | 399.8 | 2,672.3 | 0.0 | 17.2 | 26.0 | 17.2 | 26.0 |
| 2023 | 2,436.7 | 0.0 | 331.3 | 2,768.0 | 0.0 | 17.9 | 25.8 | 17.9 | 25.8 |
| 2024 | 2,460.1 | 0.0 | 240.1 | 2,700.2 | 0.0 | 17.7 | 25.4 | 17.7 | 25.4 |
| 2025 | 2,483.7 | 0.0 | 126.4 | 2,610.1 | 0.0 | 17.5 | 25.0 | 17.5 | 25.0 |
| 2026 | 2,507.2 | 0.0 | 42.2 | 2,549.4 | 0.0 | 17.3 | 24.6 | 17.3 | 24.6 |

¹ Pension Contribution values in this table do not include pension costs related to the ORP, VDC, and TRS for SUNY and SED, whereas the projected pension costs in other Financial Plan tables include such pension disbursements.

² Normal costs include payments from amortizations prior to FY 2011, which ended in FY 2016 as a result of early repayments.

³ Interest rates are determined by the Comptroller based on the market rate of return on comparable taxed fixed income investments (e.g., Ten-Year Treasuries). The interest rate is fixed for the duration of the ten-year repayment period.

⁴ The system average normal rate represents system-wide amortization-eligible costs (i.e. normal and administrative costs, as well as the cost of certain employer options) as a percentage of the system's total salary base. The normal rate does not include the following costs, which are not eligible for amortization: Group Life Insurance Program (GLIP) contributions, deficiency contributions, previous amortizations, incentive costs, administrative costs, costs of new legislation in some cases, and prior-year adjustments. "(Amortization Amount) / Excess Contributions" are calculated for each employer in the system using employer-specific normal rates, which may differ from the system average.

⁵ Outyear projections are prepared by DOB. The retirement system does not prepare, or make available, outyear projections of pension costs.

The “Normal Costs” column shows the State’s underlying pension cost in each fiscal year, before the effects of amortization. The “(Amortized) / Excess Contributions” column shows amounts amortized. The “Amortization Payments” column provides the amount paid in principal and interest towards the outstanding balance on prior-year amortizations. The “Total Statewide Pension Payments” column provides the State’s actual or planned pension contribution, inclusive of amortization. The “Interest Rate on Amortization Amount (%)” column provides the interest rate at which the State will repay the amortized contribution, as determined by OSC. The remaining columns provide information on the normal rate and graded rate, which are used to determine the maximum allowed “(Amortized)” amount or the mandatory “Excess Contributions” amount for a given fiscal year.

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 NYSHIP, or are enrolled in the NYSHIP opt-out program, at the time they reach retirement; and have at least ten years of eligible service. 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 Pay-As-You-Go (PAYGO) basis as required by law.

In accordance with the 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 2017, the State’s Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State’s Basic Financial Statements for FY 2017, the unfunded actuarial accrued liability for FY 2017 is \$87.2 billion (\$72.8 billion for the State and \$14.4 billion for SUNY), an increase of \$9.4 billion from FY 2016 (attributable entirely to the State). The unfunded actuarial accrued liability for FY 2017 used an actuarial valuation of OPEB liabilities as of April 1, 2016 for the State and April 1, 2014 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. A significant portion of the annual growth in the State’s unfunded actuarial accrued liability is due to the reduction of the discount rate from 3.155 to 2.637 percent, calculated as the average STIP rate for the past 20 years at the time of valuation. The decline in the discount rate increases the present value of the projected benefit obligation.

The actuarially determined annual OPEB cost for FY 2017 totaled \$4.1 billion (\$3.2 billion for the State and \$923 million for SUNY), a decline of \$7 million from FY 2016 (\$4 million for the State and \$3 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 \$2.4 billion (\$1.795 billion for the State and \$639 million for SUNY) greater than the

PAYGO required cash payments for retiree costs made by the State in FY 2017. This difference between the State's PAYGO costs, and the actuarially determined ARC under GASB Statement 45, reduced the State's net position at the end of FY 2017 by \$2.4 billion.

GASB has no authority to require the additional costs to be funded on the State's budgetary (cash) basis, and no additional funding is assumed for this purpose in the Enacted Budget Financial Plan. The State continues to fund these costs, along with all other employee health care expenses, on a PAYGO basis, meaning the State pays these costs as they become due.

There is no provision in the Enacted Budget Financial Plan to fund the ARC for OPEB. If the State began making a contribution, the additional cost above the PAYGO amounts would be lowered. However, it is not expected that the State will alter its current PAYGO funding practice.

The FY 2018 Enacted Budget included legislation creating a Retiree Health Benefit Trust Fund (the "Trust Fund") that authorizes the State to reserve money for the payment of health benefits of retired employees and their dependents. Under the legislation, the State may deposit into the Trust Fund, in any given fiscal year, up to 0.5 percent of total then-current unfunded actuarial accrued OPEB liability. The Enacted Budget Financial Plan does not include any deposits to the Trust Fund.

The provisions of GASB Statement 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions), which amends GASB Statement 45 and GASB Statement 57, is expected to be incorporated into the State's FY 2019 Basic Financial Statements. The FY 2019 Basic Financial Statements are expected to be issued in July 2019. The GASB Statements, as amended by GASB Statement 75, alter the actuarial methods used to calculate OPEB liabilities, standardizes asset smoothing and discount rates, and require the unfunded net OPEB obligation to be reported by the State in its Statement of Net Position. Reporting the unfunded OPEB liability on the Statement of Net Position, rather than as a note to the Basic Financial Statements, is expected to significantly increase the State's total long-term liabilities and show the State in a negative net position.

GASB Statement 75 is not expected to alter the Enacted Budget Financial Plan cash PAYGO projections for health insurance costs, as the DOB methodology for forecasting these costs over a multi-year period already incorporates factors and considerations consistent with the new actuarial methods and calculations required by the GASB Statement.

Litigation

Litigation against the State may include, among other things, 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 Enacted Budget Financial Plan. For more information, see the "Litigation" section later in this AIS.

Climate Change Adaptation

Climate change poses 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. Climate change risks, if they materialize, can adversely impact the Financial Plan in current or future years. Significant long-term planning and investment by the Federal government, State, municipalities, and public utilities are expected to be needed to adapt existing infrastructure to climate change risks.

Participants in financial markets are acknowledging climate change risks. In June 2017, an industry-led Task Force on Climate-related Financial Disclosure convened by the Financial Stability Board (an international body which monitors the global financial system) published recommendations stating that climate risk affects most market sectors and that climate-related risk should be publicly disclosed to investors in annual financial filings.²³ In November 2017, Moody's Investors Service issued guidance to state and local governments that climate change is forecast to heighten exposure to economic losses, placing potential pressure on credit ratings. The Moody's report identified rising sea levels and the effect on coastal infrastructure as the primary climate risk for the northeastern US region, including the State. These risks are heightened by population concentration in coastal counties.

The State continues to recover from the damage sustained during three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various State counties. In September 2011, Tropical Storm Lee caused flooding in additional State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. 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 present economic and financial risks to the State. Reimbursement claims for costs of the immediate response, recovery, and future mitigation efforts continue, 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. It is anticipated that the State, MTA, and State localities may receive approximately one-half of this amount for response, recovery, and mitigation costs. To date, a total of \$17 billion has been committed to repairing impacted homes and businesses, restoring community services, and mitigating future storm risks across the State. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities over the coming years.

²³ For further context to the June 2017 disclosure recommendations, the Financial Stability Board was asked by an international coalition of G20 Finance Ministers and Central Bank Governors to address concerns that undisclosed climate risk could destabilize global financial markets.

Cybersecurity

New York State government, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the State and its public corporations and municipalities face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the State's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the State invests in multiple forms of cybersecurity and operational controls. The State's Enterprise Information Security Office (EISO) within the State's Office of Information Technology Services (ITS) maintains comprehensive policies and standards, programs, and services relating to the security of State government networks and geographic information systems (see <https://its.ny.gov/eiso/policies/security>), and annually assesses the implementation of security policies and standards to ensure compliance through the Nationwide Cyber Security Review. In addition, the EISO maintains a cyber command center hotline and related procedures for cyber incident reporting and response, distributes real-time advisories and alerts, provides managed security services, and implements statewide information security training and exercises for State and local government. While controls are routinely reviewed and tested, no assurances can be given that such security and operational control measures will be completely successful at guarding against cyber threats and attacks. The results of any such attack could impact business operations and/or damage State digital networks and systems, and the costs of remedying any such damage could be substantial.

The State has also adopted regulations designed to protect the financial services industry from cyberattacks. Banks, insurance companies and other covered entities regulated by DFS are, unless eligible for limited exemptions, required to: (i) maintain a cyber security program, (ii) create written cybersecurity policies and perform risk assessments, (iii) designate a Chief Information Security Officer with responsibility to oversee the cybersecurity program, (iv) annually certify compliance with the cybersecurity regulations, and (v) report to DFS cybersecurity events that have a reasonable likelihood of materially harming any material part of the entity's normal operation(s) or of which notice is required to any government body, self-regulatory agency, or supervisory body.

Financial Condition of New York State Localities

The State's localities rely in part on State aid to balance their budgets and meet their cash requirements. As such, unanticipated financial need among localities can adversely affect the State Financial Plan. 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. The Restructuring Board performs comprehensive reviews and provides grants and loans on the condition of implementing recommended efficiency initiatives. For additional details on the Restructuring Board, please visit www.frb.ny.gov.

Bond Market

Successful Implementation of the Enacted Budget Financial Plan is dependent on the State's ability to market bonds. The State finances much of its capital spending, in the first instance, from the General Fund or the STIP, which it then reimburses with proceeds from the sale of bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, the State's overall cash position and capital funding plan may be adversely affected. The success of projected public sales will be subject to prevailing market conditions, among other things. 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. The TCJA adversely impacts the State and its public authorities by removing certain refunding opportunities for Federal tax exempt financing, including advance refundings for debt service savings when interest rates are favorable.

Debt Reform Act Limit

The Debt Reform Act of 2000 ("Debt Reform Act") restricts the issuance of State-supported debt funding for capital purposes only, and limits the maximum term of bonds to 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. DOB, as administrator of the Debt Reform Act, determined that the State was in compliance with the statutory caps in the most recent calculation period (FY 2017).

Current projections anticipate 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 availability under the debt outstanding cap is expected to decline from \$3.7 billion in FY 2018 to about \$49 million in FY 2021. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. In addition, the projected availability under the debt cap is dependent on expected growth in State personal income. 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 (which are not backed by a general obligation pledge of SUNY) are not included in the State's calculation of debt caps because these bonds do not meet the definition of "State-supported debt" as set forth in the Debt Reform Act. The bonds are backed solely with dormitory rental revenue. The State may adjust capital spending priorities and debt financing practices, 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 2018 | 1,210,641 | 4.00% | 48,426 | 44,744 | 3,681 | 3.70% | 0.30% | 6,522 | 51,266 |
| FY 2019 | 1,267,180 | 4.00% | 50,687 | 48,936 | 1,751 | 3.86% | 0.14% | 5,725 | 54,661 |
| FY 2020 | 1,325,014 | 4.00% | 53,001 | 52,493 | 507 | 3.96% | 0.04% | 4,808 | 57,301 |
| FY 2021 | 1,384,242 | 4.00% | 55,370 | 55,321 | 49 | 4.00% | 0.00% | 3,301 | 58,622 |
| FY 2022 | 1,445,224 | 4.00% | 57,809 | 57,716 | 93 | 3.99% | 0.01% | 2,666 | 60,382 |
| FY 2023 | 1,508,787 | 4.00% | 60,351 | 60,235 | 117 | 3.99% | 0.01% | 2,063 | 62,298 |

| 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 2018 | 165,470 | 5.00% | 8,274 | 4,477 | 3,796 | 2.71% | 2.29% | 1,381 | 5,858 |
| FY 2019 | 166,011 | 5.00% | 8,301 | 4,800 | 3,501 | 2.89% | 2.11% | 556 | 5,356 |
| FY 2020 | 169,996 | 5.00% | 8,500 | 5,342 | 3,158 | 3.14% | 1.86% | 1,595 | 6,937 |
| FY 2021 | 172,223 | 5.00% | 8,611 | 5,704 | 2,907 | 3.31% | 1.69% | 1,454 | 7,158 |
| FY 2022 | 177,182 | 5.00% | 8,859 | 5,995 | 2,864 | 3.38% | 1.62% | 1,072 | 7,068 |
| FY 2023 | 178,319 | 5.00% | 8,916 | 6,429 | 2,487 | 3.61% | 1.39% | 843 | 7,272 |

Changes in the State's available debt capacity, as illustrated below, reflect the impact of several factors. These include a reduction to the personal income forecast due almost entirely to income revisions by the Bureau of Economic Analysis (BEA). In recent quarters, BEA has made sizeable revisions to prior-year income levels, which in turn changes the base from which DOB calculates income projections going forward. The substantial reduction to personal income necessitates capital spending reductions in order to stay within the debt cap in future years. The spending reductions are expected to be managed within anticipated underspending on capital projects throughout the plan period. Debt capacity amounts continue to assume that SUNY Dormitory Facilities lease revenue bonds will be refunded into the new SUNY Dormitory Facilities Revenue Bond credit when the bonds become currently callable.

| DEBT CAPACITY (millions of dollars) | | | | | | |
|--|-----------------|-----------------|-------------------|-------------------|-------------------|-------------------|
| | FY 2018 Results | FY 2019 Enacted | FY 2020 Projected | FY 2021 Projected | FY 2022 Projected | FY 2023 Projected |
| FY 2019 Executive Budget Financial Plan | 3,884 | 1,693 | 252 | 61 | 79 | 221 |
| Personal Income Forecast Adjustment | (458) | (110) | (46) | (47) | (43) | (25) |
| Capital Reestimates | 255 | 528 | 806 | 444 | 340 | (31) |
| Capital Adds | 0 | (360) | (505) | (409) | (283) | (48) |
| FY 2019 Enacted Budget Financial Plan | 3,681 | 1,751 | 507 | 49 | 93 | 117 |

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 upgrading their primary health care facilities. Revenues pledged to pay debt service on the bonds include hospital payments made under loan 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. In the event of revenue shortfalls to pay debt service on the Secured Hospital 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, 2018, there were approximately \$193 million of bonds outstanding for this program.

Three of the four remaining hospitals in the State's Secured Hospital Program are in poor financial condition. 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. Since then the State has paid \$99 million for debt service costs. DASNY also estimates that the State will pay debt service costs of approximately \$26 million in FY 2019, \$28 million annually in FY 2020 and FY 2021, \$22 million in FY 2022, and \$17 million in FY 2023. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for one hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, a second hospital which closed in 2010, and a third hospital that is currently delinquent in its payments. The State has estimated additional exposure of up to \$9 million annually, if all hospitals in the Program failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

SUNY Downstate Hospital and the Long Island College Hospital (LICH)

In May 2011, the New York State Supreme Court issued an order that approved the transfer of real property and other assets of 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 University Hospital at Brooklyn. In 2012, DASNY issued tax exempt State PIT Revenue Bonds ("PIT Bonds"), to refund approximately \$120 million in outstanding debt originally incurred by LICH and assumed by Holdings.

Pursuant to a court-approved settlement in 2014, SUNY, together with Holdings, issued a request for proposals (RFP) seeking a qualified party to provide or arrange to provide health care services at LICH and to purchase the LICH property.

In accordance with the settlement, Holdings has entered into a purchase and sale agreement with the Fortis Property Group (FPG) Cobble Hill Acquisitions, LLC (the "Purchaser"), an affiliate of Fortis Property Group, LLC ("Fortis") (also party to the agreement), which proposes to purchase the LICH property, and with NYU Hospitals Center, which proposes to provide both interim and long-term health care services. The Fortis affiliate plans to develop a mixed-use project. The agreement was approved by the Offices of the Attorney General and the State Comptroller, and the sale of all or substantially all of the assets of Holdings was approved by the State Supreme Court in Kings County. The initial closing was held as of September 1, 2015, and on September 3, 2015 sale proceeds of approximately \$120 million were transferred to the trustee for the PIT Bonds, which were paid and legally defeased from such proceeds. Titles to 17 of the 20 properties were conveyed to the special purpose entities formed by the Purchaser to hold title.

The next closing, when title to the New Medical Site (NMS) portion of the LICH property is to be conveyed to NYU Hospitals Center (the "NMS Closing"), is anticipated to occur within 30 days after

all buildings on the NMS are fully demolished and all environmental issues remediated by the Purchaser. In its efforts to complete the demolitions and environmental remediation, the Purchaser is addressing issues raised by adjoining property owners and community groups. These challenges have delayed, and may continue to delay, demolition and environmental remediation.

As the NMS Closing did not occur on or before June 30, 2016, NYU Hospitals Center has the right to terminate its obligations under the purchase and sale agreement upon 30 days prior notice to Purchaser and Holdings. There can be no assurance that NYU Hospitals Center will not exercise its right to terminate. If NYU Hospitals Center terminates its obligations under the purchase and sale agreement, it has the contractual right to close its interim emergency department services immediately, but that right would be subject to obtaining regulatory approval for the closure. Also, if NYU Hospitals Center terminates its obligations under the purchase and sale agreement, the Purchaser has the ability under the purchase and sale agreement to continue with the final closing if, among other criteria, the Purchaser can identify a replacement provider with a confirming letter of interest to provide certain of the health care services expected to be provided by NYU Hospitals Center.

To date, Holdings has received no indication that NYU Hospitals Center intends to terminate its obligations under the purchase and sale agreement. As an alternative to termination, in light of the delays, each of Holdings and NYU Hospitals Center has the contractual right at any time to take over and complete the demolition and environmental remediation at the Purchaser's sole cost and expense. If Holdings elects to take over the demolition and environmental remediation, it may do so directly or through a designee (i.e., a contractor).

The final closing is anticipated to occur within 36 months after the NMS Closing. At the final closing, titles to the two remaining portions of the LICH properties will be conveyed to special purpose entities of Fortis, and Holdings will receive the balance of the purchase price, \$120 million less the remaining down payment. The final closing is conditioned upon completion of the New Medical Building by NYU Hospitals Center and relocation of the emergency department to the New Medical Building.

There can be no assurance that the resolution of legal, financial, and regulatory issues surrounding LICH, including the payment of outstanding liabilities, will not have a materially adverse impact on SUNY.

2018 Legislative Session

The State's regular legislative session for 2018 ended on June 20, 2018. Bills with a fiscal impact, approved by the Legislature during the session, may be signed or vetoed by the Governor. DOB continues to evaluate the fiscal impact of the legislative session and expects to reflect, in the First Quarterly Update to the Enacted Budget Financial Plan, the estimated costs associated with any bills that may be signed by the Governor, not already reflected in the Enacted Budget Financial Plan.

[THIS PAGE INTENTIONALLY LEFT BLANK]



**State Financial Plan Projections
Fiscal Years 2018 Through 2022**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Introduction

This section presents the State's multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FYs 2019 through FY 2022, with an emphasis on the FY 2019 projections, which reflect the impact of the Enacted Budget Financial Plan.

The State's cash-basis budgeting system, complex fund structure, and practice of earmarking certain tax receipts for specific purposes complicate the discussion of the State's receipts and disbursements 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 State Funds perspective reflects estimated tax receipts before distribution to 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 tax receipts for specific purposes.
- **Disbursements:** Roughly 30 percent of projected State-financed spending for operating purposes (excluding transfers) is accounted for outside of the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, and transportation. To provide a clear 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 the Enacted Budget Financial Plan. Accordingly, in terms of outyear projections, the first "outyear" of the FY 2019 budget, FY 2020, is the most relevant from a planning perspective.

Summary

The Enacted Budget Financial Plan reflects 2 percent annual growth in State Operating Funds, consistent with the expectation of adherence to a 2 percent spending growth benchmark.

The projections for FY 2020 and thereafter set forth in the Enacted Budget Financial Plan reflect savings that DOB estimates would be realized 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 calculations are developed using the State Operating Funds accounting perspective, as it is currently reflected in the Enacted Budget Financial Plan. From time to time, the State has approved legislation that has affected the spending reflected in State Operating Funds.

Estimated savings are labeled on a distinct line in the Enacted Budget Financial Plan tables as “Adherence to 2 percent Spending Benchmark.” The total disbursements in the Enacted Budget Financial Plan tables do not assume these savings. Such savings will be developed and proposed in future budgets. If the State exceeds the 2 percent State Operating Funds spending benchmark in FY 2020, FY 2021, and/or FY 2022, the projected operating position could decline.

The following tables present the Enacted Budget Financial Plan 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.

General Fund Projections

| GENERAL FUND PROJECTIONS (millions of dollars) | | | | | |
|--|--------------------|--------------------|----------------------|----------------------|----------------------|
| | FY 2018 Results | FY 2019 Enacted | FY 2020 Projected | FY 2021 Projected | FY 2022 Projected |
| RECEIPTS | | | | | |
| Taxes (After Debt Service) | 67,370 | 67,695 | 71,258 | 73,127 | 76,101 |
| Miscellaneous Receipts/Federal Grants | 3,129 | 2,127 | 2,028 | 2,001 | 1,883 |
| Other Transfers | 921 | 2,838 | 2,254 | 1,816 | 1,762 |
| Total Receipts | 71,420 | 72,660 | 75,540 | 76,944 | 79,746 |
| DISBURSEMENTS | | | | | |
| Local Assistance | 46,072 | 51,063 | 53,918 | 57,009 | 59,472 |
| School Aid | 22,015 | 23,161 | 24,105 | 25,197 | 26,456 |
| Medicaid/EP | 13,397 | 14,331 | 15,719 | 16,797 | 17,677 |
| All Other | 10,660 | 13,571 | 14,094 | 15,015 | 15,339 |
| State Operations | 8,228 | 11,745 | 12,065 | 12,614 | 12,579 |
| Personal Service | 6,136 | 8,691 | 8,936 | 9,441 | 9,374 |
| Non-Personal Service | 2,092 | 3,054 | 3,129 | 3,173 | 3,205 |
| General State Charges | 5,572 | 7,553 | 8,098 | 8,618 | 9,140 |
| Transfers to Other Funds | 9,852 | 6,240 | 6,643 | 6,512 | 6,117 |
| Debt Service | 1,047 | 827 | 948 | 1,017 | 876 |
| Capital Projects | 2,191 | 3,257 | 3,567 | 3,292 | 2,897 |
| State Share of Mental Hygiene Medicaid ¹ | 1,333 | 0 | 0 | 0 | 0 |
| SUNY Operations | 1,015 | 1,034 | 1,025 | 1,021 | 1,021 |
| All Other | 4,266 | 1,122 | 1,103 | 1,182 | 1,323 |
| Total Disbursements | 69,724 | 76,601 | 80,724 | 84,753 | 87,308 |
| Use (Reservation) of Fund Balance: | (1,696) | 3,941 | 1,157 | 863 | 605 |
| Community Projects | 10 | 29 | 9 | 8 | 0 |
| Labor Agreements | (130) | 0 | 0 | 0 | 0 |
| Undesignated Fund Balance | (1,891) | 1,905 | 0 | 0 | 0 |
| Extraordinary Monetary Settlements ² | 315 | 2,007 | 1,148 | 855 | 605 |
| BUDGET SURPLUS/(GAP) PROJECTIONS³ | 0 | 0 | (4,027) | (6,946) | (6,957) |
| Adherence to 2% Spending Benchmark⁴ | n/a | n/a | 3,247 | 5,548 | 6,470 |
| ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AT 2% | 0 | 0 | (780) | (1,398) | (487) |
| ¹ The State will continue to pay its share of Medicaid costs; however, after the reclassification of Mental Hygiene spending from certain Special Revenue Funds to the General Fund, the State share of Mental Hygiene Medicaid will be transferred within the General Fund, rather than to a Special Revenue Fund. | | | | | |
| ² Reflects transfers of Extraordinary Monetary Settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund, the Environmental Protection Fund, and the Capital Projects Fund. | | | | | |
| ³ Before actions to adhere to the 2 percent spending growth benchmark. | | | | | |
| ⁴ Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, a Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Enacted Budget Surplus/(Gap) Estimate at 2%" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. | | | | | |

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

State Operating Funds Projections

| STATE OPERATING FUNDS DISBURSEMENTS (millions of dollars) | | | | | |
|--|--------------------|--------------------|----------------------|----------------------|----------------------|
| | FY 2018 Results | FY 2019 Enacted | FY 2020 Projected | FY 2021 Projected | FY 2022 Projected |
| RECEIPTS | | | | | |
| Taxes | 77,953 | 76,528 | 81,350 | 83,397 | 86,679 |
| Miscellaneous Receipts/Federal Grants | 21,408 | 20,211 | 19,527 | 18,757 | 18,755 |
| Total Receipts | 99,361 | 96,739 | 100,877 | 102,154 | 105,434 |
| DISBURSEMENTS | | | | | |
| Local Assistance | 65,604 | 66,752 | 69,502 | 72,285 | 74,871 |
| School Aid (School Year Basis) | 25,639 | 26,553 | 27,509 | 28,692 | 29,983 |
| DOH Medicaid ¹ | 19,143 | 20,358 | 21,490 | 22,535 | 23,402 |
| Transportation | 5,025 | 3,961 | 3,642 | 3,689 | 3,821 |
| STAR | 2,589 | 2,459 | 2,417 | 2,402 | 2,402 |
| Higher Education | 2,833 | 3,065 | 3,168 | 3,217 | 3,256 |
| Social Services | 2,837 | 2,972 | 3,047 | 3,073 | 3,112 |
| Mental Hygiene | 2,350 | 2,257 | 2,592 | 2,928 | 3,208 |
| All Other ² | 5,188 | 5,127 | 5,637 | 5,749 | 5,687 |
| State Operations | 18,821 | 19,459 | 19,793 | 20,545 | 20,525 |
| Personal Service | 13,170 | 13,542 | 13,885 | 14,575 | 14,476 |
| Non-Personal Service | 5,651 | 5,917 | 5,908 | 5,970 | 6,049 |
| General State Charges | 7,853 | 8,542 | 9,124 | 9,713 | 10,249 |
| Pension Contribution | 2,442 | 2,469 | 2,590 | 2,753 | 2,918 |
| Health Insurance | 3,963 | 4,286 | 4,592 | 4,907 | 5,247 |
| All Other | 1,448 | 1,787 | 1,942 | 2,053 | 2,084 |
| Debt Service | 5,873 | 5,382 | 6,966 | 7,186 | 7,090 |
| Capital Projects | 0 | 0 | 0 | 0 | 0 |
| Total Disbursements³ | 98,151 | 100,135 | 105,385 | 109,729 | 112,735 |
| Net Other Financing Sources/(Uses) | 772 | (307) | (606) | (334) | (101) |
| RECONCILIATION TO GENERAL FUND GAP | | | | | |
| Designated Fund Balances: | (1,982) | 3,703 | 1,087 | 963 | 445 |
| General Fund | (1,696) | 3,941 | 1,157 | 863 | 605 |
| Special Revenue Funds | (277) | (233) | (64) | 109 | (90) |
| Debt Service Funds | (9) | (5) | (6) | (9) | (70) |
| GENERAL FUND BUDGET SURPLUS/(GAP)³ | 0 | 0 | (4,027) | (6,946) | (6,957) |
| Adherence to 2% Spending Benchmark⁴ | n/a | n/a | 3,247 | 5,548 | 6,470 |
| ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AT 2% | 0 | 0 | (780) | (1,398) | (487) |
| <p>¹ Total State share Medicaid funding includes the utilization of tobacco MSA payments which will be directly deposited to the MMIS Escrow Fund to cover a portion of local Medicaid growth.</p> <p>² All Other includes other education, parks, environment, economic development, public safety, and reconciliation between school year and State fiscal year spending on School Aid.</p> <p>³ Before actions to adhere to the 2 percent spending growth benchmark.</p> <p>⁴ Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, a Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Enacted Budget Surplus/(Gap) Estimate at 2%" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund.</p> | | | | | |

Receipts

Enacted Budget Financial Plan receipts results and projections include a variety of taxes, fees and assessments, charges for State-provided services, Federal grants, and other miscellaneous receipts, as well as collection of a PMT on businesses in the MTA region. The multi-year tax and miscellaneous receipts estimates are prepared by DOB with the assistance of the DTF and other agencies which collect State receipts, and are predicated on economic analysis and forecasts.

Overall base growth (i.e., absent law changes) in tax receipts is dependent on many 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 often alters base tax receipts. 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, public 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.

The projections described below do not consider the impact that the ECEP or the State Charitable Gifts Trust Fund may have on PIT receipts.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

Overview of the Receipts Forecast

All Funds receipts in FY 2019 are projected to total nearly \$166 billion, 0.3 percent above FY 2018 results.

| ALL FUNDS RECEIPTS (millions of dollars) | | | | | | | | | |
|---|--------------------|--------------------|--------------|---------------------|-------------|----------------------|-------------|----------------------|-------------|
| | FY 2018 Results | FY 2019 Enacted | Change | FY 2020 Proposed | Change | FY 2021 Projected | Change | FY 2022 Projected | Change |
| Personal Income Tax | 51,501 | 50,410 | -2.1% | 53,952 | 7.0% | 55,010 | 2.0% | 57,456 | 4.4% |
| Consumption/Use Taxes | 16,711 | 17,303 | 3.5% | 17,839 | 3.1% | 18,390 | 3.1% | 18,962 | 3.1% |
| Business Taxes | 7,164 | 7,981 | 11.4% | 8,630 | 8.1% | 8,966 | 3.9% | 9,123 | 1.8% |
| Other Taxes | 2,451 | 2,229 | -9.1% | 2,341 | 5.0% | 2,440 | 4.2% | 2,543 | 4.2% |
| Payroll Mobility Tax* | 1,439 | 0 | -100.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Total State Taxes | 79,266 | 77,923 | -1.7% | 82,762 | 6.2% | 84,806 | 2.5% | 88,084 | 3.9% |
| Miscellaneous Receipts | 27,262 | 28,005 | 2.7% | 26,172 | -6.5% | 25,005 | -4.5% | 24,988 | -0.1% |
| Federal Receipts | 58,942 | 60,083 | 1.9% | 61,064 | 1.6% | 62,412 | 2.2% | 64,112 | 2.7% |
| Total All Funds Receipts | 165,470 | 166,011 | 0.3% | 169,998 | 2.4% | 172,223 | 1.3% | 177,184 | 2.9% |

*The FY 2019 amount does not include MTA PMT because the Enacted Budget provides that the PMT will be remitted to MTA without an appropriation beginning in FY 2019.

State tax receipts are projected to decrease 1.8 percent from FY 2018 results, due in large part to the PMT moving off Budget. After accounting for this change, State tax receipt estimates remain flat compared to FY 2018 results. Refer to the Personal Income Tax section herein for additional explanation of the atypical growth rate pattern for FY 2018 and FY 2019.

Consistent with the projected growth in the State economy over the multi-year Enacted Budget Financial Plan period beyond FY 2019, all tax categories are projected to exhibit underlying annual outyear growth.

After controlling for the impact of tax law changes, base tax revenue increased 6.5 percent in FY 2018, and is projected to decrease by 0.1 percent in FY 2019 and increase by 11.8 percent in FY 2020.

Personal Income Tax

| PERSONAL INCOME TAX (millions of dollars) | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|-------------|---------------|-------------|---------------|-------------|
| | FY 2018 | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
| | Results | Enacted | Change | Projected | Change | Projected | Change | Projected | Change |
| STATE/ALL FUNDS | 51,501 | 50,410 | -2.1% | 53,952 | 7.0% | 55,010 | 2.0% | 57,456 | 4.4% |
| Gross Collections | 62,035 | 62,102 | 0.1% | 65,502 | 5.5% | 66,335 | 1.3% | 69,807 | 5.2% |
| Refunds (Incl. State/City Offset) | (10,534) | (11,692) | -11.0% | (11,550) | 1.2% | (11,325) | 1.9% | (12,351) | -9.1% |
| GENERAL FUND¹ | 36,037 | 22,746 | -36.9% | 24,559 | 8.0% | 25,103 | 2.2% | 26,326 | 4.9% |
| Gross Collections | 62,035 | 62,102 | 0.1% | 65,502 | 5.5% | 66,335 | 1.3% | 69,807 | 5.2% |
| Refunds (Incl. State/City Offset) | (10,534) | (11,692) | -11.0% | (11,550) | 1.2% | (11,325) | 1.9% | (12,351) | -9.1% |
| STAR | (2,589) | (2,459) | 5.0% | (2,417) | 1.7% | (2,402) | 0.6% | (2,402) | 0.0% |
| RBTF | (12,875) | (25,205) | -95.8% | (26,976) | -7.0% | (27,505) | -2.0% | (28,728) | -4.4% |

¹Excludes Transfers.

All Funds personal income tax receipts for FY 2019 are estimated to total \$50.4 billion, a decrease of \$1.1 billion (2.1 percent) from FY 2018 results. This decrease is primarily driven by a decline in estimated payments related to the 2018 tax year coupled with an increase in total refunds. This decline is partially offset by growth in withholding and final returns.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

The following table summarizes, by component, actual receipts for FY 2018 and forecast amounts through FY 2022.

| ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| (millions of dollars) | | | | | |
| | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| | Results | Enacted | Projected | Projected | Projected |
| Receipts | | | | | |
| Withholding | 40,269 | 41,782 | 43,033 | 44,024 | 46,144 |
| Estimated Payments | 17,781 | 16,221 | 18,157 | 17,802 | 18,960 |
| Current Year | 14,329 | 12,729 | 13,741 | 12,582 | 13,536 |
| Prior Year ¹ | 3,452 | 3,492 | 4,416 | 5,220 | 5,424 |
| Final Returns | 2,478 | 2,599 | 2,748 | 2,908 | 3,032 |
| Current Year | 308 | 286 | 301 | 316 | 331 |
| Prior Year ¹ | 2,170 | 2,313 | 2,447 | 2,592 | 2,701 |
| Delinquent | 1,507 | 1,500 | 1,564 | 1,601 | 1,671 |
| Gross Receipts | 62,035 | 62,102 | 65,502 | 66,335 | 69,807 |
| Refunds | | | | | |
| Prior Year ¹ | 6,292 | 6,699 | 6,739 | 7,689 | 8,565 |
| Previous Years | 527 | 523 | 553 | 583 | 614 |
| Current Year ¹ | 2,249 | 2,250 | 1,750 | 1,750 | 1,750 |
| Advanced Credit Payment | 610 | 1,247 | 1,709 | 479 | 573 |
| State/City Offset ¹ | 856 | 973 | 799 | 824 | 849 |
| Total Refunds | 10,534 | 11,692 | 11,550 | 11,325 | 12,351 |
| Net Receipts | 51,501 | 50,410 | 53,952 | 55,010 | 57,456 |

¹These components, collectively, are known as the "settlement" on the prior year's tax liability.

Withholding in FY 2019 is estimated to be \$1.5 billion (3.8 percent) higher than FY 2018 results, driven by modest wage growth. Extension payments related to tax year 2017 are expected to increase by \$40 million (1.2 percent), primarily due to one-time payments related to the expiration of the Federal 10-year window to repatriate foreign hedge fund earnings. These one-time payments have been offset by an acceleration of New York State tax liability payments into December 2017 to take advantage of the uncapped Federal itemized deduction for State and local taxes paid for tax year 2017, leaving growth in extension payments nearly flat. Estimated payments for tax year 2018 are projected to decrease by \$1.6 billion (11.2 percent), driven by a combination of a 3.3 percent decline in nonwage income and an inflated tax year 2017 estimated payments base, stemming from the TCJA and repatriation of foreign hedge fund earnings. FY 2019 final return payments are projected to increase by \$121 million (4.9 percent) and delinquencies are projected to decline by \$7 million (0.5 percent).

The projected growth in total refunds of \$1.2 billion (11 percent) includes increases of \$407 million (6.5 percent) in prior tax year (2017) refunds, \$637 million (104.4 percent) in advanced credit payments related to tax year 2018, \$117 million (13.7 percent) in the state-city offset, partially offset by a decline of \$4 million (0.8 percent) in previous tax year (2016 and earlier) refunds. The administrative January-March refund cap will remain at the higher level in FY 2019, as in FY 2018.

General Fund PIT receipts are net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State PIT revenue bonds. General Fund PIT receipts for FY 2019 of \$22.7 billion are projected to decrease by \$13.3 billion (36.9 percent) from FY 2018 results, reflecting a combination of enacted legislation that doubled RBTF deposits from 25 percent to 50 percent of net PIT receipts, and the decline in All Funds receipts noted above. As a result, RBTF deposits are projected to nearly double to \$25.2 billion. The FY 2019 STAR transfer is projected to be \$2.5 billion.

All Funds PIT receipts for FY 2020 of \$54 billion are projected to increase by \$3.5 billion (7 percent) from FY 2019 estimates. Gross PIT receipts are projected to increase 5.5 percent, reflecting increases of \$1.3 billion (3 percent) in withholding, \$1 billion (8 percent) in estimated payments related to tax year 2019, \$924 million (26.5 percent) in extension payments related to tax year 2018, \$149 million (5.7 percent) in final returns, and \$64 million (4.3 percent) in delinquencies. Total refunds are projected to decline \$141 million (1.2 percent), due to the combination of a \$500 million (22.2 percent) expected decline in the administrative refund cap and a \$174 million (17.9 percent) decline in the state-city offset, partially offset by increases of \$40 million (0.6 percent) in prior tax year (2018) refunds, \$30 million (5.7 percent) in previous tax year (2017 and earlier) refunds, and \$462 million (37 percent) in advanced credit payments. The modest growth in withholding is attributable to the expiration of the temporary high-income surcharge, scheduled to sunset after tax year 2019.

General Fund PIT receipts for FY 2020 of \$24.6 billion are projected to increase by \$1.8 billion (8 percent), mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be \$27 billion and the STAR transfer is projected to be \$2.4 billion.

All Funds PIT receipts for FY 2021 of \$55 billion are projected to increase by \$1.1 billion (2 percent) from FY 2020 estimates. Gross PIT receipts are projected to increase 1.3 percent, reflecting withholding that is projected to grow by \$991 million (2.3 percent) and total refunds that are projected to decline by \$225 million (1.9 percent), partially offset by a projected decrease in total estimated payments of \$355 million (2 percent).

The relatively low withholding growth rate and the decline in total estimated payments reflect the aforementioned expiration of the high-income surcharge. The decline in total estimated payments includes a projected decline of \$1.2 billion (8.4 percent) in estimated payments for tax year 2020, partially offset by a \$804 million (18.2 percent) increase in extensions for tax year 2019. Final returns are expected to increase by \$160 million (5.8 percent) and delinquencies are projected to increase \$37 million (2.4 percent). The decline in total refunds is attributable to the scheduled expiration of the Property Tax Relief Credit.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

General Fund PIT receipts for FY 2021 of \$25.1 billion are projected to increase by \$544 million (2.2 percent). RBTF deposits are projected to be \$27.5 billion, and the STAR transfer is projected to be \$2.4 billion.

All Funds PIT receipts in FY 2022 are projected to increase by \$2.4 billion to \$57.5 billion, while General Fund PIT receipts are projected to total \$26.3 billion. Growth is projected to be suppressed by the combination of modest growth in extension payments related to tax year 2020 and an increase in tax year 2020-related refunds, both resulting from the aforementioned surcharge expiration.

Consumption/Use Taxes

| CONSUMPTION/USE TAXES (millions of dollars) | | | | | | | | | |
|--|---------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|
| | FY 2018 | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
| | Results | Enacted | Change | Projected | Change | Projected | Change | Projected | Change |
| STATE/ALL FUNDS | 16,711 | 17,303 | 3.5% | 17,839 | 3.1% | 18,390 | 3.1% | 18,962 | 3.1% |
| Sales Tax | 14,495 | 15,086 | 4.1% | 15,670 | 3.9% | 16,263 | 3.8% | 16,871 | 3.7% |
| Cigarette and Tobacco Taxes | 1,171 | 1,119 | -4.4% | 1,068 | -4.6% | 1,020 | -4.5% | 977 | -4.2% |
| Motor Fuel Tax | 512 | 512 | 0.0% | 507 | -1.0% | 504 | -0.6% | 501 | -0.6% |
| Highway Use Tax | 93 | 142 | 52.7% | 142 | 0.0% | 143 | 0.7% | 145 | 1.4% |
| Alcoholic Beverage Taxes | 259 | 262 | 1.2% | 265 | 1.1% | 269 | 1.5% | 272 | 1.1% |
| Opioid Epidemic Surcharge | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Medical Marihuana Excise Tax | 2 | 2 | 0.0% | 2 | 0.0% | 2 | 0.0% | 2 | 0.0% |
| Taxicab Surcharge | 56 | 50 | -10.7% | 50 | 0.0% | 50 | 0.0% | 50 | 0.0% |
| Auto Rental Tax | 123 | 130 | 5.7% | 135 | 3.8% | 139 | 3.0% | 144 | 3.6% |
| GENERAL FUND¹ | 7,377 | 7,647 | 3.7% | 7,913 | 3.5% | 8,185 | 3.4% | 8,464 | 3.4% |
| Sales Tax | 6,776 | 7,057 | 4.1% | 7,332 | 3.9% | 7,612 | 3.8% | 7,898 | 3.8% |
| Cigarette and Tobacco Taxes | 342 | 328 | -4.1% | 316 | -3.7% | 304 | -3.8% | 294 | -3.3% |
| Alcoholic Beverage Taxes | 259 | 262 | 1.2% | 265 | 1.1% | 269 | 1.5% | 272 | 1.1% |

¹Excludes Transfers.

All Funds consumption/use tax receipts for FY 2019 are estimated to total \$17.3 billion, a \$592 million (3.5 percent) increase from FY 2018 results. Sales tax receipts are estimated to increase \$591 million (4.1 percent) from FY 2018 results, reflecting base growth (i.e., absent law changes) of 4.2 percent. This base growth stems from estimated disposable income and consumption growth. Cigarette and tobacco tax collections are projected to decrease by \$52 million (4.4 percent), reflecting a trend decline in taxable cigarette consumption. Highway use tax (HUT) collections are estimated to increase by \$49 million (52.7 percent) as long-term trend levels resume following litigation-induced refund increases in FY 2018. Taxicab surcharge receipts are estimated to decline by \$6 million (10.7 percent) resulting from consumers choosing alternative transportation services not subject to the surcharge. Auto rental tax receipts are estimated to increase by \$7 million (5.7 percent).

General Fund sales 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 support debt service payments on bonds issued under LGAC and State Sales Tax Revenue Bond programs. 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.

General Fund consumption/use tax receipts for FY 2019 are projected to total over \$7.6 billion, a \$270 million (3.7 percent) increase from FY 2018 results. This increase largely reflects the All Funds sales and use tax and cigarette tax trends, noted above.

All Funds consumption/use tax receipts for FY 2020 are projected to total over \$17.8 billion, a \$536 million (3.1 percent) increase from FY 2019 estimates. The projected \$584 million (3.9 percent) increase in sales tax receipts reflects sales tax base growth of 3.8 percent due projected growth in disposable income and consumption, partially offset by the continued trend decline in taxable cigarette consumption.

General Fund consumption/use tax receipts are projected to total over \$7.9 billion in FY 2020, a \$266 million (3.5 percent) increase from FY 2019. The projected increase largely reflects the All Funds sales and use tax and cigarette tax trends, noted above.

All Funds consumption/use tax receipts for FY 2021 are projected to increase to nearly \$18.4 billion, a \$551 million (3.1 percent) increase from FY 2020. The projected increase reflects sales tax base growth of 3.9 percent, and a continued trend decline in taxable cigarette consumption. FY 2021 General Fund consumption/use tax receipts are projected to increase to nearly \$8.2 billion, a \$272 million (3.4 percent) increase from FY 2020 projections.

All Funds consumption/use tax receipts are projected to increase to nearly \$19 billion (3.1 percent growth) in FY 2022, largely representing base growth in sales tax receipts, which is slightly offset by a continued trend decline in taxable cigarette consumption. General Fund consumption/use tax receipts are projected to increase to nearly \$8.5 billion (3.4 percent growth) in FY 2022, reflecting the All Funds sales and use tax and cigarette tax trends, noted above.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

Business Taxes

| BUSINESS TAXES (millions of dollars) | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|-------------|--------------|-------------|--------------|-------------|
| | FY 2018 | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
| | Results | Enacted | Change | Proposed | Change | Projected | Change | Projected | Change |
| STATE/ALL FUNDS | 7,164 | 7,981 | 11.4% | 8,630 | 8.1% | 8,966 | 3.9% | 9,123 | 1.8% |
| Corporate Franchise Tax | 3,080 | 4,027 | 30.7% | 4,482 | 11.3% | 4,736 | 5.7% | 4,780 | 0.9% |
| Corporation and Utilities Tax | 748 | 700 | -6.4% | 710 | 1.4% | 718 | 1.1% | 727 | 1.3% |
| Insurance Tax | 1,777 | 1,975 | 11.1% | 2,201 | 11.4% | 2,354 | 7.0% | 2,467 | 4.8% |
| Bank Tax | 467 | 143 | -69.4% | 71 | -50.3% | 0 | -100.0% | 0 | 0.0% |
| Petroleum Business Tax | 1,092 | 1,136 | 4.0% | 1,166 | 2.6% | 1,158 | -0.7% | 1,149 | -0.8% |
| GENERAL FUND | 4,916 | 5,626 | 14.4% | 6,170 | 9.7% | 6,470 | 4.9% | 6,577 | 1.7% |
| Corporate Franchise Tax | 2,326 | 3,212 | 38.1% | 3,610 | 12.4% | 3,828 | 6.0% | 3,828 | 0.0% |
| Corporation and Utilities Tax | 570 | 530 | -7.0% | 537 | 1.3% | 541 | 0.7% | 547 | 1.1% |
| Insurance Tax | 1,610 | 1,762 | 9.4% | 1,963 | 11.4% | 2,101 | 7.0% | 2,202 | 4.8% |
| Bank Tax | 410 | 122 | -70.2% | 60 | -50.8% | 0 | -100.0% | 0 | 0.0% |
| Petroleum Business Tax | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |

All Funds business tax receipts for FY 2019 are estimated to total nearly \$8 billion, an increase of \$817 million (11.4 percent) from FY 2018 results. The estimate reflects increases in corporate franchise tax, insurance tax and petroleum business tax (PBT) receipts. Corporation and utilities tax and bank tax receipts are estimated to decline primarily due to higher receipts in FY 2018 that are not expected to recur in FY 2019.

Corporation franchise tax receipts are estimated to increase \$947 million (30.7 percent) in FY 2019, reflecting higher gross receipts and audits. FY 2018 results were negatively impacted by a shortfall in cash remittances from taxpayers that continue to have overpayment balances from tax year 2015 that they can use to satisfy current year liability. It will likely be several years before many larger taxpayers need to remit cash payments for current liability. FY 2019 estimates also include \$60 million resulting from taxable interest associated with the Federal TCJA repatriated earnings provision and \$20 million from other TCJA flow-through impacts. Audit receipts are projected to increase in FY 2019 (by \$137 million) as a greater number of large cases are expected to be closed.

Corporation and utilities tax receipts are estimated to decrease \$48 million (6.4 percent) in FY 2019. Audits are projected to fall by \$44 million as FY 2018 included payments from telecommunication companies that are not expected to recur. Gross receipts from telecommunications companies are expected to decline due to industry competitiveness and the movement of most communications to internet-based solutions which are not taxable. In 2017, over 90 percent of the population owned a smartphone.

Insurance tax receipts for FY 2019 are estimated to increase \$198 million (11.1 percent) from FY 2018. Projected growth in tax year 2018 liability as well as lower expected credit claims for assessments paid to the Life Insurance Company Guaranty Corporation (LICGC) account for the year-over-year increase. The LICGC exists to protect policyholders from the insolvency of their life

insurers. This is the third year of claims for the credit for assessments paid earlier. FY 2019 also includes a part-year revenue increase from the conversion of a not-for-profit health insurer to a for-profit health insurer.

Receipts from the repealed bank tax (all from prior liability periods) are estimated to decrease by \$324 million (69.4 percent) in FY 2019, stemming from lower audit receipts (\$296 million) and smaller prior period adjustments. PBT receipts are estimated to increase \$44 million (4 percent) in FY 2019, primarily due to the 5 percent decrease in the PBT rate index effective January 1, 2018 and the projected 5 percent increase in the PBT rate index effective January 1, 2019.

General Fund business tax receipts for FY 2019 of \$5.6 billion are projected to increase \$710 million (14.4 percent) from FY 2018 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2020 of nearly \$8.6 billion are projected to increase by \$649 million (8.1 percent) from FY 2019 estimates. The corporation franchise tax receipts increase of \$455 million (11.3 percent) reflects projected growth in corporate profits and a stabilization of liability as taxpayers adjust to all aspects of State corporate tax reform (effective tax year 2015). The corporation and utilities tax receipts increase of \$10 million (1.4 percent) is primarily attributable to growth in the utilities section of the tax. This projection includes \$71 million in TCJA flow-through impacts in the corporation franchise tax.

Insurance tax receipts for FY 2020 of \$2.2 billion are projected to increase \$226 million (11.4 percent) from current year estimates. Projected growth in insurance tax premiums combined with lower expected LICGC credit claims contribute to this year-over-year growth. FY 2020 includes the full year impact from the health insurer conversion described earlier. Receipts from the repealed bank tax are projected to decrease by \$72 million (50.3 percent) in FY 2019, due to lower projected audit receipts. PBT receipts are projected to increase \$30 million (2.6 percent) in FY 2020 due to a projected 5 percent increase in the PBT rate index effective January 1, 2019.

General Fund business tax receipts for FY 2020 of \$6.2 billion are projected to increase \$544 million (9.7 percent) from current year estimates, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2021 of nearly \$9 billion are projected to increase by \$336 million (3.9 percent), and General Fund business tax receipts are projected to increase to nearly \$6.5 billion (4.9 percent growth) from FY 2020 projections. The increase is primarily reflective of growth in corporation franchise tax receipts driven by higher gross receipts and lower refunds. Increases in projected corporation and utilities tax and insurance tax receipts are partially offset by a decline in projected bank tax and PBT receipts. This projection includes \$52 million in TCJA flow-through impacts in the corporation franchise tax.

All Funds business tax receipts for FY 2022 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. In FY 2022, All Funds business tax receipts are projected to increase to \$9.1 billion (1.8 percent growth), and General Fund business tax receipts are projected to increase to nearly \$6.6 billion (1.7 percent growth). This projection includes \$53 million in TCJA flow-through impacts.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

Other Taxes

| OTHER TAXES (millions of dollars) | | | | | | | | | |
|--------------------------------------|--------------------|--------------------|---------------|----------------------|-------------|----------------------|-------------|----------------------|-------------|
| | FY 2018 Results | FY 2019 Enacted | Change | FY 2020 Projected | Change | FY 2021 Projected | Change | FY 2022 Projected | Change |
| STATE/ALL FUNDS | 2,451 | 2,229 | -9.1% | 2,341 | 5.0% | 2,440 | 4.2% | 2,543 | 4.2% |
| Estate and Gift Tax | 1,308 | 1,033 | -21.0% | 1,092 | 5.7% | 1,155 | 5.8% | 1,220 | 5.6% |
| Real Estate Transfer Tax | 1,125 | 1,178 | 4.7% | 1,231 | 4.5% | 1,267 | 2.9% | 1,305 | 3.0% |
| Employer Compensation Expense Tax | 0 | TBD | 0.0% | TBD | TBD | TBD | TBD | TBD | TBD |
| Gift Tax | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Real Property Gains Tax | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Pari-Mutuel Taxes | 15 | 15 | 0.0% | 15 | 0.0% | 15 | 0.0% | 15 | 0.0% |
| All Other Taxes | 3 | 3 | 0.0% | 3 | 0.0% | 3 | 0.0% | 3 | 0.0% |
| GENERAL FUND¹ | 1,326 | 1,051 | -20.7% | 1,110 | 5.6% | 1,173 | 5.7% | 1,238 | 5.5% |
| Estate and Gift Tax | 1,308 | 1,033 | -21.0% | 1,092 | 5.7% | 1,155 | 5.8% | 1,220 | 5.6% |
| Employer Compensation Expense Tax | 0 | TBD | 0.0% | TBD | TBD | TBD | TBD | TBD | TBD |
| Gift Tax | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Real Property Gains Tax | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Pari-Mutuel Taxes | 15 | 15 | 0.0% | 15 | 0.0% | 15 | 0.0% | 15 | 0.0% |
| All Other Taxes | 3 | 3 | 0.0% | 3 | 0.0% | 3 | 0.0% | 3 | 0.0% |

¹Excludes Transfers.

All Funds other tax receipts for FY 2019 are estimated to total over \$2.2 billion, a decrease of \$222 million (9.1 percent) from FY 2018 results. This is primarily due to an estimated \$275 million (21 percent) decrease in estate tax receipts which is a result of a return to a historical average in both the number and payment value of super-large (i.e., over \$25 million) payments. Real estate transfer tax receipts are expected to increase by \$53 million (4.7 percent) due to estimated growth in housing starts and housing prices.

General Fund other tax receipts are estimated to approach \$1.1 billion in FY 2019, a decrease of \$275 million (20.7 percent) from FY 2018 results, reflecting the estate tax receipts decrease noted above.

All Funds other tax receipts for FY 2020 are projected to total over \$2.3 billion, a \$112 million (5 percent) increase from FY 2019 estimates. The \$59 million (5.7 percent) projected increase in estate tax receipts reflects projected growth in household net worth. Real estate transfer tax receipts are projected to increase by \$53 million (4.5 percent), reflecting projected growth in housing starts and prices.

General Fund other tax receipts for FY 2020 are projected to be slightly above \$1.1 billion, an increase of \$59 million (5.6 percent) from FY 2019 estimates due to the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2021 are projected to be over \$2.4 billion, a \$99 million (4.2 percent) increase from FY 2020 projections. Estate tax receipts are projected to increase by

\$63 million (5.8 percent) in FY 2021, reflecting projected growth in household net worth. The \$36 million (2.9 percent) projected increase in real estate transfer tax receipts in FY 2021 reflects projected growth in housing starts and prices.

General Fund other tax receipts for FY 2021 are projected to total slightly below \$1.2 billion, an increase of \$63 million (5.7 percent), resulting from the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2022 reflect projected trend growth in household net worth, housing starts, and housing prices. All Funds other tax receipts are projected to be over \$2.5 billion in FY 2022, an increase of \$103 million (4.2 percent).

General Fund other tax receipts are projected to be over \$1.2 billion in FY 2022, an increase of \$65 million (5.5 percent).

Miscellaneous Receipts

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, Tribal-State compact revenue, Extraordinary Monetary Settlements and a variety of fees. As such, miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, tuition income revenue and other miscellaneous receipts.

| MISCELLANEOUS RECEIPTS (millions of dollars) | | | | | | | | | |
|---|----------------|----------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | FY 2018 | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
| | <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> |
| ALL FUNDS | 27,262 | 28,005 | 2.7% | 26,172 | -6.5% | 25,005 | -4.5% | 24,988 | -0.1% |
| General Fund | 3,129 | 2,127 | -32.0% | 2,028 | -4.7% | 2,001 | -1.3% | 1,883 | -5.9% |
| Special Revenue Funds | 17,933 | 17,713 | -1.2% | 17,115 | -3.4% | 16,374 | -4.3% | 16,492 | 0.7% |
| Capital Projects Funds | 5,729 | 7,667 | 33.8% | 6,560 | -14.4% | 6,161 | -6.1% | 6,145 | -0.3% |
| Debt Service Funds | 471 | 498 | 5.7% | 469 | -5.8% | 469 | 0.0% | 468 | -0.2% |

All Funds miscellaneous receipts are projected to total \$28 billion in FY 2019, an increase of 2.7 percent from FY 2018 results. This increase is primarily due to higher bond financed capital spending on a year-over-year basis. Bond-financed capital expenses are paid from the General Fund (or STIP) in the first instance and subsequently reimbursed with authority bond proceeds, at which time they are captured as miscellaneous receipts.

All Funds miscellaneous receipts are projected to decline annually after FY 2019, reflecting the impact of Extraordinary Monetary Settlements received and a decrease in bond proceeds reimbursements in later years, which subsequently corresponds to the spending out of bond-financed capital projects.

Federal Grants

| FEDERAL GRANTS (millions of dollars) | | | | | | | | | | |
|---|---------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|--|
| | FY 2018 | | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
| | Results | Enacted | Change | Projected | Change | Projected | Change | Projected | Change | |
| ALL FUNDS | 58,942 | 60,083 | 1.9% | 61,064 | 1.6% | 62,412 | 2.2% | 64,112 | 2.7% | |
| General Fund | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | |
| Special Revenue Funds | 56,744 | 57,576 | 1.5% | 58,762 | 2.1% | 60,152 | 2.4% | 61,853 | 2.8% | |
| Capital Projects Funds | 2,125 | 2,433 | 14.5% | 2,229 | -8.4% | 2,187 | -1.9% | 2,187 | 0.0% | |
| Debt Service Funds | 73 | 74 | 1.4% | 73 | -1.4% | 73 | 0.0% | 72 | -1.4% | |

Aid from the Federal government helps to pay for a variety of programs including Medicaid, public assistance, mental hygiene, school aid, public health, transportation, 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 projections.

All Funds Federal grants projections primarily reflect the continuation of growth in Federal Medicaid spending related to Federal health care transformation initiatives, partly offset by the projected phase-down of Federal disaster assistance aid. All Federal receipts are subject to Congressional authorization, appropriations and budget action.

With the Trump administration and the current Congress, many of the policies that drive Federal aid may be subject to change. At this time it is not possible to assess the potential fiscal impact of policies that may be proposed and adopted by the Trump administration and current Congress. If Federal funding to the State were reduced, this could have a materially adverse impact on the Enacted Budget Financial Plan. The FY 2018 Enacted Budget included authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

Responding to Federal Tax Reform

| RESPONDING TO FEDERAL TAX REFORM | | | | |
|--|--------------|----------------|--------------|----------------|
| (millions of dollars) | | | | |
| | General Fund | | All Funds | |
| | FY 2019 | FY 2020 | FY 2019 | FY 2020 |
| Maintain 2017 Empire State Child Tax Credit Benefits | 0 | 0 | 0 | 0 |
| Decouple PIT from Federal SALT & State Single Filer Standard Deduction | 0 | (1,525) | 0 | (1,525) |
| Eliminate Repatriation Tax Deduction | 2,000 | 0 | 2,000 | 0 |
| Establish State and Local Charitable Gifts Trust Funds | 0 | 0 | 0 | 0 |
| Allow NYC PIT Decoupling from Charity Itemized Deduction | 0 | 0 | 0 | 0 |
| Impose an Employer Compensation Expense Tax | TBD | TBD | TBD | TBD |
| TOTAL RESPONDING TO FEDERAL TAX REFORM | 2,000 | (1,525) | 2,000 | (1,525) |

- Maintain 2017 Empire State Child Tax Credit Benefits.** The TCJA of 2017 changed the maximum value of the Federal child tax credit as well as the range of incomes eligible for the credit. Absent Enacted Budget legislation, these changes would have increased the total tax expenditure related to the Empire State Child Tax Credit, since the State credit is based on the Federal credit. This Budget permanently calculates the State credit based on the Federal credit calculation in effect prior to the TCJA.
- Decouple PIT from Federal SALT & State Single Filer Standard Deduction.** Effective tax year 2018, the TCJA limits the SALT paid deduction to \$10,000 annually and eliminates personal exemptions entirely. Absent Enacted Budget legislation, the SALT deduction cap would restrict property taxes paid deductibility on State returns to the \$10,000 limit, and the elimination of personal exemptions would have limited the standard deduction for single filers to the lesser amount claimable by dependent filers. The Enacted Budget allows unrestricted State deductibility of property taxes paid and retains the full value of the State standard deduction for single filers.
- Eliminate Repatriation Tax Deduction.** To avoid a large unintended revenue loss, the State is decoupled from the new Federal tax deduction relating to the repatriation of certain foreign income.
- Establish State and Local Charitable Gifts Funds.** While the TCJA limits the SALT paid deduction to \$10,000 annually, the deduction for charitable gifts remain uncapped. Newly established state and local charitable gifts funds allow taxpayers to make gifts to funds of their choice and benefit from charitable gifts deductions on both Federal and State returns, while receiving tax credits equal to up to 95 percent of their charitable gifts.
- Allow NYC PIT Decoupling from Charity Itemized Deduction.** The Federal itemized deduction for charitable gifts flows-through to State returns and, for NYC residents, into the calculation of NYC PIT liability. NYC is authorized to decouple from the charitable gifts itemized deduction with respect to gifts made to the newly established State and local charitable gifts funds, thereby protecting NYC tax revenue.

- **Impose an Employer Compensation Expense Tax.** Businesses, unlike individuals, retain full deductibility of SALT paid following enactment of the TCJA. To mitigate the impact of the cap on SALT deductions on individual taxpayers, legislation included with the Enacted Budget imposes a tax on compensation expenses paid by participating employers. The tax is applicable to a participating employer's calendar year payroll expenses exceeding \$40,000 for each individual employee. The tax rate is gradually increased to 5 percent over a three-year phase-in period. Employees of participating employers are entitled to a credit to offset the expected impact of the Employer Compensation Expense Tax on wages.

See the discussion under the heading "Financial Plan Overview – Impact of Federal Tax Law changes" for more information on the State's response to Federal tax law changes.

Disbursements

In FY 2019, total disbursements from the State's General Fund, including transfers, are expected to be \$76.6 billion and total disbursements from State Operating Funds are expected to be \$100.1 billion. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth, as further described in this section.

The multi-year disbursements projections take into account various factors, including statutorily-indexed rates, 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 also account for the timing of payments, since not all of the amounts appropriated pursuant to an enacted 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. A corresponding downward adjustment is also made to miscellaneous receipts.

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 \$66.8 billion in FY 2019, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of State Operating Funds local assistance spending.

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

| FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES (millions of dollars) | | | | | |
|--|---------------------------------|--------------------|----------------------|----------------------|----------------------|
| | FY 2018 Results ¹ | Forecast | | | |
| | | FY 2019 Enacted | FY 2020 Projected | FY 2021 Projected | FY 2022 Projected |
| HEALTH CARE | | | | | |
| Medicaid - Individuals Covered | 6,207,104 | 6,262,173 | 6,289,708 | 6,303,475 | 6,310,359 |
| Essential Plan - Individuals Covered | 728,807 | 733,755 | 737,615 | 739,715 | 741,821 |
| Child Health Plus - Individuals Covered | 364,401 | 395,199 | 410,703 | 418,455 | 422,493 |
| State Takeover of County/NYC Costs ² | \$2,996 | \$3,337 | \$3,677 | \$4,027 | \$4,389 |
| EDUCATION | | | | | |
| School Aid (School Year Basis Funding) | \$25,639 | \$26,553 | \$27,509 | \$28,692 | \$29,983 |
| HIGHER EDUCATION | | | | | |
| Public Higher Education Enrollment (FTEs) | 557,854 | 557,854 | N/A | N/A | N/A |
| Tuition Assistance Program (Recipients) | 275,916 | 276,207 | N/A | N/A | N/A |
| PUBLIC ASSISTANCE | | | | | |
| Family Assistance Program (Families) | 217,760 | 214,749 | 211,525 | 208,308 | 205,200 |
| Safety Net Program (Families) | 120,905 | 119,575 | 117,673 | 115,815 | 114,035 |
| Safety Net Program (Singles) | 206,880 | 209,570 | 211,088 | 213,086 | 215,112 |
| MENTAL HYGIENE | | | | | |
| OMH Community Beds | 43,347 | 46,166 | 47,358 | 47,992 | 48,542 |
| OPWDD Community Beds | 43,080 | 43,511 | 43,859 | 44,210 | 44,563 |
| OASAS Community Beds | 13,256 | 13,485 | 13,754 | 13,805 | 13,889 |
| Total | 99,683 | 103,162 | 104,971 | 106,007 | 106,994 |
| PRISON POPULATION | | | | | |
| | 49,800 | 49,800 | 49,800 | 49,800 | 49,800 |

¹ Reflects preliminary unaudited results.

² Reflects the total State cost of taking over the local share of Medicaid growth, which was initially capped at approximately 3 percent annually, then phased-out completely as of calendar year 2015. A portion of the State takeover costs are funded from Master Settlement Agreement resources.

Education

School Aid

School Aid helps support elementary and secondary education for New York pupils enrolled in the 674 major school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses such as prekindergarten programs, education of homeless children, and bilingual education. 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 \$26.6 billion in SY 2019, an annual increase of \$914 million (3.6 percent), including a \$618 million Foundation Aid increase. A Community Schools set-aside of \$200 million within Foundation Aid (a \$50 million increase from the prior year) provides funds intended to facilitate the transformation of schools into community hubs. In addition, another \$245 million supports increased reimbursement in expense-based and categorical aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

The Enacted Budget Financial Plan provides \$50 million for new competitive grant programs, highlighted by a \$15 million investment to expand prekindergarten programs for three- and four-year-old students targeted to high-need school districts, and \$10 million to expand the Empire State After-School Program, helping to keep young people safe and engaged during after school hours. The State provides over \$800 million in recurring annual support for three- and four-year old prekindergarten programs, including \$340 million for the Statewide Universal Full-Day Prekindergarten programs.

School Aid is projected to increase by an additional \$956 million (3.6 percent) in SY 2020.

| SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30) ¹ | | | | | | | | | |
|--|----------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| (millions of dollars) | | | | | | | | | |
| | <u>SY 2018</u> | <u>SY 2019</u> | <u>Change</u> | <u>SY 2020</u> | <u>Change</u> | <u>SY 2021</u> | <u>Change</u> | <u>SY 2022</u> | <u>Change</u> |
| Total | 25,639 | 26,553 | 914 | 27,509 | 956 | 28,692 | 1,183 | 29,983 | 1,291 |
| | | | 3.6% | | 3.6% | | 4.3% | | 4.5% |

¹School year values reflected in table do not include aid for Statewide Universal Full-Day Prekindergarten programs.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

State Fiscal Year

The State finances School Aid from General Fund, commercial gaming and Lottery Fund receipts, including video lottery terminals (VLTs). Commercial gaming and Lottery Fund receipts are accounted for and disbursed from dedicated accounts. 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 the related budget is enacted, and pays the remaining 30 percent in the first three months of the following State fiscal year.

The table below summarizes the projected sources of School Aid spending on a State fiscal year basis.

| SCHOOL AID - STATE FISCAL YEAR BASIS (millions of dollars) | | | | | | | | | |
|---|---------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|
| | FY 2018 | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
| | Results | Enacted | Change | Projected | Change | Projected | Change | Projected | Change |
| TOTAL STATE OPERATING FUNDS | 25,457 | 26,502 | 4.1% | 27,476 | 3.7% | 28,570 | 4.0% | 29,829 | 4.4% |
| General Fund Local Assistance | 21,954 | 23,111 | 5.3% | 24,056 | 4.1% | 25,147 | 4.5% | 26,406 | 5.0% |
| Medicaid | 61 | 50 | -18.0% | 50 | 0.0% | 50 | 0.0% | 50 | 0.0% |
| Core Lottery Aid | 2,395 | 2,294 | -4.2% | 2,288 | -0.3% | 2,291 | 0.1% | 2,291 | 0.0% |
| VLT Lottery Aid | 958 | 907 | -5.3% | 934 | 3.0% | 934 | 0.0% | 934 | 0.0% |
| Commercial Gaming - VLT Offset | 8 | 0 | -100.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Commercial Gaming | 81 | 140 | 72.8% | 148 | 5.7% | 148 | 0.0% | 148 | 0.0% |

State fiscal year spending for School Aid is projected to total \$26.5 billion in FY 2019, a 4.1 percent increase over FY 2018. Over the multi-year Financial Plan, the share of School Aid spending projected to be financed by the General Fund is expected to increase as core lottery, video lottery and commercial gaming revenues are expected to remain largely flat beginning in FY 2020. In addition to State aid, school districts currently receive more than \$3 billion annually in Federal aid.

State aid payments for School Aid are supplemented by commercial gaming revenues shared with the State by commercial gaming facilities. These receipts are expected to increase in FY 2020 by \$8 million but remain flat thereafter. Between December 2014 and August 2016, four casino resorts were recommended by the State's Gaming Facility Location Board and approved by the State Gaming Commission. The approved casinos have since opened and are in operation. In the event that casino revenue resources do not materialize at the level expected, or as timely as expected, then the additional School Aid projected to be funded from casino revenue resources must be paid from the General Fund.

Other Education Funding

In addition to School Aid, the State provides funding and support for various other education-related programs. These include: special education services; programs administered by the Office of Prekindergarten through Grade 12 education; cultural education; higher and professional education programs; and adult career and continuing education services.

| OTHER EDUCATION (millions of dollars) | | | | | | | | | |
|--|--------------------|--------------------|-------------|----------------------|--------------|----------------------|-------------|----------------------|-------------|
| | FY 2018 Results | FY 2019 Enacted | Change | FY 2020 Projected | Change | FY 2021 Projected | Change | FY 2022 Projected | Change |
| TOTAL STATE OPERATING FUNDS | 2,147 | 2,355 | 9.7% | 2,342 | -0.6% | 2,417 | 3.2% | 2,505 | 3.6% |
| Special Education | 1,264 | 1,352 | 7.0% | 1,397 | 3.3% | 1,459 | 4.4% | 1,525 | 4.5% |
| All Other Education | 883 | 1,003 | 13.6% | 945 | -5.8% | 958 | 1.4% | 980 | 2.3% |

The State helps fund special education services for approximately 500,000 students with disabilities, from ages 3 to 21. Major programs under the Office of Prekindergarten through Grade 12 address specialized student needs or reimburse school districts for education-related services, including the school breakfast and lunch programs, after-school programs and other educational grant programs. Cultural education includes aid for operating expenses of the major cultural institutions, State Archives, State Library, and State Museum, as well as support for the Office of Educational Television and Public Broadcasting. Higher and professional education programs monitor the quality and availability of post-secondary education programs, and license and regulate over 50 professions. Adult career and continuing education services focus on the education and employment needs of the State’s adult citizens, ensuring that such individuals have access to a one-stop source for all their employment needs, and are made aware of the full range of services available in other agencies.

The increase in Special Education spending in FY 2019 is due to lower-than-expected summer school and preschool special education claims submitted during FY 2018 that are expected to materialize in FY 2019. Outyear growth for Special Education is attributable to increased State reimbursement to special education providers for minimum wage costs and projected enrollment and cost growth in preschool and summer school special education programs.

The projected increase in All Other Education spending in FY 2019 primarily reflects a continuation or increase of one-time aid and grants. The decrease in spending levels in All Other Education in FY 2020 is largely attributable to the discontinuation of one-time aid and grants. Projected increases for charter school supplemental basic tuition and nonpublic schools are expected to drive growth in FY 2021 and thereafter.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

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 receive a \$66,800 exemption in FY 2019. The DTF oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

The three components of STAR and their approximate shares of projected FY 2019 program costs are: the Basic school property tax exemption or credit for homeowners with incomes under \$500,000 (53 percent); Enhanced school property tax exemption or credit for senior citizen homeowners with incomes under \$86,000 (28 percent); and a credit for income-eligible resident New York City personal income taxpayers (19 percent). The FY 2018 Enacted Budget included the conversion of the New York City PIT rate reduction benefit into a PIT tax credit, which began to reduce and will eventually eliminate it as a component of State Operating Funds spending. This change has no impact on the value of the STAR benefit received by taxpayers.

STAR property tax exemption spending reflects reimbursements made to school districts to offset a reduction in the amount of property tax revenue collected from STAR-eligible homeowners. In FY 2017, the STAR exemption program began a gradual shift from a spending program into an advance refundable PIT credit program, with this change applying to first-time homebuyers and to homeowners who move. Likewise, this change has no impact on the value of the STAR benefit received by homeowners.

| SCHOOL TAX RELIEF (STAR) - REVENUE REDUCTION RESULTING FROM STAR ACTIONS | | | | | | | | | |
|--|--------------|--------------|----------------|--------------|--------------|--------------|--------------|--------------|-------------|
| (millions of dollars) | | | | | | | | | |
| | FY 2018 | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
| | Results | Enacted | Change | Projected | Change | Projected | Change | Projected | Change |
| TOTAL STATE OPERATING FUNDS | 2,589 | 2,459 | -5.0% | 2,417 | -1.7% | 2,402 | -0.6% | 2,402 | 0.0% |
| Gross Program Costs | 3,425 | 3,321 | -3.0% | 3,361 | 1.2% | 3,422 | 1.8% | 3,495 | 2.1% |
| Program Conversion | (277) | 0 | 100.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Personal Income Tax Credit | (501) | (862) | -72.1% | (944) | -9.5% | (1,020) | -8.1% | (1,093) | -7.2% |
| FY 2017 Overpayment ¹ | (58) | 0 | 100.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Basic Exemption | 1,623 | 1,593 | -1.8% | 1,566 | -1.7% | 1,556 | -0.6% | 1,556 | 0.0% |
| Gross Program Costs | 1,762 | 1,746 | -0.9% | 1,763 | 1.0% | 1,792 | 1.6% | 1,828 | 2.0% |
| Personal Income Tax Credit | (139) | (153) | -10.1% | (197) | -28.8% | (236) | -19.8% | (272) | -15.3% |
| Enhanced (Senior) Exemption | 908 | 866 | -4.6% | 851 | -1.7% | 846 | -0.6% | 846 | 0.0% |
| Gross Program Costs | 986 | 949 | -3.8% | 958 | 0.9% | 974 | 1.7% | 994 | 2.1% |
| Personal Income Tax Credit | (78) | (83) | -6.4% | (107) | -28.9% | (128) | -19.6% | (148) | -15.6% |
| New York City PIT | 58 | 0 | -100.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Gross Program Costs | 677 | 626 | -7.5% | 640 | 2.2% | 656 | 2.5% | 673 | 2.6% |
| Program Conversion | (277) | 0 | 100.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Personal Income Tax Credit | (284) | (626) | -120.4% | (640) | -2.2% | (656) | -2.5% | (673) | -2.6% |
| FY 2017 Overpayment ¹ | (58) | 0 | 100.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |

¹ Conversion of the NYC Rate Reduction Benefit to Personal Income Credit pertains to 2017 tax year. As such, it was retroactively made effective to January 1, 2017.

Much of the spending decline projected for FY 2019 is attributable to the timing of the New York City rate reduction benefit payout, upon conversion to a PIT credit. STAR actions that were enacted with the FY 2017 Enacted Budget will continue to result in reduced revenues in addition to the spending changes noted above. Projected revenue reductions will increase over the course of the Enacted Budget Financial Plan as STAR actions are implemented, particularly those revenue reductions driven by the conversion of the New York City PIT rate reduction benefit.

Higher Education

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

| HIGHER EDUCATION (millions of dollars) | | | | | | | | | |
|--|----------------------------------|----------------------------------|---------------|------------------------------------|---------------|------------------------------------|---------------|------------------------------------|---------------|
| | FY 2018 Results | FY 2019 Enacted | Change | FY 2020 Projected | Change | FY 2021 Projected | Change | FY 2022 Projected | Change |
| TOTAL STATE OPERATING FUNDS | 2,833 | 3,065 | 8.2% | 3,168 | 3.4% | 3,217 | 1.5% | 3,256 | 1.2% |
| City University | 1,465 | 1,494 | 2.0% | 1,525 | 2.1% | 1,556 | 2.0% | 1,588 | 2.1% |
| Senior Colleges | 1,211 | 1,234 | 1.9% | 1,269 | 2.8% | 1,300 | 2.4% | 1,332 | 2.5% |
| Community College | 254 | 260 | 2.4% | 256 | -1.5% | 256 | 0.0% | 256 | 0.0% |
| Higher Education Services | 879 | 1,089 | 23.9% | 1,158 | 6.3% | 1,176 | 1.6% | 1,183 | 0.6% |
| Tuition Assistance Program | 813 | 900 | 10.7% | 940 | 4.4% | 950 | 1.1% | 957 | 0.7% |
| Scholarships/Awards | 55 | 177 | 221.8% | 206 | 16.4% | 214 | 3.9% | 214 | 0.0% |
| Aid for Part-Time Study | 11 | 12 | 9.1% | 12 | 0.0% | 12 | 0.0% | 12 | 0.0% |
| State University | 489 | 482 | -1.4% | 485 | 0.6% | 485 | 0.0% | 485 | 0.0% |
| Community College | 484 | 477 | -1.4% | 481 | 0.8% | 481 | 0.0% | 481 | 0.0% |
| Other/Cornell | 5 | 5 | 0.0% | 4 | -20.0% | 4 | 0.0% | 4 | 0.0% |

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of 404,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 320,000 students. State funds support a significant portion of SUNY and CUNY operations. In addition to the spending reflected in the above table, the State also annually provides more than \$1.0 billion for SUNY state-operated campuses operations through a General Fund transfer and fully supports the fringe benefits costs of SUNY employees at state-operated campuses totaling nearly \$2.0 billion. The State also pays debt service for bond-financed capital projects of the university systems. State debt service payments for capital projects at SUNY and CUNY are estimated at \$1.2 billion in FY 2019, an increase of \$24 million from FY 2018 levels.

HESC is New York State's student financial aid agency and oversees numerous State-funded financial aid programs, including the Excelsior Scholarship, Tuition Assistance Program (TAP), and 24 other scholarship and loan forgiveness programs. Together, these programs provide financial aid to approximately 400,000 students.

Higher education spending is projected to increase by \$232 million, or 8.2 percent, from FY 2018 to FY 2019. This change in spending largely reflects the launch of the second phase of the Excelsior Free Tuition Program, increased funding for scholarships, fringe benefit increases at CUNY, and the timing of certain payments during academic year 2018. Along with other sources of tuition assistance, the Excelsior Scholarship will allow approximately 53 percent of full-time SUNY and CUNY in-state students to attend college tuition-free when it is fully phased in.

Health Care

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The DOH works with local health departments and social services departments, including those located in 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 a number of programs are also supported through multi-agency efforts.

DOH is also engaged in a multi-year initiative to implement the Delivery System Reform Incentive Payment (DSRIP) program through an approved Federal waiver amendment to reinvest \$8 billion in Federal savings generated by the MRT reforms. The DSRIP program will promote community-level collaborations and focus on system reform, with a goal to achieve 25 percent reduction in avoidable hospital use over five years. The Enacted Budget Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of nearly \$8 billion through FY 2021, with the remaining funds expected to be disbursed beyond FY 2021. A portion of DSRIP funding flows through the SUNY hospital system and other State-operated health care facilities.

Medicaid

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, Federal government, and local governments. Eligible services include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care 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 DOH State funds Medicaid spending to the ten-year rolling average of 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 a disaster. Certain authorizations exist which allow the Governor to take actions to reduce Medicaid spending in order to maintain spending within the Global Cap limit.

The Enacted Budget Financial Plan reflects the continuation of the Global Cap through FY 2022, and the projections assume that statutory authority will be extended in subsequent years. Allowable Growth under the cap for medical services is 3.2 percent in FY 2019 and estimated at 3.1 percent for each subsequent year through FY 2022.

State Financial Plan Projections Fiscal Years 2018 Through 2022

| MEDICAID GLOBAL CAP FORECAST (millions of dollars) | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> | <u>FY 2022</u> |
| Medicaid Global Cap¹ | 18,270 | 18,863 | 19,446 | 20,048 | 20,667 |
| Annual % Change | | 3.2% | 3.1% | 3.1% | 3.1% |
| ¹ Under the Global Cap, forecasted Medicaid services growth is indexed to the 10-year average of the medical component of the CPI. | | | | | |

The indexed provisions of the Global Cap apply to a majority of the State share of Medicaid spending that is budgeted and expended principally through DOH. However, the Global Cap is adjusted for State costs associated with the takeover of local Medicaid growth and the multi-year assumption of local Medicaid administration, increased Federal Financial Participation (FFP) pursuant to the ACA that became effective in January 2014, as well as the statewide minimum wage increases authorized in the FY 2017 Enacted Budget. State share Medicaid spending also appears in the Enacted Budget Financial Plan estimates for other State agencies, including the mental hygiene agencies, child welfare programs, education aid and corrections.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

| TOTAL STATE-SHARE MEDICAID DISBURSEMENTS ¹ (millions of dollars) | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| | Results | Enacted | Projected | Projected | Projected |
| Department of Health Medicaid | 19,441 | 20,279 | 21,521 | 22,528 | 23,395 |
| Local Assistance | 19,143 | 20,358 | 21,490 | 22,535 | 23,402 |
| State Operations | 298 | 356 | 358 | 364 | 364 |
| MSA Payments (Share of Local Growth) ² | 0 | (435) | (327) | (371) | (371) |
| Other State Agency Medicaid Spending | 4,409 | 2,934 | 3,150 | 3,463 | 3,685 |
| Mental Hygiene ³ | 4,271 | 2,797 | 3,009 | 3,319 | 3,539 |
| Foster Care | 77 | 85 | 89 | 92 | 96 |
| Education | 61 | 50 | 50 | 50 | 50 |
| Corrections | 0 | 2 | 2 | 2 | 0 |
| Total State Share Medicaid (All Agencies) | 23,850 | 23,213 | 24,671 | 25,991 | 27,080 |
| Annual \$ Change | | (637) | 1,458 | 1,320 | 1,089 |
| Annual % Change | | -2.7% | 6.3% | 5.4% | 4.2% |
| Essential Plan⁴ | 88 | 102 | 98 | 93 | 87 |
| Local Assistance | 0 | 0 | 0 | 0 | 0 |
| State Operations | 88 | 102 | 98 | 93 | 87 |

¹ DOH spending in the Financial Plan includes certain items that are excluded from the indexed provisions of the Medicaid Global Cap. This includes administrative costs, such as 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; increased Federal Financial Participation that became effective in January 2014; and minimum wage increases.

² MSA payments will be deposited directly to the MMIS Escrow Fund to cover total State share support for Medicaid.

³ The FY 2019 Enacted Budget reclassifies all spending from two State special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately \$1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

⁴ The EP is not a Medicaid program; however, State-funded resources for the EP are managed under the Medicaid Global Cap.

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

State Financial Plan Projections Fiscal Years 2018 Through 2022

| DEPARTMENT OF HEALTH MEDICAID ¹ (millions of dollars) | | | | | | | | | |
|---|---------------|---------------|--------------|---------------|-------------|---------------|-------------|---------------|-------------|
| | FY 2018 | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
| | Results | Enacted | Change | Projected | Change | Projected | Change | Projected | Change |
| STATE OPERATING FUNDS | 23,938 | 23,315 | -2.6% | 24,769 | 6.2% | 26,084 | 5.3% | 27,167 | 4.2% |
| Department of Health Medicaid | 19,529 | 20,381 | 4.4% | 21,619 | 6.1% | 22,621 | 4.6% | 23,482 | 3.8% |
| General Fund - DOH Medicaid Local | 13,397 | 14,331 | 7.0% | 15,719 | 9.7% | 16,797 | 6.9% | 17,627 | 5.2% |
| DOH Medicaid | 11,138 | 11,448 | 2.8% | 12,223 | 6.8% | 13,072 | 6.9% | 13,686 | 4.7% |
| Mental Hygiene - Global Cap Adjustment ² | 1,269 | 1,698 | 33.8% | 1,701 | 0.2% | 1,702 | 0.1% | 1,704 | 0.1% |
| Minimum Wage | 255 | 703 | 175.7% | 1,022 | 45.4% | 1,111 | 8.7% | 1,193 | 7.4% |
| Local Growth Takeover (Zero Growth Phase-in) ³ | 735 | 917 | 24.8% | 1,100 | 20.0% | 1,283 | 16.6% | 1,465 | 14.2% |
| MSA Payments (Share of Local Growth) ⁴ | 0 | (435) | 0.0% | (327) | 24.8% | (371) | -13.5% | (371) | 0.0% |
| General Fund - DOH Medicaid State Ops | 298 | 356 | 19.5% | 358 | 0.6% | 364 | 1.7% | 364 | 0.0% |
| General Fund - Essential Plan | 88 | 102 | 15.9% | 98 | -3.9% | 93 | -5.1% | 87 | -6.5% |
| Local Assistance | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| State Operations | 88 | 102 | 15.9% | 98 | -3.9% | 93 | -5.1% | 87 | -6.5% |
| Other State Funds - DOH Medicaid Local | 5,746 | 5,592 | -2.7% | 5,444 | -2.6% | 5,367 | -1.4% | 5,354 | -0.2% |
| HCRA Financing | 3,966 | 3,837 | -3.3% | 3,689 | -3.9% | 3,612 | -2.1% | 3,598 | -0.4% |
| Indigent Care Support | 922 | 892 | -3.3% | 892 | 0.0% | 892 | 0.0% | 892 | 0.0% |
| Provider Assessment Revenue | 858 | 863 | 0.6% | 863 | 0.0% | 863 | 0.0% | 864 | 0.1% |
| Other State Agency Medicaid Spending ⁷ | 4,409 | 2,934 | -33.5% | 3,150 | 7.4% | 3,463 | 9.9% | 3,685 | 6.4% |
| USE OF MSA PAYMENTS (Share of Local Growth) ⁴ | 0 | 435 | 0.0% | 327 | -24.8% | 371 | 13.5% | 371 | 0.0% |
| LOCAL SHARE OF MEDICAID ^{5,6} | 7,949 | 8,300 | 4.4% | 7,902 | -4.8% | 7,408 | -6.3% | 7,419 | 0.1% |
| FEDERAL SHARE OF MEDICAID | 41,534 | 42,793 | 3.0% | 43,702 | 2.1% | 44,795 | 2.5% | 45,964 | 2.6% |
| DOH Medicaid | 37,659 | 38,820 | 3.1% | 39,704 | 2.3% | 40,783 | 2.7% | 41,941 | 2.8% |
| Essential Plan | 3,875 | 3,973 | 2.5% | 3,998 | 0.6% | 4,012 | 0.4% | 4,023 | 0.3% |
| ALL FUNDING SOURCES | 73,421 | 74,843 | 1.9% | 76,700 | 2.5% | 78,658 | 2.6% | 80,921 | 2.9% |

¹ The EP is not a Medicaid program; however, State funded resources for EP are managed under the Medicaid Global Cap.
² The DOH Medicaid budget includes resources to fund a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.
³ As of County Year (CY) 2015 the full share of Local Medicaid services growth has been financed with State resources.
⁴ MSA payments will be deposited directly to the MMIS Escrow Fund to cover a portion of the State's share of Local Medicaid growth.
⁵ The Local Share of Medicaid is paid by the Local Social Service Districts (counties), and is not included in the State's All Governmental Funds disbursement totals.
⁶ Fluctuation in the local share of Medicaid is related to certain supplemental payments made by local districts. Local Medicaid services payments are capped at CY 2015 levels.
⁷ The FY 2019 Enacted Budget reclassifies all spending from two State special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately \$1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

The Enacted Budget Financial Plan includes \$425 million in annual savings from funding certain OPWDD-related Medicaid expenses under the Medicaid Global Cap. To achieve savings within the Global Cap necessary to support these additional costs, DOH will continue to implement various MRT actions to improve the efficiency and effectiveness in delivery of the statewide Medicaid program. These reforms represent modifications to the Medicaid long-term care program to ensure access to long-term care services and support for a growing aging population; incentives supporting the transition to value-based payment arrangements; additional program integrity efficiencies; and enhancement of certain Medicaid services and practices, including covered telehealth and claims editing development.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

The General Fund gap-closing plan anticipates the receipt of direct payments associated with the purchase of Fidelis assets by Centene. In FY 2019, the State expects over \$1 billion in payments to be deposited into the Health Care Transformation Fund to offset expenses for capital investment, debt retirement or restructuring, housing and other social determinants of health, or transitional operating support to health care providers. In FY 2020, the conversion proceeds deposit will total \$468 million, followed by a \$118 million deposit in FY 2021 and FY 2022.

MSA payments are planned to be used to fund a portion of the non-Federal share of annual Medicaid growth, formerly borne by local governments, which the State now pays on behalf of local governments. The use of MSA payments will not affect total funding for the Medicaid program, but the Enacted Budget Financial Plan assumes that the MSA payments will provide financial plan relief through lower annual General Fund Medicaid disbursements. The table below displays the adjusted funding shares.

| FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS (millions of dollars) | | | | | |
|---|--------------------|--------------------|----------------------|----------------------|----------------------|
| | FY 2018 Results | FY 2019 Enacted | FY 2020 Projected | FY 2021 Projected | FY 2022 Projected |
| State Share Support | 23,938 | 23,750 | 25,096 | 26,455 | 27,538 |
| State Funds Medicaid Disbursements ^{1,2} | 23,938 | 23,315 | 24,769 | 26,084 | 27,167 |
| MSA Payments (Local Growth) | 0 | 435 | 327 | 371 | 371 |

¹ The EP is not a Medicaid program; however, State funded resources for EP are managed under the Medicaid Global Cap.

² The FY 2019 Enacted Budget reclassifies all spending from two State special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately \$1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

The Enacted Budget Financial Plan includes additional General Fund support for costs associated with the regionally-based, multi-year increase in the statewide minimum wage, including the impact of legislation (Chapter 56 of the Laws of 2016) which ensures that rates for the total compensation for home health care workers in New York City, and Westchester, Nassau, and Suffolk counties will be increased commensurate with the schedule of statutory minimum wage increases.²⁴ The impact of these minimum wage initiatives is projected to increase annual Medicaid spending above statutory Global Cap limits by \$703 million in FY 2019; \$1.0 billion in FY 2020; \$1.1 billion in FY 2021; and \$1.2 billion in FY 2022.

²⁴ Home health care workers in New York City and certain counties receive a benefit portion of total compensation in addition to their wage-based compensation rate levels (\$4.09 for New York City; \$3.22 for Westchester, Nassau, and Suffolk counties), resulting in total compensation which otherwise would have exceeded minimum wage levels and therefore was not factored into previous cost analysis. The impact of this legislation, however, effectively exempts the benefit portion of total compensation from the minimum wage calculation and ensures that home health care workers in these counties will receive incremental growth in wage compensation commensurate to the new minimum wage schedule.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among the factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients is expected to reach about 6.3 million by the end of FY 2019, a slight increase from FY 2018. This moderate increase is in part driven by an increase in elderly enrollees in the Medicaid program.

The ability to offset rising costs within the Medicaid Global Cap exists through the Medicaid integrity and efficiency initiative, which was authorized in the FY 2017 Enacted Budget. Upon election by a local service district to participate in this initiative, DOH and such local service district may formulate a plan to achieve new audit recoveries, efficiencies and other cost avoidance measures to provide savings. Savings associated with the Medicaid program are realized through the Mental Hygiene Global Cap Adjustment, which finances certain OPWDD-related Medicaid costs available under the Global Cap, as noted above.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

Essential Plan (EP)

The EP is a health insurance program which receives Federal subsidies authorized through the ACA. The FY 2015 Enacted Budget authorized the State to participate in the EP, which includes health insurance coverage for certain legally residing immigrants previously receiving State-only Medicaid coverage. Individuals who meet the EP eligibility standards are enrolled through the NYSOH insurance exchange, with the cost of insurance premiums subsidized by the State and Federal governments.

| ESSENTIAL PLAN (millions of dollars) | | | | | | | | | |
|---|--------------------|--------------------|--------|----------------------|--------|----------------------|--------|----------------------|--------|
| | FY 2018 Results | FY 2019 Enacted | Change | FY 2020 Projected | Change | FY 2021 Projected | Change | FY 2022 Projected | Change |
| TOTAL ALL FUNDS SPENDING | 3,963 | 4,075 | 2.8% | 4,096 | 0.5% | 4,105 | 0.2% | 4,110 | 0.1% |
| State Operating Funds | 88 | 102 | 15.9% | 98 | -3.9% | 93 | -5.1% | 87 | -6.5% |
| Local Assistance | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| State Operations | 88 | 102 | 15.9% | 98 | -3.9% | 93 | -5.1% | 87 | -6.5% |
| Federal Operating Funds | 3,875 | 3,973 | 2.5% | 3,998 | 0.6% | 4,012 | 0.4% | 4,023 | 0.3% |

The multi-year Enacted Budget Financial Plan reflects a mix of factors, including stabilizing enrollment trends and growth in the Federal marketplace premium index for base program expenses. This change in the premium index generates a higher Federal reimbursement rate, eliminating EP program costs for the State and allowing for the local assistance program to be fully federally financed.

State savings associated with the EP local assistance program are managed within the total available resources of the Medicaid Global Cap. This includes a portion of the spending associated with increasing EP enrollment in part, reflecting the transition of certain individuals from the Medicaid program to the EP program based on changes in income levels.

In FY 2018, the Trump Administration took unilateral executive action to withhold CSR payments, putting low-cost health insurance coverage for income eligible recipients at risk. Despite the Federal withholding of CSR payments, which amount to 25 percent of the Federal funding for the EP, the Enacted Budget continues to support the EP program. In order to offset this loss of funding, the State will utilize EP Medical Loss Ratio (MLR) remittances, reduce reimbursement rates to plans, and accelerate trust fund monies to maximize Federal benefits.

It is not possible at this time to assess the potential fiscal impact of long-term policies that may be adopted. The Enacted Budget includes authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

Public Health/Aging Programs

Public Health includes the Child Health Plus (CHP) program that finances health insurance coverage for children of low-income families, up to the age of 19; the General Public Health Work (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 that are reimbursed by the State for a share of program costs. State spending projections do not include the county share of public health costs. 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. SOFA primarily oversees community-based services (including in-home services and nutrition assistance) provided through a network of county Area Agencies on Aging (AAA) and local providers.

| PUBLIC HEALTH AND AGING (millions of dollars) | | | | | | | | | |
|--|---------|---------|--------|-----------|--------|-----------|--------|-----------|--------|
| | FY 2018 | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
| | Results | Enacted | Change | Projected | Change | Projected | Change | Projected | Change |
| TOTAL STATE OPERATING FUNDS | 1,668 | 1,626 | -2.5% | 1,766 | 8.6% | 1,880 | 6.5% | 1,890 | 0.5% |
| Public Health | 1,544 | 1,497 | -3.0% | 1,641 | 9.6% | 1,750 | 6.6% | 1,754 | 0.2% |
| Child Health Plus | 291 | 296 | 1.7% | 413 | 39.5% | 537 | 30.0% | 537 | 0.0% |
| General Public Health Work | 195 | 155 | -20.5% | 204 | 31.6% | 208 | 2.0% | 212 | 1.9% |
| EPIC | 126 | 125 | -0.8% | 131 | 4.8% | 128 | -2.3% | 128 | 0.0% |
| Early Intervention | 175 | 173 | -1.1% | 173 | 0.0% | 165 | -4.6% | 165 | 0.0% |
| HCRA Program | 388 | 372 | -4.1% | 394 | 5.9% | 384 | -2.5% | 384 | 0.0% |
| All Other | 369 | 376 | 1.9% | 326 | -13.3% | 328 | 0.6% | 328 | 0.0% |
| Aging | 124 | 129 | 4.0% | 125 | -3.1% | 130 | 4.0% | 136 | 4.6% |

The Enacted Budget Financial Plan reflects the proposal to discontinue cost of living payments to certain DOH providers. This action will result in savings of \$19.9 million in FY 2019 and \$45.4 million in FY 2020. Declining spending for HCRA and other public health programs is partly affected by funding a greater portion of the Roswell Park Cancer Institute (RPCI) with Capital Projects Fund dollars. Savings of \$40 million in FY 2019 are realized for the GPHW program, resulting from a one-time recoupment of ineligible claims paid during program years 2015 and 2016.

The Enacted Budget Financial Plan reflects an increase in the Federal match to 88 percent for the Hunger Prevention and Nutritional Assistance program through the CHP program, resulting in Enacted Budget Financial Plan savings.

The Enacted Budget Financial Plan reflects SOFA savings realized by eliminating the planned 1.9 percent increase in the Human Services Cost of Living increase, resulting in \$4 million in annual savings for FY 2019 through FY 2022.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

HCRA Financial Plan

HCRA was established in 1996 to help fund a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including Family Health Plus (FHP) and CHP. HCRA has also provided additional funding for the health care industry, including investments in worker recruitment and retention, and Doctors Across New York program. HCRA authorization is extended through FY 2020, pursuant to legislation included in the FY 2018 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. In total, HCRA resources are used to fund roughly 25 percent of the State share of Medicaid, as well as CHP, EPIC, Physician Excess Medical Malpractice Insurance, and Indigent Care payments (the latter of which provides funding to hospitals serving a disproportionate share of individuals without health insurance).

| HCRA FINANCIAL PLAN FY 2018 THROUGH FY 2022 | | | | | |
|---|--------------------|--------------------|----------------------|----------------------|----------------------|
| (millions of dollars) | | | | | |
| | FY 2018 Results | FY 2019 Enacted | FY 2020 Projected | FY 2021 Projected | FY 2022 Projected |
| OPENING BALANCE | 12 | 15 | 0 | 0 | 0 |
| TOTAL RECEIPTS | 5,873 | 5,771 | 5,788 | 5,756 | 5,723 |
| Surcharges | 3,407 | 3,369 | 3,428 | 3,496 | 3,496 |
| Covered Lives Assessment | 1,103 | 1,110 | 1,110 | 1,045 | 1,045 |
| Cigarette Tax Revenue | 829 | 791 | 752 | 716 | 683 |
| Hospital Assessments | 437 | 424 | 424 | 424 | 424 |
| NYC Cigarette Tax Transfer/Other | 97 | 77 | 74 | 75 | 75 |
| TOTAL DISBURSEMENTS AND TRANSERS | 5,870 | 5,786 | 5,788 | 5,756 | 5,723 |
| Medicaid Assistance Account ¹ | <u>3,966</u> | <u>3,837</u> | <u>3,689</u> | <u>3,612</u> | <u>3,598</u> |
| Medicaid Costs | 3,769 | 3,640 | 3,492 | 3,415 | 3,401 |
| Workforce Recruitment & Retention | 197 | 197 | 197 | 197 | 197 |
| Hospital Indigent Care | 922 | 892 | 892 | 892 | 892 |
| HCRA Program Account | 394 | 380 | 402 | 392 | 392 |
| Child Health Plus | 295 | 307 | 428 | 556 | 554 |
| Elderly Pharmaceutical Insurance Coverage | 137 | 136 | 142 | 140 | 139 |
| SHIN-NY/APCD | 17 | 40 | 40 | 0 | 0 |
| All Other | 139 | 194 | 195 | 164 | 148 |
| ANNUAL OPERATING SURPLUS/(DEFICIT) | 3 | (15) | 0 | 0 | 0 |
| CLOSING BALANCE | 15 | 0 | 0 | 0 | 0 |

¹ NYSOH spending will be financed with available HCRA resources through the Medicaid program.

Total HCRA receipts are forecasted to decline by 1.7 percent in FY 2019 partly due to reductions in anticipated surcharges and cigarette tax revenues. Annual growth beyond FY 2020 plateaus with the expiration of the extension suspending the covered lives reconciliation, causing revenue collection to revert to the levels set in statute in FY 2021. Similarly, declines in estimated cigarette tax collections attributable to lower consumption, amplify the downward trend in HCRA receipts in the outyears.

Total HCRA disbursements are commensurate with the multi-year revenue forecast. The Enacted Budget Financial Plan reflects increased FY 2019 HCRA funding for the Diversity in Medicine program, Rural Health Access initiative, and the Rural Health Network Development programs. The Diversity in Medicine program works to help address the gap in physician diversity through outreach and scholarships. The Rural Health Access and Rural Health Development programs provide support and grants to rural healthcare systems to promote more effective delivery through planning, coordination, development, implementation and operation of local networks.

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 such spending reductions could affect General Fund Medicaid funding or HCRA programs. Conversely, any unanticipated balances or excess resources in HCRA are expected to fund Medicaid costs that would otherwise be paid from the General Fund.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

Mental Hygiene

The Department of Mental Hygiene is comprised of OPWDD, Office of Mental Health (OMH), Office of Alcoholism and Substance Abuse Services (OASAS), the Developmental Disabilities Planning Council (DDPC), and the Justice Center for the Protection of People with Special Needs (Justice Center). Services are administered to adults with serious 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 clients through State-operated facilities, and indirectly through community service providers. The costs associated with providing these services are supported 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 infrastructure improvements at State mental hygiene facilities, with the remaining revenue used to support State operating costs.

| MENTAL HYGIENE (millions of dollars) | | | | | | | | | |
|---|----------------|----------------|---------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | FY 2018 | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
| | Results | Enacted | Change | Projected | Change | Projected | Change | Projected | Change |
| TOTAL STATE OPERATING FUNDS | 2,350 | 2,257 | -4.0% | 2,592 | 14.8% | 2,928 | 13.0% | 3,208 | 9.6% |
| People with Developmental Disabilities | 2,115 | 2,272 | 7.4% | 2,438 | 7.3% | 2,682 | 10.0% | 2,876 | 7.2% |
| Residential Services | 1,299 | 1,391 | 7.1% | 1,480 | 6.4% | 1,620 | 9.5% | 1,735 | 7.1% |
| Day Programs | 609 | 653 | 7.2% | 694 | 6.3% | 760 | 9.5% | 814 | 7.1% |
| Clinic | 19 | 20 | 5.3% | 21 | 5.0% | 23 | 9.5% | 25 | 8.7% |
| All Other Services (Net) | 188 | 208 | 10.6% | 243 | 16.8% | 279 | 14.8% | 302 | 8.2% |
| Mental Health | 1,181 | 1,326 | 12.3% | 1,473 | 11.1% | 1,551 | 5.3% | 1,626 | 4.8% |
| Adult Local Services | 939 | 1,052 | 12.0% | 1,176 | 11.8% | 1,240 | 5.4% | 1,303 | 5.1% |
| Children Local Services | 242 | 274 | 13.2% | 297 | 8.4% | 311 | 4.7% | 323 | 3.9% |
| Alcohol and Substance Abuse | 322 | 356 | 10.6% | 381 | 7.0% | 396 | 3.9% | 409 | 3.3% |
| Outpatient/Methadone | 117 | 129 | 10.3% | 138 | 7.0% | 143 | 3.6% | 148 | 3.5% |
| Residential | 128 | 144 | 12.5% | 155 | 7.6% | 162 | 4.5% | 169 | 4.3% |
| Prevention and Program Support | 68 | 75 | 10.3% | 80 | 6.7% | 84 | 5.0% | 86 | 2.4% |
| Crisis | 9 | 8 | -11.1% | 8 | 0.0% | 7 | -12.5% | 6 | -14.3% |
| Justice Center | 1 | 1 | 0.0% | 1 | 0.0% | 1 | 0.0% | 1 | 0.0% |
| SUBTOTAL BEFORE ADJUSTMENTS | 3,619 | 3,955 | 9.3% | 4,293 | 8.5% | 4,630 | 7.8% | 4,912 | 6.1% |
| Global Cap Adjustment | (1,269) | (1,698) | -33.8% | (1,701) | -0.2% | (1,702) | -0.1% | (1,704) | -0.1% |

Local assistance spending accounts for approximately 45 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 8.1 percent annually. The main factors driving this level of growth are: enhancements in community mental health services; enhancements in community-based employment and residential opportunities for individuals with disabilities; and new or increased funding not-for-profit providers for growth in employee wages related to minimum wage increases.

The Enacted Budget Financial Plan includes approximately \$336 million or 9.3 percent increase in local assistance funding for the mental hygiene agencies. This increase is largely related to \$132 million used in support of a 6.5 percent increase for direct care professionals and a 3.25 percent increase for clinical staff employed by not-for-profit organizations delivering services on behalf of OPWDD, OMH and OASAS, as well as \$44 million to support the minimum wage and related fringe benefit increases associated with the movement to a \$15 an hour living wage. Other increases include community investments, new service investments in the OPWDD system, and funding in OASAS to address the heroin and opioid crisis.

In addition to investments in salaries for the not-for-profit workforce, there is a \$60 million annualized State-share investment in new OPWDD program services. Partly offsetting the cost of these investments are savings associated with ongoing service delivery transformation and efforts to ensure the efficient use of State resources.

The Enacted Budget Financial Plan reflects the continued expansion of community-based services and provides \$10 million in enhanced support for existing OMH housing programs. The Enacted Budget Financial Plan also reflects continued support for OASAS program expansion begun in FY 2018 to address the opioid crisis. These include increased Residential Treatment capacity, expansion of outpatient Opioid Treatment Programs, Family Support Navigators, Certified Peer Recovery Advocates, Jail based substance abuse disorder programs, and other evidence-based programs.

The additional funding increase is offset by technical adjustments to the Medicaid Global Cap, as a greater share of OPWDD-related spending will be financed from Global Cap resources. These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

Social Services

Office of Temporary and Disability Assistance (OTDA)

OTDA local assistance programs provide cash benefits and supportive services to low-income families. The State's three main programs include Family Assistance, Safety Net Assistance and Supplemental Security Income (SSI). The Family Assistance program, 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 2018 Results | FY 2019 Enacted | Change | FY 2020 Projected | Change | FY 2021 Projected | Change | FY 2022 Projected | Change |
| TOTAL STATE OPERATING FUNDS | 1,229 | 1,281 | 4.2% | 1,355 | 5.8% | 1,358 | 0.2% | 1,362 | 0.3% |
| SSI | 649 | 661 | 1.8% | 663 | 0.3% | 667 | 0.6% | 667 | 0.0% |
| Public Assistance Benefits | 475 | 506 | 6.5% | 545 | 7.7% | 541 | -0.7% | 541 | 0.0% |
| Public Assistance Initiatives | 13 | 11 | -15.4% | 33 | 200.0% | 33 | 0.0% | 33 | 0.0% |
| All Other | 92 | 103 | 12.0% | 114 | 10.7% | 117 | 2.6% | 121 | 3.4% |

DOB's caseload models project a total of 543,894 public assistance recipients in FY 2019. Approximately 214,749 families are expected to receive benefits through the Family Assistance program in FY 2019, a decrease of 1.4 percent from FY 2018. The Safety Net caseload for families is projected at 119,575 in FY 2019, a decrease of 1.1 percent from FY 2018. The caseload for single adults/childless couples supported through the Safety Net program is projected at 209,570 in FY 2019, an increase of 1.3 percent from FY 2018.

SSI spending is projected to increase gradually over the course of the multi-year Enacted Budget Financial Plan as caseload is expected to grow. Public assistance benefits will increase in FY 2019 and FY 2020 due to a variety of factors including the expansion of NYC HIV/AIDS Services Administration (HASA) benefits to public assistance recipients living in NYC and increased costs associated with litigation proceedings that will increase Safety Net Assistance expenditures. Other spending growth includes increased spending on homeless services and prevention and a new program intended to prevent unaccompanied refugee children from joining the MS-13 gang on Long Island.

Office of Children and Family Services (OCFS)

OCFS provides funding for foster care, adoption, child protective services, preventive services, delinquency prevention, and child care. OCFS oversees the State’s system of family support and child welfare services administered by local 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 for reducing 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.

| CHILDREN AND FAMILY SERVICES (millions of dollars) | | | | | | | | | |
|---|--------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|
| | FY 2018 | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
| | Results | Enacted | Change | Projected | Change | Projected | Change | Projected | Change |
| TOTAL STATE OPERATING FUNDS | 1,608 | 1,691 | 5.2% | 1,692 | 0.1% | 1,715 | 1.4% | 1,750 | 2.0% |
| Child Welfare Service | 509 | 481 | -5.5% | 491 | 2.1% | 501 | 2.0% | 501 | 0.0% |
| Foster Care Block Grant | 384 | 384 | 0.0% | 393 | 2.3% | 403 | 2.5% | 413 | 2.5% |
| Adoption | 148 | 148 | 0.0% | 148 | 0.0% | 149 | 0.7% | 149 | 0.0% |
| Child Care | 203 | 289 | 42.4% | 270 | -6.6% | 271 | 0.4% | 271 | 0.0% |
| Youth Programs | 105 | 116 | 10.5% | 124 | 6.9% | 117 | -5.6% | 117 | 0.0% |
| Medicaid | 77 | 85 | 10.4% | 89 | 4.7% | 93 | 4.5% | 97 | 4.3% |
| Adult Protective/Domestic Violence | 53 | 45 | -15.1% | 48 | 6.7% | 51 | 6.3% | 54 | 5.9% |
| Committees on Special Education | 37 | 22 | -40.5% | 24 | 9.1% | 25 | 4.2% | 27 | 8.0% |
| All Other | 92 | 121 | 31.5% | 105 | -13.2% | 105 | 0.0% | 121 | 15.2% |

OCFS State Operating Funds spending is projected to increase from FY 2018 to FY 2019 due to the impact of several factors including increased funding for child care subsidies back to FY 2017 levels, costs associated with the regionally-based, multi-year increase in the statewide minimum wage, and legislative spending additions to fund a range of OCFS programs. These increases are partially offset by savings actions allowing the expiration of provisions authorizing State reimbursement to NYC for Close to Home costs, which provide juvenile justice services to NYC youth adjudicated in the court system as juvenile delinquents, and the planned elimination of the human services COLA in FY 2019.

Increased spending in the outyears is primarily due to implementation of the “Raise the Age” initiative, which will increase the age of criminal responsibility from 16 to 18, and planned increases consistent with anticipated program growth. These increases are partly offset by a reduction in the costs attributable to the Pay for Success program based upon program participation and spending to date.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

Transportation

In FY 2019, the State expects to provide almost \$5.4 billion in operating aid to mass transit systems, including over \$1.4 billion in off-budget aid to the MTA (not included in the table below). This aid is funded mainly from various dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of the mass transit aid - totaling \$4.8 billion in FY 2019.

The MTA receives additional, exclusive operating support from the MTA Financial Assistance Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). Through FY 2018, the State collected these taxes and fees on behalf of, and disbursed the entire amount to, the MTA. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund provides additional annual support to the MTA, subject to appropriation, to partially offset this revenue loss.

| TRANSPORTATION (millions of dollars) | | | | | | | | | |
|---|--------------|--------------|---------------|--------------|--------------|--------------|-------------|--------------|-------------|
| | FY 2018 | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
| | Results | Enacted | Change | Projected | Change | Projected | Change | Projected | Change |
| STATE OPERATING FUNDS SUPPORT | 5,025 | 3,961 | -21.2% | 3,642 | -8.1% | 3,689 | 1.3% | 3,821 | 3.6% |
| Mass Transit Operating Aid: | 2,283 | 2,324 | 1.8% | 2,326 | 0.1% | 2,326 | 0.0% | 2,326 | 0.0% |
| Metro Mass Transit Aid | 2,152 | 2,188 | 1.7% | 2,190 | 0.1% | 2,190 | 0.0% | 2,190 | 0.0% |
| Public Transit Aid | 87 | 92 | 5.7% | 92 | 0.0% | 92 | 0.0% | 92 | 0.0% |
| 18-b General Fund Aid | 19 | 19 | 0.0% | 19 | 0.0% | 19 | 0.0% | 19 | 0.0% |
| School Fare | 25 | 25 | 0.0% | 25 | 0.0% | 25 | 0.0% | 25 | 0.0% |
| Mobility Tax | 1,709 | 402 | -76.5% | 267 | -33.6% | 268 | 0.4% | 268 | 0.0% |
| MTA Aid Trust | 283 | 292 | 3.2% | 296 | 1.4% | 292 | -1.4% | 294 | 0.7% |
| Dedicated Mass Transit | 678 | 683 | 0.7% | 696 | 1.9% | 746 | 7.2% | 876 | 17.4% |
| AMTAP | 70 | 260 | 271.4% | 57 | -78.1% | 57 | 0.0% | 57 | 0.0% |
| All Other | 2 | 0 | -100.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |

Projected operating aid to the MTA and other transit systems reflects the current receipts forecast and timing associated with the availability of resources. The Enacted Budget Financial Plan includes revised spending estimates for transit assistance in each year to reflect the most recent revenue forecast assumptions.

The Enacted Budget includes legislation directing the Mobility Tax collections to be remitted directly to the MTA. This will eliminate the pass through of this tax and ensure more timely receipt by the MTA, which provides a one-time benefit of \$60 million for the MTA. Beginning in FY 2019, the Enacted Budget Financial Plan will no longer include new Mobility Tax receipts or associated local assistance payments. Combining on-budget (\$402 million) and off-budget (\$1.4 billion) spending, the MTA will receive over \$1.8 billion of Mobility Tax resources in FY 2019.

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 - AIM PROGRAM (millions of dollars) | | | | | | | | | |
|--|------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|
| | FY 2018 | FY 2019 | FY 2020 | | FY 2021 | | FY 2022 | | |
| | Results | Enacted | Change | Projected | Change | Projected | Change | Projected | Change |
| TOTAL STATE OPERATING FUNDS | 722 | 724 | 0.3% | 763 | 5.4% | 763 | 0.0% | 763 | 0.0% |
| 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 | 7 | 9 | 28.6% | 48 | 433.3% | 48 | 0.0% | 48 | 0.0% |

State Operating Funds spending for the various efficiency and restructuring grants within the AIM program is projected to grow modestly from FY 2019 to FY 2020, due to revisions in the timing of spending. Additional increases in the outyears reflect potential awards from the Financial Restructuring Board for Local Governments.

Agency Operations

Agency operating costs consist of Personal Service (PS), Non-Personal Service (NPS), and GSCs. PS includes the salaries of State employees of the Executive, Legislative, and Judicial branches, as well as the salaries of temporary/seasonal employees. NPS includes real estate rentals, utilities, contractual payments (i.e., consultants, Information Technology (IT), and professional business services), supplies and materials, equipment, and telephone service. GSCs, which are discussed separately, reflect the cost of fringe benefits (e.g., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State, such as taxes on public lands and litigations. Certain agency operating costs of DOT and DMV (adjusted for the reclassification discussed above) are included in the Capital Projects Fund and are not reflected in State Operating Funds. The PS estimates reflect current negotiated collective bargaining agreements.

Approximately 94 percent of the State workforce is unionized. The largest unions include the Civil Service Employees Association (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 (attorneys, nurses, accountants, engineers, social workers, and institution teachers); UUP, which represents faculty and nonteaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

The following table presents certain variables used in preparing the spending projections for agency operations.

| FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS | | | | | |
|--|---------------------------------|--------------------|----------------------|----------------------|----------------------|
| | FY 2018 Results ¹ | Forecast | | | |
| | | FY 2019 Enacted | FY 2020 Projected | FY 2021 Projected | FY 2022 Projected |
| Negotiated Base Salary Increases ² | | | | | |
| CSEA/DC-37 (Rent Regulation Unit) | 2% | 2% | 2% | 2% | TBD |
| PEF/GSEU/MC | 2% | 2% | TBD | TBD | TBD |
| NYSPPA/NYSPIA ³ | 1.5% | TBD | TBD | TBD | TBD |
| Council 82/UUP/NYSOPBA/PBANYS | TBD | TBD | TBD | TBD | TBD |
| State Workforce ⁴ | 117,397 | 118,868 | TBD | TBD | TBD |
| ERS Contribution Rate | | | | | |
| Before Amortization ⁵ | 16.2% | 15.7% | 15.9% | 17.2% | 18.6% |
| After Amortization ⁶ | 20.0% | 19.4% | 19.6% | 20.8% | 21.8% |
| PFRS Contribution Rate | | | | | |
| Before Amortization ⁵ | 25.1% | 24.1% | 24.0% | 25.1% | 26.2% |
| After Amortization ⁶ | 28.1% | 26.9% | 27.4% | 28.4% | 29.4% |
| Employee/Retiree Health Insurance Growth Rates | 7.0% | 7.9% | 6.9% | 6.6% | 6.6% |
| PS/Fringe as % of Receipts (All Funds Basis) | 13.1% | 13.6% | 13.8% | 14.4% | 14.3% |

¹ Reflects preliminary unaudited results.
² Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
³ Contracts contain "reopener" language which allows these unions to reopen negotiations if any other State bargaining unit receives a general salary increase exceeding 1.5 percent applicable to FY 2017 and FY 2018.
⁴ Reflects workforce that is subject to direct Executive control.
⁵ Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP), and Chapter 41 of 2016 veterans' pension credit legislation.
⁶ After amortization contribution rate additionally includes new amortization, if any, and payments on prior amortizations.

Operating costs for PS/NPS are projected to increase over the Enacted Budget Financial Plan period, from \$18.8 billion in FY 2018 to \$20.5 billion in FY 2022. Most Executive agencies are expected to hold spending at FY 2018 levels. In addition to the DOT/DMV operations reclassification discussed previously, increases in the outyears of the Enacted Budget Financial Plan are driven mainly by juvenile justice reform, anticipated labor agreements, growing SUNY operating costs, and an additional administrative payroll in FY 2021 due to the payroll calendar.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

| STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| (millions of dollars) | | | | | |
| | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| | Results | Enacted | Projected | Projected | Projected |
| SUBJECT TO DIRECT EXECUTIVE CONTROL | 10,004 | 10,192 | 10,446 | 10,815 | 10,827 |
| Mental Hygiene | 2,804 | 2,717 | 2,772 | 2,846 | 2,880 |
| Corrections and Community Supervision | 2,628 | 2,606 | 2,619 | 2,624 | 2,616 |
| State Police | 742 | 730 | 725 | 751 | 765 |
| Information Technology Services ¹ | 536 | 545 | 541 | 551 | 558 |
| Medicaid Admin/EP | 385 | 458 | 456 | 457 | 452 |
| Public Health | 356 | 394 | 392 | 398 | 393 |
| Tax and Finance | 321 | 332 | 331 | 341 | 330 |
| Children and Family Services | 242 | 289 | 375 | 442 | 445 |
| Environmental Conservation | 213 | 208 | 205 | 217 | 210 |
| Financial Services | 209 | 209 | 213 | 219 | 213 |
| Parks, Recreation and Historic Preservation | 169 | 173 | 171 | 178 | 173 |
| General Services | 144 | 137 | 133 | 132 | 130 |
| Workers' Compensation Board | 141 | 143 | 145 | 151 | 146 |
| Temporary and Disability Assistance | 123 | 126 | 132 | 136 | 139 |
| Gaming | 95 | 81 | 81 | 82 | 81 |
| Potential and Settled Labor Agreements ² | 495 | 626 | 741 | 856 | 856 |
| Agency Financial Management Plan | (500) | (500) | (500) | (500) | (500) |
| All Other | 901 | 918 | 914 | 934 | 940 |
| DOT/DMV Operations Reclassification | 0 | 282 | 332 | 337 | 343 |
| UNIVERSITY SYSTEMS | 6,183 | 6,303 | 6,337 | 6,639 | 6,665 |
| State University | 6,080 | 6,227 | 6,264 | 6,564 | 6,591 |
| City University | 103 | 76 | 73 | 75 | 74 |
| INDEPENDENT AGENCIES | 330 | 333 | 323 | 337 | 325 |
| Law | 183 | 179 | 176 | 184 | 177 |
| Audit & Control (OSC) | 147 | 154 | 147 | 153 | 148 |
| TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE | 16,517 | 17,110 | 17,438 | 18,128 | 18,160 |
| Judiciary | 2,081 | 2,119 | 2,121 | 2,178 | 2,121 |
| Legislature | 223 | 230 | 234 | 239 | 244 |
| Statewide Total | 18,821 | 19,459 | 19,793 | 20,545 | 20,525 |
| Personal Service | 13,170 | 13,542 | 13,885 | 14,575 | 14,476 |
| Non-Personal Service | 5,651 | 5,917 | 5,908 | 5,970 | 6,049 |

¹ Reflects consolidation of IT costs from other agencies within ITS, which does not change total governmental spending.
² Includes the estimated potential and settled cost for executive agencies and excludes the value of a settlement with UUP.

The most significant changes to spending for agency operations include:

- **Mental Hygiene.** As a result of the Mental Hygiene Fund Reclassification, spending will decline due to the elimination of indirect costs previously charged to the Special Revenue Fund. Additional savings are achieved through attrition and other management efficiencies.
- **State Police.** The modest decline in spending reflects the reclassification of certain personal service spending, offset by the full year cost of recruit classes and added resources to combat gang activities.
- **Medicaid Admin/Essential Plan (EP).** Increased spending starting in FY 2019 is mainly attributable to higher costs associated with NYSOH enrollment trends.
- **Public Health.** Higher spending in out years is due to certification and surveillance activities, additional funding to support stem cell research, and higher operational costs for NYSOH.
- **Children and Family Services.** Increases reflect additional funding in OCFS to support raising the age of criminal responsibility from 16 to 18 by October 1, 2019.
- **Gaming.** Decreases reflect a change in the accounting structure related to advertising costs, so that direct payments are made to the vendors from a third party instead of through the Gaming Commission.
- **Potential and Settled Labor Agreements.** Spending reflects negotiated settlement agreements with PEF, which have been extended to unrepresented M/C employees, the five-year settlement with CSEA, DC-37 (Rent Regulation Unit), and parity with remaining unsettled unions assumed to follow the PEF model.
- **Agency Financial Management Plans.** All Executive agencies have been directed to implement cost-control measures on a recurring basis, which started in FY 2018.
- **DOT/DMV Operations Reclassification.** Reflects the reclassification of certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities from the DHBTF to the General Fund.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

Workforce

In FY 2019, \$13.5 billion or 13.5 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 97,500 FTE employees under direct Executive control; individuals employed by SUNY and CUNY (46,038) and Independent Agencies (18,176); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in the mental hygiene agencies and Department of Corrections and Community Supervision (DOCCS).

| STATE OPERATING FUNDS | | |
|--|---------------|----------------|
| FY 2019 FTEs ¹ AND PERSONAL SERVICE SPENDING BY AGENCY (millions of dollars) | | |
| | Dollars | FTEs |
| Subject to Direct Executive Control | 7,375 | 94,741 |
| Mental Hygiene Agencies | 2,263 | 32,334 |
| Corrections and Community Supervision | 2,043 | 27,238 |
| State Police | 668 | 5,666 |
| Information Technology Services | 287 | 3,401 |
| Health | 280 | 3,974 |
| Tax and Finance | 264 | 3,977 |
| Environmental Conservation | 170 | 2,124 |
| Children and Family Services | 192 | 2,406 |
| Financial Services | 157 | 1,382 |
| Parks, Recreation and Historic Preservation | 134 | 1,304 |
| Education | 88 | 1,263 |
| Workers' Compensation Board | 85 | 1,110 |
| Temporary and Disability Assistance | 68 | 1,019 |
| General Services | 48 | 832 |
| All Other | 628 | 6,711 |
| DOT/DMV Operations Reclassification | 167 | 2,712 |
| University Systems | 3,921 | 46,038 |
| State University | 3,883 | 45,655 |
| City University ² | 38 | 383 |
| Independent Agencies | 2,079 | 18,176 |
| Law | 126 | 1,583 |
| Audit & Control (OSC) | 123 | 1,527 |
| Judiciary | 1,654 | 15,064 |
| Legislature ³ | 176 | 2 |
| Total | 13,542 | 161,667 |

¹ FTEs represent the number of annual-salaried full-time filled positions (e.g., one FTE may represent a single employee serving at 100 percent full-time, or a combination of employees serving at less than full-time that, when combined, equal a full-time position). The reported FTEs do not include non-annual salaried positions, such as positions filled on an hourly, per-diem or seasonal basis.

² CUNY employees are funded primarily through an agency trust fund that supports an additional 13,166 FTEs, which are excluded from this table.

³ Legislative employees are nonannual salaried and are excluded from this table, with the exception of the Lieutenant Governor, who serves as President of the Senate.

General State Charges

The State provides a variety of fringe benefits to its current and former employees, including health insurance, pensions, the Social Security payroll tax, workers' compensation coverage, unemployment insurance, survivors' benefits, and dental and vision benefits (some of which are provided through union-specific Employee Benefit Funds). GSCs also pays for certain statewide fixed costs, including taxes on State-owned lands, payments in lieu of taxes (City of Albany) and judgments / settlements in the Court of Claims. Many of these payments are mandated by statute or collective bargaining agreements.

Employee fringe benefits paid through GSCs are financed from the General Fund in the first instance, and then partially reimbursed by revenue collected from agency fringe benefit assessments. Commencing in FY 2019, there are two fund reclassifications that will impact fringe benefit collections from other agencies. These changes have no impact on a State operating funds basis, and are Financial Plan neutral. First, the mental hygiene spending in the Mental Hygiene Program Fund and the Patient Income Fund (\$1.4 billion) will be accounted for in the General Fund. Similarly, DOT and DMV spending related to snow and ice removal, bus, truck and rail inspection and regulatory activities in the DHBTf will be accounted for in the General Fund (\$107 million).

GSC spending is projected to increase at an average annual rate of 6.9 percent over the multi-year Enacted Budget Financial Plan period. This growth is primarily attributable to the health insurance and workers' compensation programs, offset by reductions in other fringe benefits and fixed costs and relatively stable spending for pensions and social security.

Growth in the health insurance program of \$323 million (8.2 percent) is reflective of medical inflation at current enrollment levels. Workers' compensation costs are increasing by \$170 million in FY 2019 due to underlying growth in the average weekly wage used in benefit calculations and medical costs (\$65 million / 12.8 percent), as well as a reduction in the use of offsetting reserve funds (\$105 million). Overall pension costs are projected to remain relatively stable due to improved investment returns and ongoing savings from the Tier 5 and Tier 6 pension reforms. Social Security spending is also relatively stable due to steady workforce levels.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

| GENERAL STATE CHARGES (millions of dollars) | | | | | | | | | |
|--|--------------------|--------------------|-------------|----------------------|-------------|----------------------|-------------|----------------------|-------------|
| | FY 2018 Results | FY 2019 Enacted | Change | FY 2020 Projected | Change | FY 2021 Projected | Change | FY 2022 Projected | Change |
| TOTAL STATE OPERATING FUNDS | 7,853 | 8,542 | 8.8% | 9,124 | 6.8% | 9,713 | 6.5% | 10,249 | 5.5% |
| Fringe Benefits | 7,440 | 8,097 | 8.8% | 8,673 | 7.1% | 9,256 | 6.7% | 9,785 | 5.7% |
| Health Insurance | 3,963 | 4,286 | 8.2% | 4,592 | 7.1% | 4,907 | 6.9% | 5,247 | 6.9% |
| Pensions | 2,442 | 2,469 | 1.1% | 2,590 | 4.9% | 2,753 | 6.3% | 2,918 | 6.0% |
| Social Security | 1,014 | 1,030 | 1.6% | 1,040 | 1.0% | 1,050 | 1.0% | 1,050 | 0.0% |
| Workers' Compensation | 306 | 476 | 55.6% | 591 | 24.2% | 681 | 15.2% | 752 | 10.4% |
| Employee Benefits | 92 | 98 | 6.5% | 103 | 5.1% | 108 | 4.9% | 101 | -6.5% |
| Dental Insurance | 64 | 61 | -4.7% | 64 | 4.9% | 65 | 1.6% | 66 | 1.5% |
| Unemployment Insurance | 13 | 12 | -7.7% | 12 | 0.0% | 12 | 0.0% | 12 | 0.0% |
| All Other | 2,359 | 1,056 | -55.2% | 1,096 | 3.8% | 1,166 | 6.4% | 1,178 | 1.0% |
| Non-State Escrow | (2,813) | (1,391) | 50.6% | (1,415) | -1.7% | (1,486) | -5.0% | (1,539) | -3.6% |
| Fixed Costs | 413 | 445 | 7.7% | 451 | 1.3% | 457 | 1.3% | 464 | 1.5% |
| Public Land Taxes/PILOTS | 254 | 263 | 3.5% | 269 | 2.3% | 275 | 2.2% | 282 | 2.5% |
| Litigation | 159 | 182 | 14.5% | 182 | 0.0% | 182 | 0.0% | 182 | 0.0% |

Growth in GSC spending in FY 2019 has been partly offset by gap-closing savings of approximately \$62 million in pension interest savings achieved by paying most of the State pension bill in April 2018, rather than monthly as previously assumed. Over the multi-year Enacted Budget Financial Plan period, outyear pension costs reflect expected investment performance, projected growth in salary base, and assumptions about future normal and administrative costs. Pension costs also reflect repayment of prior-year amortization, costs for Chapter 41 of 2016 (veteran's pension credit legislation), and other adjustments. Similarly, reimbursements collected from agency fringe benefit assessments have been revised based on projected personal service spending and reimbursement rates.

Transfers to Other Funds (General Fund Basis)

General Fund transfers help finance the State's share of Medicaid costs for mental hygiene facilities (FY 2018 only), debt service for bonds that do not have dedicated revenues, SUNY operating costs, certain capital initiatives, and a range of other activities.

| GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars) | | | | | |
|--|--------------------|--------------------|----------------------|----------------------|----------------------|
| | FY 2018 Results | FY 2019 Enacted | FY 2020 Projected | FY 2021 Projected | FY 2022 Projected |
| TOTAL TRANSFERS TO OTHER FUNDS | 9,852 | 6,240 | 6,643 | 6,512 | 6,117 |
| State Share of Mental Hygiene Medicaid ¹ | 1,333 | 0 | 0 | 0 | 0 |
| Debt Service | 1,047 | 827 | 948 | 1,017 | 876 |
| SUNY University Operations | 1,015 | 1,034 | 1,025 | 1,021 | 1,021 |
| Capital Projects | 2,191 | 3,257 | 3,567 | 3,292 | 2,897 |
| Dedicated Highway and Bridge Trust Fund | 771 | 173 | 479 | 530 | 369 |
| Dedicated Infrastructure Investment Fund | 941 | 1,608 | 1,250 | 1,109 | 542 |
| FY 2017 Temporary Loan to Capital Projects Fund ² | (1,300) | 0 | 0 | 0 | 0 |
| FY 2018 Temporary Loan to Capital Projects Fund ² | 500 | (500) | 0 | 0 | 0 |
| Transfer to DIIF for Javits Expansion | 164 | 350 | 320 | 166 | 0 |
| Bond Proceeds Receipts for Javits Expansion | 0 | 0 | (500) | (500) | 0 |
| Mass Transit Capital from Settlements | 67 | 10 | 8 | 0 | 0 |
| Statewide Health Care Capital from Settlements | 19 | 70 | 70 | 80 | 63 |
| Environmental Protection Fund | 28 | 28 | 28 | 28 | 28 |
| All Other Capital | 1,001 | 1,518 | 1,912 | 1,879 | 1,895 |
| ALL OTHER TRANSFERS | 4,266 | 1,122 | 1,103 | 1,182 | 1,323 |
| Mental Hygiene ¹ | 3,127 | 0 | 0 | 0 | 0 |
| Department of Transportation (MTA Payroll Tax) | 268 | 269 | 269 | 270 | 270 |
| SUNY - Medicaid Reimbursement | 405 | 243 | 243 | 243 | 243 |
| Judiciary Funds | 109 | 110 | 109 | 110 | 110 |
| Dedicated Mass Transportation Trust Fund | 63 | 65 | 65 | 116 | 256 |
| Banking Services | 41 | 60 | 53 | 53 | 53 |
| Indigent Legal Services | 25 | 35 | 58 | 82 | 82 |
| General Service Executive Direction | 22 | 22 | 22 | 22 | 22 |
| Mass Transportation Operating Assistance | 21 | 21 | 21 | 21 | 21 |
| Correctional Industries | 12 | 21 | 21 | 21 | 21 |
| Public Transportation Systems | 15 | 16 | 16 | 16 | 16 |
| Health Income Fund | 15 | 16 | 16 | 16 | 16 |
| Centralized Technology Services | 9 | 14 | 11 | 11 | 11 |
| Spinal Cord Injury | 9 | 9 | 9 | 9 | 9 |
| Medical Marijuana Fund | 5 | 7 | 5 | 7 | 7 |
| All Other | 120 | 214 | 185 | 185 | 186 |

¹ The State will continue to pay its share of Medicaid costs; however, after the reclassification of Mental Hygiene spending from certain Special Revenue Funds to the General Fund, the State share of Mental Hygiene Medicaid will be transferred within the General Fund, rather than to a Special Revenue Fund.

² Represents the temporary use of Extraordinary Monetary Settlement fund balances to pay for capital projects in the first instance. These advances will be repaid in the following year when the State reimburses the capital spending from bond proceeds.

A significant portion of the capital and operating expenses of DOT and DMV are funded from DHBTF, which receives various dedicated tax and fee revenues, including statutory allocations of PBT, motor fuel tax, and Highway Use Tax (HUT). The Enacted Budget Financial Plan includes transfers from the General Fund that effectively subsidize DHBTF expenses, as the cumulative expenses of the fund (DOT and DMV capital and operating expenses, and certain debt service on transportation bonds) exceed current and projected revenue deposits and bond proceeds. This transfer is reduced in FY 2019 and in the ensuing years of the Enacted Budget Financial Plan as certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities have been reclassified from the DHBTF to the General Fund.

General Fund transfers to other funds are expected to total \$6.2 billion in FY 2019, a \$3.6 billion decrease from FY 2018. The change is primarily driven by the consolidation of certain Mental Hygiene Special Revenue Funds into the General Fund, which eliminate the General Fund transfers for mental hygiene activity, offset by an increase in transfers appropriated from DIIF and the Capital Projects Fund in FY 2019, including temporary loans and planned repayment of funds related to debt management actions.

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 certain bonds issued by State public authorities, such as Empire State Development (ESD), DASNY, and the New York State Thruway Authority (NYSTA), the payment obligation on which is subject to appropriation. Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources such as patient income revenues.

| DEBT SERVICE SPENDING PROJECTIONS (millions of dollars) | | | | | | | | | |
|--|--------------------|--------------------|--------------|----------------------|--------------|----------------------|-------------|----------------------|--------------|
| | FY 2018 Results | FY 2019 Enacted | Change | FY 2020 Projected | Change | FY 2021 Projected | Change | FY 2022 Projected | Change |
| General Fund | 1,047 | 827 | -21.0% | 948 | 14.6% | 1,017 | 7.3% | 876 | -13.9% |
| Other State Support | 4,826 | 4,555 | -5.6% | 6,018 | 32.1% | 6,169 | 2.5% | 6,214 | 0.7% |
| State Operating/All Funds Total | 5,873 | 5,382 | -8.4% | 6,966 | 29.4% | 7,186 | 3.2% | 7,090 | -1.3% |

Total State Operating/All Funds debt service is projected at \$5.4 billion in FY 2019, of which \$827 million is paid from the General Fund via transfers, and \$4.6 billion is from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other dedicated State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTB bonds, and mental health facilities bonds.

The Enacted Budget Financial Plan estimates for debt service spending have been revised to reflect a number of factors, including bond sale results to date, refunding savings, and the adjustment of debt issuances to align with projected bond-financed capital spending. Debt service spending estimates also reflect the prepayment in FY 2018 of \$594 million in debt service costs due in FY 2019.

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.²⁵ The Enacted Budget Financial Plan projections for FY 2020 and thereafter, set forth in this AIS, reflect savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending, as State Operating Funds is currently constituted in this AIS, to no greater than 2 percent. Total disbursements in the Financial Plan tables and narrative contained in this AIS do not reflect these assumed savings, which are reflected instead on a distinct line and labeled “Adherence to 2% Spending Benchmark.” The Enacted Budget Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors that are currently unknown. If the 2 percent annual State Operating Funds spending growth benchmark is not adhered to, projected budget gaps would be higher (or projected surpluses would be lower).

²⁵ Differences may occur from time to time between the State's Financial Plan and OSC's financial reports in the presentation and reporting of receipts and disbursements. For example, the Enacted Budget Financial Plan and the AIS may reflect a net expenditure amount while OSC may report the gross amount of the expenditure. Any such differences between DOB and OSC could result in differences in the presentation and reporting of receipts and disbursements for discrete funds, as well as differences in the presentation and reporting for total receipts and disbursements under different fund perspectives (e.g., State Operating Funds and total All Governmental Funds).

State Financial Plan Projections Fiscal Years 2018 Through 2022

| CASH RECEIPTS ALL GOVERNMENTAL FUNDS FY 2019 THROUGH FY 2022 (millions of dollars) | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| | FY 2019 Enacted | FY 2020 Enacted | FY 2021 Enacted | FY 2022 Enacted |
| Taxes: | | | | |
| Withholdings | 41,782 | 43,033 | 44,024 | 46,144 |
| Estimated Payments | 16,221 | 18,157 | 17,802 | 18,960 |
| Final Payments | 2,599 | 2,748 | 2,908 | 3,032 |
| Other Payments | <u>1,500</u> | <u>1,564</u> | <u>1,601</u> | <u>1,671</u> |
| Gross Collections | 62,102 | 65,502 | 66,335 | 69,807 |
| State/City Offset | (973) | (799) | (824) | (849) |
| Refunds | <u>(10,719)</u> | <u>(10,751)</u> | <u>(10,501)</u> | <u>(11,502)</u> |
| Reported Tax Collections | 50,410 | 53,952 | 55,010 | 57,456 |
| STAR (Dedicated Deposits) | 0 | 0 | 0 | 0 |
| RBTF (Dedicated Transfers) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Personal Income Tax | 50,410 | 53,952 | 55,010 | 57,456 |
| Sales and Use Tax | 15,086 | 15,670 | 16,263 | 16,871 |
| Cigarette and Tobacco Taxes | 1,119 | 1,068 | 1,020 | 977 |
| Motor Fuel Tax | 512 | 507 | 504 | 501 |
| Alcoholic Beverage Taxes | 262 | 265 | 269 | 272 |
| Opioid Epidemic Surcharge | 0 | 0 | 0 | 0 |
| Medical Marihuana Excise Tax | 2 | 2 | 2 | 2 |
| Highway Use Tax | 142 | 142 | 143 | 145 |
| Auto Rental Tax | 130 | 135 | 139 | 144 |
| Taxicab Surcharge | 50 | 50 | 50 | 50 |
| Gross Consumption/Use Taxes | 17,303 | 17,839 | 18,390 | 18,962 |
| LGAC/STBF (Dedicated Transfers) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Consumption/Use Taxes | 17,303 | 17,839 | 18,390 | 18,962 |
| Corporation Franchise Tax | 4,027 | 4,482 | 4,736 | 4,780 |
| Corporation and Utilities Tax | 700 | 710 | 718 | 727 |
| Insurance Taxes | 1,975 | 2,201 | 2,354 | 2,467 |
| Bank Tax | 143 | 71 | 0 | 0 |
| Petroleum Business Tax | <u>1,136</u> | <u>1,166</u> | <u>1,158</u> | <u>1,149</u> |
| Business Taxes | 7,981 | 8,630 | 8,966 | 9,123 |
| Estate Tax | 1,033 | 1,092 | 1,155 | 1,220 |
| Real Estate Transfer Tax | 1,178 | 1,231 | 1,267 | 1,305 |
| Employer Compensation Expense Program | TBD | TBD | TBD | TBD |
| Gift Tax | 0 | 0 | 0 | 0 |
| Real Property Gains Tax | 0 | 0 | 0 | 0 |
| Pari-Mutuel Taxes | 15 | 15 | 15 | 15 |
| Other Taxes | <u>3</u> | <u>3</u> | <u>3</u> | <u>3</u> |
| Gross Other Taxes | 2,229 | 2,341 | 2,440 | 2,543 |
| Real Estate Transfer Tax (Dedicated) | 0 | 0 | 0 | 0 |
| RBTF (Dedicated Transfers) | <u>TBD</u> | <u>TBD</u> | <u>TBD</u> | <u>TBD</u> |
| Other Taxes | 2,229 | 2,341 | 2,440 | 2,543 |
| Payroll Tax | 0 | 0 | 0 | 0 |
| Total Taxes | 77,923 | 82,762 | 84,806 | 88,084 |
| Licenses, Fees, Etc. | 670 | 692 | 676 | 676 |
| Abandoned Property | 450 | 450 | 450 | 450 |
| Motor Vehicle Fees | 1,499 | 1,504 | 1,498 | 1,423 |
| ABC License Fee | 66 | 66 | 62 | 68 |
| Reimbursements | 107 | 109 | 107 | 53 |
| Investment Income | 40 | 18 | 8 | 8 |
| Extraordinary Settlements | 108 | 0 | 0 | 0 |
| Other Transactions | <u>25,065</u> | <u>23,333</u> | <u>22,204</u> | <u>22,310</u> |
| Miscellaneous Receipts | 28,005 | 26,172 | 25,005 | 24,988 |
| Federal Receipts | 60,083 | 61,064 | 62,412 | 64,112 |
| Total | 166,011 | 169,998 | 172,223 | 177,184 |

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

| CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2019 (millions of dollars) | | | | |
|--|-----------------|-----------------------------------|--------------------------|--------------------------------------|
| | General Fund | State Special Revenue Funds | Debt Service Funds | State Operating Funds Total |
| Opening Fund Balance | <u>9,445</u> | <u>4,009</u> | <u>153</u> | <u>13,607</u> |
| Receipts: | | | | |
| Taxes | 37,070 | 6,137 | 33,321 | 76,528 |
| Miscellaneous Receipts | 2,127 | 17,511 | 498 | 20,136 |
| Federal Receipts | 0 | 1 | 74 | 75 |
| Total Receipts | <u>39,197</u> | <u>23,649</u> | <u>33,893</u> | <u>96,739</u> |
| Disbursements: | | | | |
| Local Assistance | 51,063 | 15,689 | 0 | 66,752 |
| State Operations: | | | | |
| Personal Service | 8,691 | 4,851 | 0 | 13,542 |
| Non-Personal Service | 3,054 | 2,816 | 47 | 5,917 |
| General State Charges | 7,553 | 989 | 0 | 8,542 |
| Debt Service | 0 | 0 | 5,382 | 5,382 |
| Capital Projects | 0 | 0 | 0 | 0 |
| Total Disbursements | <u>70,361</u> | <u>24,345</u> | <u>5,429</u> | <u>100,135</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers from Other Funds | 33,463 | 2,161 | 3,607 | 39,231 |
| Transfers to Other Funds | (6,240) | (1,232) | (32,066) | (39,538) |
| Bond and Note Proceeds | 0 | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | <u>27,223</u> | <u>929</u> | <u>(28,459)</u> | <u>(307)</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements | <u>(3,941)</u> | <u>233</u> | <u>5</u> | <u>(3,703)</u> |
| Closing Fund Balance | <u>5,504</u> | <u>4,242</u> | <u>158</u> | <u>9,904</u> |

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2022

| CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2020 (millions of dollars) | | | | |
|---|-----------------|-----------------------------------|--------------------------|--------------------------------------|
| | General Fund | State Special Revenue Funds | Debt Service Funds | State Operating Funds Total |
| Receipts: | | | | |
| Taxes | 39,752 | 6,178 | 35,420 | 81,350 |
| Miscellaneous Receipts | 2,028 | 16,956 | 469 | 19,453 |
| Federal Receipts | 0 | 1 | 73 | 74 |
| Total Receipts | 41,780 | 23,135 | 35,962 | 100,877 |
| Disbursements: | | | | |
| Local Assistance | 53,918 | 15,584 | 0 | 69,502 |
| State Operations: | | | | |
| Personal Service | 8,936 | 4,949 | 0 | 13,885 |
| Non-Personal Service | 3,129 | 2,732 | 47 | 5,908 |
| General State Charges | 8,098 | 1,026 | 0 | 9,124 |
| Debt Service | 0 | 0 | 6,966 | 6,966 |
| Capital Projects | 0 | 0 | 0 | 0 |
| Total Disbursements | 74,081 | 24,291 | 7,013 | 105,385 |
| Other Financing Sources (Uses): | | | | |
| Transfers from Other Funds | 33,760 | 2,142 | 3,716 | 39,618 |
| Transfers to Other Funds | (6,643) | (922) | (32,659) | (40,224) |
| Bond and Note Proceeds | 0 | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | 27,117 | 1,220 | (28,943) | (606) |
| Use (Reservation) of Fund Balance: | | | | |
| Community Projects | 9 | 0 | 0 | 9 |
| Extraordinary Monetary Settlements | 1,148 | 0 | 0 | 1,148 |
| Total Use (Reservation) of Fund Balance | 1,157 | 0 | 0 | 1,157 |
| Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence) | (4,027) | 64 | 6 | (3,957) |
| Adherence to 2% Spending Benchmark* | 3,247 | 0 | 0 | 3,247 |
| Net Surplus (Deficit) | (780) | 64 | 6 | (710) |

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

| CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2021 (millions of dollars) | | | | |
|---|-----------------|-----------------------------------|--------------------------|--------------------------------------|
| | General Fund | State Special Revenue Funds | Debt Service Funds | State Operating Funds Total |
| Receipts: | | | | |
| Taxes | 40,931 | 6,201 | 36,265 | 83,397 |
| Miscellaneous Receipts | 2,001 | 16,213 | 469 | 18,683 |
| Federal Receipts | 0 | 1 | 73 | 74 |
| Total Receipts | 42,932 | 22,415 | 36,807 | 102,154 |
| Disbursements: | | | | |
| Local Assistance | 57,009 | 15,276 | 0 | 72,285 |
| State Operations: | | | | |
| Personal Service | 9,441 | 5,134 | 0 | 14,575 |
| Non-Personal Service | 3,173 | 2,750 | 47 | 5,970 |
| General State Charges | 8,618 | 1,095 | 0 | 9,713 |
| Debt Service | 0 | 0 | 7,186 | 7,186 |
| Capital Projects | 0 | 0 | 0 | 0 |
| Total Disbursements | 78,241 | 24,255 | 7,233 | 109,729 |
| Other Financing Sources (Uses): | | | | |
| Transfers from Other Funds | 34,012 | 2,218 | 3,680 | 39,910 |
| Transfers to Other Funds | (6,512) | (487) | (33,245) | (40,244) |
| Bond and Note Proceeds | 0 | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | 27,500 | 1,731 | (29,565) | (334) |
| Use (Reservation) of Fund Balance: | | | | |
| Community Projects | 8 | 0 | 0 | 8 |
| Extraordinary Monetary Settlements | 855 | 0 | 0 | 855 |
| Total Use (Reservation) of Fund Balance | 863 | 0 | 0 | 863 |
| Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence) | | | | |
| | (6,946) | (109) | 9 | (7,046) |
| Adherence to 2% Spending Benchmark* | | | | |
| | 5,548 | 0 | 0 | 5,548 |
| Net Surplus (Deficit) | (1,398) | (109) | 9 | (1,498) |

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2022

| CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2022 (millions of dollars) | | | | |
|---|-----------------|-----------------------------------|--------------------------|--------------------------------------|
| | General Fund | State Special Revenue Funds | Debt Service Funds | State Operating Funds Total |
| Receipts: | | | | |
| Taxes | 42,605 | 6,262 | 37,812 | 86,679 |
| Miscellaneous Receipts | 1,883 | 16,331 | 468 | 18,682 |
| Federal Receipts | 0 | 1 | 72 | 73 |
| Total Receipts | 44,488 | 22,594 | 38,352 | 105,434 |
| Disbursements: | | | | |
| Local Assistance | 59,472 | 15,399 | 0 | 74,871 |
| State Operations: | | | | |
| Personal Service | 9,374 | 5,102 | 0 | 14,476 |
| Non-Personal Service | 3,205 | 2,797 | 47 | 6,049 |
| General State Charges | 9,140 | 1,109 | 0 | 10,249 |
| Debt Service | 0 | 0 | 7,090 | 7,090 |
| Capital Projects | 0 | 0 | 0 | 0 |
| Total Disbursements | 81,191 | 24,407 | 7,137 | 112,735 |
| Other Financing Sources (Uses): | | | | |
| Transfers from Other Funds | 35,258 | 2,348 | 3,361 | 40,967 |
| Transfers to Other Funds | (6,117) | (445) | (34,506) | (41,068) |
| Bond and Note Proceeds | 0 | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | 29,141 | 1,903 | (31,145) | (101) |
| Use (Reservation) of Fund Balance: | | | | |
| Extraordinary Monetary Settlements | 605 | 0 | 0 | 605 |
| Total Use (Reservation) of Fund Balance | 605 | 0 | 0 | 605 |
| Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence) | (6,957) | 90 | 70 | (6,797) |
| Adherence to 2% Spending Benchmark* | 6,470 | 0 | 0 | 6,470 |
| Net Surplus (Deficit) | (487) | 90 | 70 | (327) |

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

| CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2019 (millions of dollars) | | | | | |
|--|-----------------|-----------------------------|------------------------------|--------------------------|-----------------------|
| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | All Funds Total |
| Opening Fund Balance | 9,445 | 4,302 | (1,151) | 153 | 12,749 |
| Receipts: | | | | | |
| Taxes | 37,070 | 6,137 | 1,395 | 33,321 | 77,923 |
| Miscellaneous Receipts | 2,127 | 17,713 | 7,667 | 498 | 28,005 |
| Federal Receipts | 0 | 57,576 | 2,433 | 74 | 60,083 |
| Total Receipts | 39,197 | 81,426 | 11,495 | 33,893 | 166,011 |
| Disbursements: | | | | | |
| Local Assistance | 51,063 | 68,951 | 5,613 | 0 | 125,627 |
| State Operations: | | | | | |
| Personal Service | 8,691 | 5,500 | 0 | 0 | 14,191 |
| Non-Personal Service | 3,054 | 4,255 | 0 | 47 | 7,356 |
| General State Charges | 7,553 | 1,312 | 0 | 0 | 8,865 |
| Debt Service | 0 | 0 | 0 | 5,382 | 5,382 |
| Capital Projects | 0 | 0 | 8,861 | 0 | 8,861 |
| Total Disbursements | 70,361 | 80,018 | 14,474 | 5,429 | 170,282 |
| Other Financing Sources (Uses): | | | | | |
| Transfers from Other Funds | 33,463 | 2,173 | 3,623 | 3,607 | 42,866 |
| Transfers to Other Funds | (6,240) | (3,356) | (1,366) | (32,066) | (43,028) |
| Bond and Note Proceeds | 0 | 0 | 711 | 0 | 711 |
| Net Other Financing Sources (Uses) | 27,223 | (1,183) | 2,968 | (28,459) | 549 |
| Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements | (3,941) | 225 | (11) | 5 | (3,722) |
| Closing Fund Balance | 5,504 | 4,527 | (1,162) | 158 | 9,027 |

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2022

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2020
(millions of dollars)

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | All Funds Total |
|---|-----------------|-----------------------------|------------------------------|--------------------------|-----------------------|
| Receipts: | | | | | |
| Taxes | 39,752 | 6,178 | 1,412 | 35,420 | 82,762 |
| Miscellaneous Receipts | 2,028 | 17,115 | 6,560 | 469 | 26,172 |
| Federal Receipts | 0 | 58,762 | 2,229 | 73 | 61,064 |
| Total Receipts | 41,780 | 82,055 | 10,201 | 35,962 | 169,998 |
| Disbursements: | | | | | |
| Local Assistance | 53,918 | 69,609 | 5,084 | 0 | 128,611 |
| State Operations: | | | | | |
| Personal Service | 8,936 | 5,602 | 0 | 0 | 14,538 |
| Non-Personal Service | 3,129 | 4,213 | 0 | 47 | 7,389 |
| General State Charges | 8,098 | 1,354 | 0 | 0 | 9,452 |
| Debt Service | 0 | 0 | 0 | 6,966 | 6,966 |
| Capital Projects | 0 | 0 | 8,096 | 0 | 8,096 |
| Total Disbursements | 74,081 | 80,778 | 13,180 | 7,013 | 175,052 |
| Other Financing Sources (Uses): | | | | | |
| Transfers from Other Funds | 33,760 | 2,154 | 3,874 | 3,716 | 43,504 |
| Transfers to Other Funds | (6,643) | (2,698) | (1,636) | (32,659) | (43,636) |
| Bond and Note Proceeds | 0 | 0 | 706 | 0 | 706 |
| Net Other Financing Sources (Uses) | 27,117 | (544) | 2,944 | (28,943) | 574 |
| Use (Reservation) of Fund Balance: | | | | | |
| Community Projects | 9 | 0 | 0 | 0 | 9 |
| Extraordinary Monetary Settlements | 1,148 | 0 | 0 | 0 | 1,148 |
| Total Use (Reservation) of Fund Balance | 1,157 | 0 | 0 | 0 | 1,157 |
| Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence) | | | | | |
| | (4,027) | 733 | (35) | 6 | (3,323) |
| Adherence to 2% Spending Benchmark* | | | | | |
| | 3,247 | 0 | 0 | 0 | 3,247 |
| Net Surplus (Deficit) | (780) | 733 | (35) | 6 | (76) |

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Annual Information
Statement

| CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2021 (millions of dollars) | | | | | |
|---|-----------------------|-----------------------------|------------------------------|--------------------------|-----------------------|
| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | All Funds Total |
| Receipts: | | | | | |
| Taxes | 40,931 | 6,201 | 1,409 | 36,265 | 84,806 |
| Miscellaneous Receipts | 2,001 | 16,374 | 6,161 | 469 | 25,005 |
| Federal Receipts | <u>0</u> | <u>60,152</u> | <u>2,187</u> | <u>73</u> | <u>62,412</u> |
| Total Receipts | <u>42,932</u> | <u>82,727</u> | <u>9,757</u> | <u>36,807</u> | <u>172,223</u> |
| Disbursements: | | | | | |
| Local Assistance | 57,009 | 70,195 | 4,343 | 0 | 131,547 |
| State Operations: | | | | | |
| Personal Service | 9,441 | 5,813 | 0 | 0 | 15,254 |
| Non-Personal Service | 3,173 | 4,198 | 0 | 47 | 7,418 |
| General State Charges | 8,618 | 1,434 | 0 | 0 | 10,052 |
| Debt Service | 0 | 0 | 0 | 7,186 | 7,186 |
| Capital Projects | <u>0</u> | <u>0</u> | <u>7,628</u> | <u>0</u> | <u>7,628</u> |
| Total Disbursements | <u>78,241</u> | <u>81,640</u> | <u>11,971</u> | <u>7,233</u> | <u>179,085</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers from Other Funds | 34,012 | 2,230 | 3,533 | 3,680 | 43,455 |
| Transfers to Other Funds | (6,512) | (2,233) | (1,606) | (33,245) | (43,596) |
| Bond and Note Proceeds | <u>0</u> | <u>0</u> | <u>264</u> | <u>0</u> | <u>264</u> |
| Net Other Financing Sources (Uses) | <u>27,500</u> | <u>(3)</u> | <u>2,191</u> | <u>(29,565)</u> | <u>123</u> |
| Use (Reservation) of Fund Balance: | | | | | |
| Community Projects | 8 | 0 | 0 | 0 | 8 |
| Extraordinary Monetary Settlements | 855 | 0 | 0 | 0 | 855 |
| Total Use (Reservation) of Fund Balance | <u>863</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>863</u> |
| Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence) | | | | | |
| | (6,946) | 1,084 | (23) | 9 | (5,876) |
| Adherence to 2% Spending Benchmark* | | | | | |
| | 5,548 | 0 | 0 | 0 | 5,548 |
| Net Surplus (Deficit) | <u>(1,398)</u> | <u>1,084</u> | <u>(23)</u> | <u>9</u> | <u>(328)</u> |

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2022

| CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2022 (millions of dollars) | | | | | |
|---|-----------------|-----------------------------|------------------------------|--------------------------|-----------------------|
| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | All Funds Total |
| Receipts: | | | | | |
| Taxes | 42,605 | 6,262 | 1,405 | 37,812 | 88,084 |
| Miscellaneous Receipts | 1,883 | 16,492 | 6,145 | 468 | 24,988 |
| Federal Receipts | 0 | 61,853 | 2,187 | 72 | 64,112 |
| Total Receipts | 44,488 | 84,607 | 9,737 | 38,352 | 177,184 |
| Disbursements: | | | | | |
| Local Assistance | 59,472 | 71,512 | 4,186 | 0 | 135,170 |
| State Operations: | | | | | |
| Personal Service | 9,374 | 5,783 | 0 | 0 | 15,157 |
| Non-Personal Service | 3,205 | 4,228 | 0 | 47 | 7,480 |
| General State Charges | 9,140 | 1,480 | 0 | 0 | 10,620 |
| Debt Service | 0 | 0 | 0 | 7,090 | 7,090 |
| Capital Projects | 0 | 0 | 7,447 | 0 | 7,447 |
| Total Disbursements | 81,191 | 83,003 | 11,633 | 7,137 | 182,964 |
| Other Financing Sources (Uses): | | | | | |
| Transfers from Other Funds | 35,258 | 2,360 | 3,137 | 3,361 | 44,116 |
| Transfers to Other Funds | (6,117) | (2,158) | (1,482) | (34,506) | (44,263) |
| Bond and Note Proceeds | 0 | 0 | 238 | 0 | 238 |
| Net Other Financing Sources (Uses) | 29,141 | 202 | 1,893 | (31,145) | 91 |
| Use (Reservation) of Fund Balance: | | | | | |
| Extraordinary Monetary Settlements | 605 | 0 | 0 | 0 | 605 |
| Total Use (Reservation) of Fund Balance | 605 | 0 | 0 | 0 | 605 |
| Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence) | | | | | |
| | (6,957) | 1,806 | (3) | 70 | (5,084) |
| Adherence to 2% Spending Benchmark* | | | | | |
| | 6,470 | 0 | 0 | 0 | 6,470 |
| Net Surplus (Deficit) | (487) | 1,806 | (3) | 70 | 1,386 |

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

**CASHFLOW
GENERAL FUND
FY 2019
(dollars in millions)**

| | 2018 April Projected | May Projected | June Projected | July Projected | August Projected | September Projected | October Projected | November Projected | December Projected | 2019 January Projected | February Projected | March Projected | Total |
|--|----------------------------|------------------|-------------------|-------------------|---------------------|------------------------|----------------------|-----------------------|-----------------------|------------------------------|-----------------------|--------------------|---------------|
| OPENING BALANCE | 9,445 | 9,946 | 5,130 | 4,502 | 4,607 | 4,201 | 5,918 | 6,077 | 4,084 | 6,066 | 11,780 | 11,282 | 9,445 |
| RECEIPTS: | | | | | | | | | | | | | |
| Personal Income Tax | 2,948 | 1,208 | 2,369 | 1,424 | 1,523 | 2,402 | 1,409 | 971 | 2,161 | 3,423 | 1,496 | 1,412 | 22,746 |
| Consumption/Use Taxes | 541 | 571 | 763 | 611 | 581 | 781 | 587 | 589 | 772 | 631 | 525 | 695 | 7,647 |
| Business Taxes | 378 | (52) | 925 | 66 | 64 | 1,133 | 96 | 46 | 1,326 | (135) | 76 | 1,703 | 5,626 |
| Other Taxes | 63 | 90 | 90 | 90 | 91 | 91 | 90 | 90 | 89 | 89 | 89 | 89 | 1,051 |
| Total Taxes | 3,930 | 1,817 | 4,147 | 2,191 | 2,259 | 4,407 | 2,182 | 1,696 | 4,348 | 4,008 | 2,186 | 3,899 | 37,070 |
| Abandoned Property | 1 | 0 | 0 | 0 | 0 | 40 | 5 | 150 | 50 | 0 | 0 | 204 | 450 |
| ABC License Fee | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 6 | 6 | 3 | 66 |
| Investment Income | 17 | 1 | 1 | 5 | 1 | 1 | 5 | 1 | 1 | 5 | 1 | 1 | 40 |
| Licenses, Fees, etc. | 51 | 30 | 38 | 70 | 35 | 50 | 70 | 55 | 68 | 70 | 50 | 83 | 670 |
| Motor Vehicle Fees | 30 | 18 | 20 | 28 | 21 | 24 | 23 | 20 | 21 | 22 | 22 | 20 | 269 |
| Reimbursements | (1) | (14) | 35 | (35) | 25 | 25 | (35) | 20 | 40 | 10 | 20 | 17 | 107 |
| Extraordinary Settlements | 108 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 108 |
| Other Transactions | (4) | 30 | 63 | 31 | 29 | 110 | 56 | 32 | 77 | 31 | 22 | (60) | 417 |
| Total Miscellaneous Receipts | 207 | 71 | 163 | 105 | 117 | 256 | 130 | 283 | 262 | 144 | 121 | 268 | 2,127 |
| Federal Receipts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PIT in Excess of Revenue Bond Debt Service | 2,948 | 1,207 | 2,357 | 1,424 | 1,616 | 2,097 | 1,410 | 982 | 2,082 | 5,772 | 1,210 | 609 | 23,714 |
| ECET in Excess of Revenue Bond Debt Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax in Excess of LGAC | 253 | 254 | 356 | 277 | 265 | 336 | 268 | 271 | 361 | 287 | 246 | (18) | 3,156 |
| Sales Tax Bond Fund | 183 | 184 | 285 | 207 | 195 | 328 | 192 | 194 | 284 | 210 | 169 | 326 | 2,757 |
| Real Estate Taxes in Excess of CW/CA Debt Service | 74 | 93 | 91 | 95 | 94 | 96 | 85 | 87 | 76 | 90 | 63 | 54 | 998 |
| All Other | 94 | 106 | 122 | 106 | 106 | 195 | 195 | 119 | 107 | 145 | 197 | 1,346 | 2,838 |
| Total Transfers from Other Funds | 3,552 | 1,844 | 3,211 | 2,109 | 2,276 | 3,052 | 2,150 | 1,653 | 2,910 | 6,504 | 1,885 | 2,317 | 33,463 |
| TOTAL RECEIPTS | 7,689 | 3,732 | 7,521 | 4,405 | 4,652 | 7,715 | 4,462 | 3,632 | 7,520 | 10,656 | 4,192 | 6,484 | 72,660 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| School Aid | 1,113 | 3,489 | 1,952 | 82 | 600 | 1,674 | 901 | 1,562 | 2,096 | 579 | 758 | 8,355 | 23,161 |
| Higher Education | 24 | 32 | 1,123 | 232 | 85 | 178 | 95 | 35 | 203 | 59 | 341 | 658 | 3,065 |
| All Other Education | 42 | 497 | 157 | 109 | 257 | 97 | 45 | 187 | 178 | 38 | 255 | 480 | 2,342 |
| Medicaid - DOH | 1,525 | 1,724 | 1,374 | 1,263 | 1,417 | 1,095 | 1,079 | 1,324 | 1,020 | 1,325 | 693 | 492 | 14,331 |
| Public Health | 39 | 213 | 52 | 33 | 64 | 41 | 33 | 43 | 44 | 32 | 46 | 30 | 670 |
| Mental Hygiene | 150 | 67 | 316 | 107 | 121 | 338 | 100 | 112 | 308 | 155 | 203 | 275 | 2,252 |
| Children and Families | 12 | 76 | 240 | 99 | 99 | 240 | 99 | 99 | 240 | 99 | 144 | 240 | 1,687 |
| Temporary & Disability Assistance | 65 | 103 | 165 | 104 | 103 | 107 | 103 | 104 | 106 | 103 | 103 | 115 | 1,281 |
| Transportation | 46 | 70 | 60 | 46 | 32 | 0 | 0 | 24 | 11 | 0 | 12 | 3 | 304 |
| Unrestricted Aid | 0 | 12 | 388 | 0 | 0 | 106 | 7 | 0 | 187 | 0 | 0 | 65 | 765 |
| All Other | 21 | 64 | (22) | 16 | 73 | 123 | 101 | 65 | 122 | 81 | 86 | 475 | 1,205 |
| Total Local Assistance | 3,037 | 6,347 | 5,805 | 2,091 | 2,851 | 3,999 | 2,563 | 3,555 | 4,515 | 2,471 | 2,641 | 11,188 | 51,063 |
| Personal Service | 663 | 878 | 692 | 702 | 863 | 631 | 804 | 629 | 644 | 815 | 675 | 695 | 8,691 |
| Non-Personal Service | 159 | 241 | 261 | 200 | 271 | 281 | 250 | 273 | 262 | 266 | 266 | 324 | 3,054 |
| Total State Operations | 822 | 1,119 | 953 | 902 | 1,134 | 912 | 1,054 | 902 | 906 | 1,081 | 941 | 1,019 | 11,745 |
| General State Charges | 2,705 | 340 | 427 | 423 | 342 | 511 | 616 | 278 | 470 | 501 | 475 | 465 | 7,553 |
| Debt Service | 253 | 0 | 0 | 128 | (3) | (42) | 236 | 0 | (2) | 333 | (25) | (51) | 827 |
| Capital Projects | 58 | 475 | 600 | 521 | 667 | 585 | (230) | 605 | (445) | 521 | 605 | (705) | 3,257 |
| State Share Medicaid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SUNY Operations | 218 | 218 | 224 | 182 | 0 | 0 | 0 | 182 | 10 | 0 | 0 | 0 | 1,034 |
| Other Purposes | 95 | 49 | 140 | 53 | 67 | 33 | 64 | 103 | 84 | 35 | 53 | 346 | 1,122 |
| Total Transfers to Other Funds | 624 | 742 | 964 | 884 | 731 | 576 | 70 | 890 | (353) | 889 | 633 | (410) | 6,240 |
| TOTAL DISBURSEMENTS | 7,188 | 8,548 | 8,149 | 4,300 | 5,058 | 5,998 | 4,303 | 5,625 | 5,538 | 4,942 | 4,690 | 12,262 | 76,601 |
| Excess/(Deficiency) of Receipts over Disbursements | 501 | (4,816) | (628) | 105 | (406) | 1,717 | 159 | (1,993) | 1,982 | 5,714 | (498) | (5,778) | (3,941) |
| CLOSING BALANCE | 9,946 | 5,130 | 4,502 | 4,607 | 4,201 | 5,918 | 6,077 | 4,084 | 6,066 | 11,780 | 11,282 | 5,504 | 5,504 |

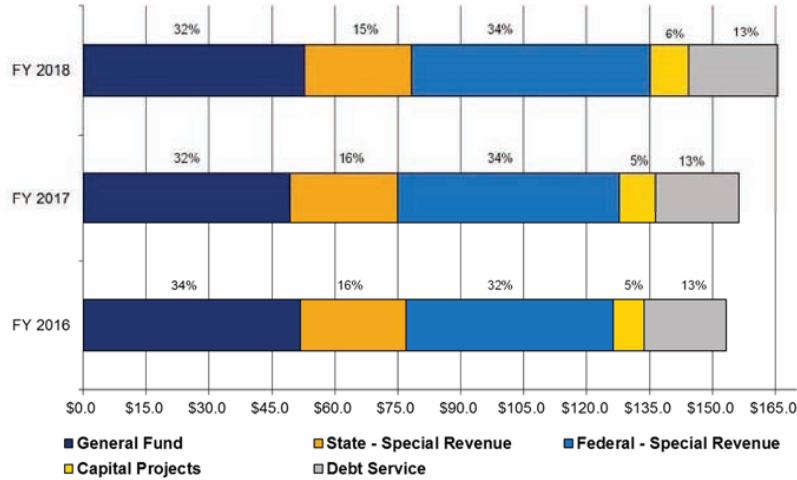
Source: NYS DOB.

Prior Fiscal Years

[THIS PAGE INTENTIONALLY LEFT BLANK]

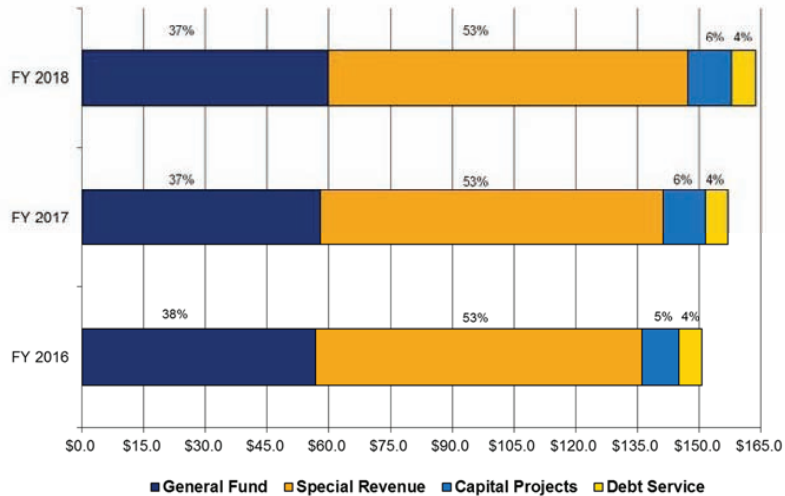
The following six charts show the composition of the State's governmental funds, State Operating Funds and the General Fund as of March 31, 2018. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years.

Governmental Funds Receipts
State Fiscal Years 2016, 2017 and 2018
(billions of dollars)



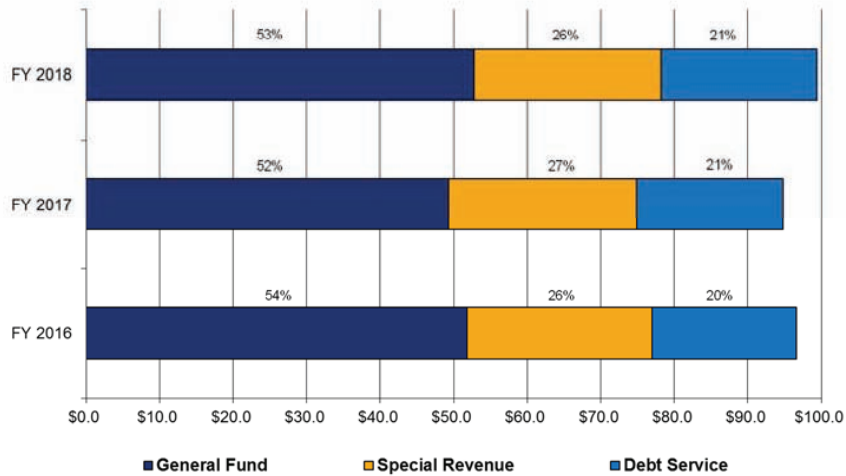
Note: Percentage total may not add due to rounding.

Governmental Funds Disbursements
State Fiscal Years 2016, 2017 and 2018
(billions of dollars)



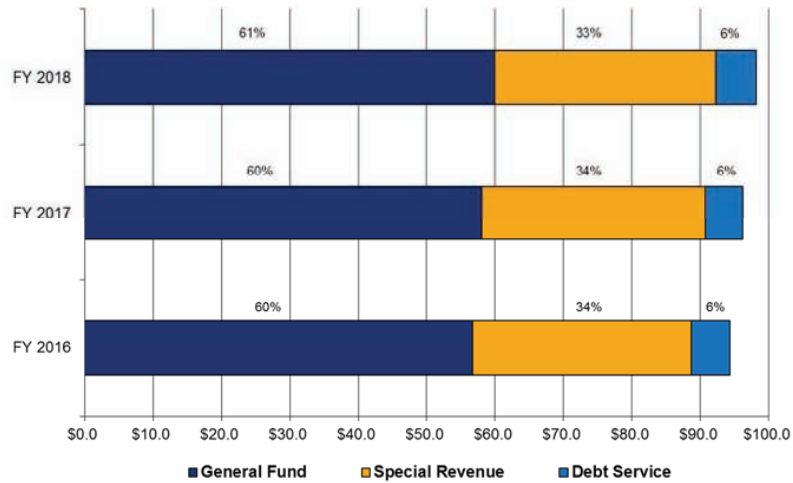
Note: Percentage total may not add due to rounding.

State Operating Funds Receipts
 State Fiscal Years 2016, 2017 and 2018
 (billions of dollars)



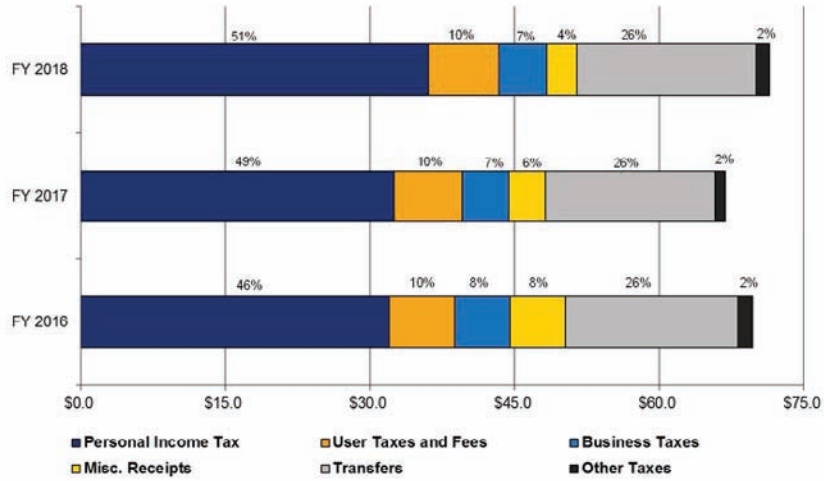
Note: Percentage total may not add due to rounding.

State Operating Funds Disbursements
 State Fiscal Years 2016, 2017 and 2018
 (billions of dollars)



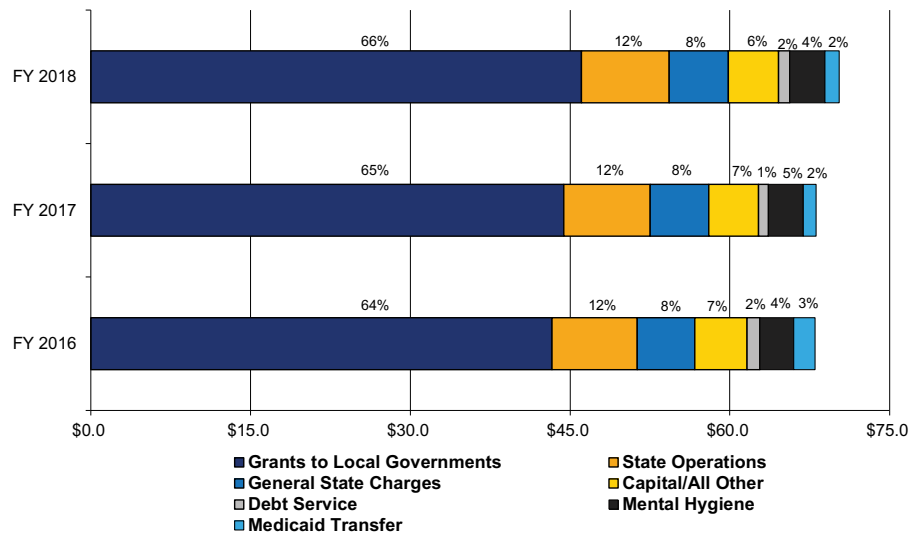
Note: Percentage total may not add due to rounding.

General Fund Receipts and Transfers by Source
State Fiscal Years 2016, 2017 and 2018
(billions of dollars)



Note: Percentage total may not add due to rounding.

General Fund Disbursements and Transfers by Type
State Fiscal Years 2016, 2017 and 2018
(billions of dollars)



Note: Percentage total may not add due to rounding.

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 2018 financial results, the State’s GAAP-basis financial results set forth in this section have been audited. Note that the FY 2018 financial results included in this AIS are preliminary and unaudited.

Cash-Basis Results for Prior Fiscal Years

General Fund FY 2016 Through FY 2018

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 in prior fiscal years were 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 in any given fiscal year 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.

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.

**COMPARISON OF GENERAL FUND RECEIPTS AND DISBURSEMENTS
FY 2016 THROUGH FY 2018
(millions of dollars)**

| | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> |
|---|----------------|----------------|----------------|
| OPENING FUND BALANCE | <u>7,300</u> | <u>8,934</u> | <u>7,749</u> |
| Personal Income Tax⁽¹⁾ | 31,957 | 32,535 | 36,037 |
| Consumption/User Taxes: | | | |
| Sales and Use Tax ⁽²⁾ | 6,242 | 6,483 | 6,776 |
| Cigarette and Tobacco Tax | 322 | 360 | 342 |
| Alcoholic Beverage Taxes | 255 | 258 | 259 |
| Subtotal | <u>6,819</u> | <u>7,101</u> | <u>7,377</u> |
| Business Taxes: | | | |
| Corporation Franchise Tax | 3,763 | 2,476 | 2,326 |
| Corporation and Utilities Taxes | 594 | 538 | 570 |
| Insurance Taxes | 1,419 | 1,410 | 1,610 |
| Bank Tax ⁽³⁾ | (129) | 337 | 410 |
| Subtotal | <u>5,647</u> | <u>4,761</u> | <u>4,916</u> |
| Other Taxes: | | | |
| Estate and Gift Taxes | 1,521 | 1,091 | 1,308 |
| Pari-mutuel Tax | 17 | 16 | 15 |
| Other Taxes | 2 | 3 | 3 |
| Subtotal | <u>1,540</u> | <u>1,110</u> | <u>1,326</u> |
| Miscellaneous Receipts & Federal Grants | 5,842 | 3,813 | 3,129 |
| Transfers from Other Funds: | | | |
| PIT in excess of Revenue Bond debt service | 10,159 | 10,275 | 10,909 |
| Sales Tax in excess of Revenue Bond debt service | 2,759 | 2,672 | 2,763 |
| Sales Tax in Excess of LGAC Debt Service | 2,729 | 2,870 | 3,098 |
| All Other Transfers | 2,224 | 1,758 | 1,865 |
| Subtotal | <u>17,871</u> | <u>17,575</u> | <u>18,635</u> |
| TOTAL RECEIPTS | <u>69,676</u> | <u>66,895</u> | <u>71,420</u> |
| Grants to Local Governments: | | | |
| School Aid | 20,133 | 21,017 | 22,015 |
| Medicaid | 12,117 | 12,178 | 13,398 |
| All Other Local Aid | 11,065 | 11,244 | 10,659 |
| State Operations: | | | |
| Personal Service | 6,011 | 6,065 | 6,136 |
| Non-Personal Service | 1,944 | 2,022 | 2,092 |
| General State Charges | 5,397 | 5,462 | 5,572 |
| Transfers to Other Funds: | | | |
| In Support of Debt Service | 1,196 | 924 | 1,047 |
| In Support of Capital Projects | 2,721 | 2,569 | 2,191 |
| State Share Medicaid | 2,036 | 1,239 | 1,333 |
| Mental Hygiene Facilities | 3,195 | 3,287 | 3,127 |
| SUNY Operations | 998 | 996 | 1,015 |
| All Other Transfers | 1,229 | 1,077 | 1,139 |
| Subtotal | <u>11,375</u> | <u>10,092</u> | <u>9,852</u> |
| TOTAL DISBURSEMENTS | <u>68,042</u> | <u>68,080</u> | <u>69,724</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses | <u>1,634</u> | <u>(1,185)</u> | <u>1,696</u> |
| CLOSING FUND BALANCE | <u>8,934</u> | <u>7,749</u> | <u>9,445</u> |

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

(1) 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.

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

(3) Reflects repeal of the bank tax, as part of corporate tax reform, beginning in tax year 2015.

FY 2018

The State ended FY 2018 in balance on a cash basis in the General Fund, based on preliminary, unaudited results. General Fund receipts, including transfers from other funds, totaled \$71.4 billion. General Fund disbursements, including transfers to other funds, totaled \$69.7 billion. The State ended FY 2018 with a General Fund balance of \$9.4 billion, an increase of \$1.7 billion from FY 2017 results. The higher balance is due to acceleration of an estimated \$1.9 billion in PIT payments as taxpayers responded to the \$10,000 limit on State and Local Tax (SALT) deductibility of income and property taxes enacted by Congress and effective for tax year 2018²⁶, and \$130 million in additional resources to fund the costs of potential labor settlements, partially offset by \$315 million less in Extraordinary Monetary Settlement funds after paying for spending appropriated from Capital Projects Funds and \$10 million less in the Community Projects Fund after funding certain community project initiatives from prior year appropriations.

FY 2017

The State ended FY 2017 in balance on a cash basis in the General Fund. General Fund receipts, including transfers from other funds, totaled \$66.9 billion. General Fund disbursements, including transfers to other funds, totaled \$68.1 billion. The State ended FY 2017 with a General Fund balance of \$7.7 billion, a decrease of \$1.2 billion from FY 2016 results, mainly due to the change in Extraordinary Monetary Settlement funds on hand, including the planned transfer to pay for spending appropriated from capital projects funds (\$965 million). The decrease also reflects the use of balances, as planned, to fund: the costs of labor settlements reached in FY 2017 that covered current and prior contract periods (\$140 million); expenses related to the timing of FY 2016 payments (\$73 million); and disbursements from Community Projects Fund re-appropriations (\$7 million).

FY 2016

The State ended FY 2016 in balance on a cash basis in the General Fund. General Fund receipts, including transfers from other funds, totaled \$69.7 billion in FY 2016, an increase of \$1.8 billion (2.6 percent) from the prior fiscal year. General Fund disbursements, including transfers to other funds, totaled \$68.0 billion in FY 2016, an increase of \$5.2 billion (8.3 percent) from the prior fiscal year, including growth in the level of School Aid (\$1.7 billion), growth in General Fund transfers to support Capital Projects (\$1.5 billion), growth in local assistance for Medicaid combined with growth in the level of General Fund transfers to support other Medicaid funding (\$1.1 billion) and higher costs associated with operating mental hygiene facilities in lieu of reduced Federal revenue (\$691 million).

²⁶ DOB estimates that approximately \$1.9 billion in tax receipts were accelerated from tax year 2018 to 2017 due to this behavioral response. The acceleration is expected to result in an identical reduction in PIT receipts in FY 2019. Accordingly, the increase in cash in FY 2018 that DOB attributes to the one-time acceleration of PIT receipts is expected to be used in FY 2019 to offset the anticipated corresponding loss of PIT receipts.

State Operating Funds FY 2016 Through FY 2018

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 2018

State Operating Funds receipts totaled \$99.4 billion in FY 2018, an increase of \$4.5 billion over the FY 2017 results. Disbursements totaled \$98.2 billion in FY 2018, an increase of \$2.0 billion or 2 percent from the FY 2017 results. The State ended FY 2018 with a State Operating Funds cash balance of \$13.6 billion.

FY 2017

State Operating Funds receipts totaled \$94.8 billion in FY 2017, a decrease of \$1.8 billion over the FY 2016 results. Disbursements totaled \$96.2 billion in FY 2017, an increase of \$1.9 billion or 2 percent from the FY 2016 results. The State ended FY 2017 with a State Operating Funds cash balance of \$11.6 billion.

FY 2016

State Operating Funds receipts totaled \$96.6 billion in FY 2016, an increase of \$1.6 billion over the FY 2015 results. Disbursements totaled \$94.3 billion in FY 2015, an increase of \$1.9 billion from the FY 2015 results. The State ended FY 2016 with a State Operating Funds cash balance of \$12.6 billion.

| CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2018 (millions of dollars) | | | | |
|--|-----------------|-----------------------------------|--------------------------|--------------------------------------|
| | General Fund | State Special Revenue Funds | Debt Service Funds | State Operating Funds Total |
| Opening Fund Balance | 7,749 | 3,732 | 144 | 11,625 |
| Receipts: | | | | |
| Taxes | 49,656 | 7,639 | 20,658 | 77,953 |
| Miscellaneous Receipts | 3,129 | 17,734 | 471 | 21,334 |
| Federal Receipts | 0 | 1 | 73 | 74 |
| Total Receipts | 52,785 | 25,374 | 21,202 | 99,361 |
| Disbursements: | | | | |
| Local Assistance | 46,072 | 19,532 | 0 | 65,604 |
| State Operations: | | | | |
| Personal Service | 6,136 | 7,034 | 0 | 13,170 |
| Non-Personal Service | 2,092 | 3,517 | 42 | 5,651 |
| General State Charges | 5,572 | 2,281 | 0 | 7,853 |
| Debt Service | 0 | 0 | 5,873 | 5,873 |
| Capital Projects | 0 | 0 | 0 | 0 |
| Total Disbursements | 59,872 | 32,364 | 5,915 | 98,151 |
| Other Financing Sources (Uses): | | | | |
| Transfers from Other Funds* | 18,635 | 7,949 | 3,873 | 30,457 |
| Transfers to Other Funds* | (9,852) | (682) | (19,151) | (29,685) |
| Bond and Note Proceeds | 0 | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | 8,783 | 7,267 | (15,278) | 772 |
| Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements | 1,696 | 277 | 9 | 1,982 |
| Closing Fund Balance | 9,445 | 4,009 | 153 | 13,607 |

Source: NYS DOB.

*Actual reported transfer amounts include eliminations between State Special Revenue Funds and Federal Special Revenue Funds.

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 |
|--|-----------------|-----------------------------------|--------------------------|--------------------------------------|
| Opening Fund Balance | 8,934 | 3,547 | 160 | 12,641 |
| Receipts: | | | | |
| Taxes | 45,507 | 8,101 | 19,381 | 72,989 |
| Miscellaneous Receipts | 3,813 | 17,487 | 458 | 21,758 |
| Federal Receipts | 0 | (1) | 73 | 72 |
| Total Receipts | 49,320 | 25,587 | 19,912 | 94,819 |
| Disbursements: | | | | |
| Local Assistance | 44,439 | 19,930 | 0 | 64,369 |
| State Operations: | | | | |
| Personal Service | 6,065 | 7,028 | 0 | 13,093 |
| Non-Personal Service | 2,022 | 3,527 | 38 | 5,587 |
| General State Charges | 5,462 | 2,172 | 0 | 7,634 |
| Debt Service | 0 | 0 | 5,514 | 5,514 |
| Capital Projects | 0 | 2 | 0 | 2 |
| Total Disbursements | 57,988 | 32,659 | 5,552 | 96,199 |
| Other Financing Sources (Uses): | | | | |
| Transfers from Other Funds* | 17,575 | 7,733 | 3,609 | 28,917 |
| Transfers to Other Funds* | (10,092) | (476) | (17,985) | (28,553) |
| Bond and Note Proceeds | 0 | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | 7,483 | 7,257 | (14,376) | 364 |
| Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements | (1,185) | 185 | (16) | (1,016) |
| Closing Fund Balance | 7,749 | 3,732 | 144 | 11,625 |

Source: NYS DOB.

*Actual reported transfer amounts include eliminations between State Special Revenue Funds and Federal Special Revenue Funds.

| 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 |
| Opening Fund Balance | <u>7,300</u> | <u>2,472</u> | <u>118</u> | <u>9,890</u> |
| Receipts: | | | | |
| Taxes | 45,963 | 8,266 | 19,050 | 73,279 |
| Miscellaneous Receipts | 5,842 | 16,926 | 487 | 23,255 |
| Federal Receipts | <u>0</u> | <u>0</u> | <u>73</u> | <u>73</u> |
| Total Receipts | <u>51,805</u> | <u>25,192</u> | <u>19,610</u> | <u>96,607</u> |
| Disbursements: | | | | |
| Local Assistance | 43,314 | 19,339 | 0 | 62,653 |
| State Operations: | | | | |
| Personal Service | 6,011 | 6,970 | 0 | 12,981 |
| Non-Personal Service | 1,944 | 3,621 | 37 | 5,602 |
| General State Charges | 5,397 | 2,055 | 0 | 7,452 |
| Debt Service | 0 | 0 | 5,598 | 5,598 |
| Capital Projects | <u>0</u> | <u>2</u> | <u>0</u> | <u>2</u> |
| Total Disbursements | <u>56,666</u> | <u>31,987</u> | <u>5,635</u> | <u>94,288</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers from Other Funds* | 17,871 | 8,631 | 4,007 | 30,509 |
| Transfers to Other Funds* | (11,376) | (761) | (17,940) | (30,077) |
| Bond and Note Proceeds | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Other Financing Sources (Uses) | <u>6,495</u> | <u>7,870</u> | <u>(13,933)</u> | <u>432</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements | <u>1,634</u> | <u>1,075</u> | <u>42</u> | <u>2,751</u> |
| Closing Fund Balance | <u>8,934</u> | <u>3,547</u> | <u>160</u> | <u>12,641</u> |

Source: NYS DOB.
*Actual reported transfer amounts include eliminations between State Special Revenue Funds and Federal Special Revenue Funds.

All Funds FY 2016 Through FY 2018

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 2018

All Funds receipts were \$9.1 billion (5.8 percent) higher than the prior year, comprised of \$4.9 billion in higher tax receipts (6.6 percent), \$3.5 billion in Federal aid, and \$670 million in miscellaneous receipts.

PIT, the largest contributor to the growth in tax receipts, was \$3.9 billion (8.3 percent) higher, due to a \$3.4 billion increase in tax year 2017 estimated payments and a \$2.7 billion increase in withholding. These increases were partially offset by a \$1.1 billion increase in tax year 2016 refunds, a \$608 million decline in extension payments, and accelerated tax year 2017 refund payments of \$500 million. The increase in tax year 2016 refunds was mostly timing-related. The amount of refunds paid in January through March was \$2.55 billion in FY 2016, \$1.75 billion in FY 2017, and \$2.25 billion in FY 2018.

All other taxes were \$958 million (3.6 percent) higher, mainly due to higher sales tax (\$504 million), higher estate tax collections resulting from two large payments exceeding \$100 million (\$217 million), and business taxes driven by higher audit receipts (\$185 million).

Miscellaneous receipts were \$670 million (2.5 percent) higher in the current year, mainly due to higher bond proceeds reimbursements (\$1.0 billion), offset by a decline in extraordinary monetary settlements (\$477 million).

Federal grants were \$3.5 billion (6.4 percent) higher, largely driven by Federal operating aid disbursements, as well as the timing of reimbursements for program costs initially financed by the State.

All Funds spending was \$6.7 billion (4.3 percent) higher than FY 2017. The increase resulted largely from higher Federal operating spending (\$4.3 billion), higher State Operating Funds spending (\$1.95 billion) and higher Capital Projects Fund spending (\$484 million).

State Operating Funds spending totaled \$98.2 billion, an increase of almost \$2 billion (2 percent) compared to the prior year.

Growth in School Aid (\$1.1 billion) and Medicaid (\$902 million) was partially offset by lower spending in other local assistance programs (\$775 million). Higher School Aid spending was almost entirely for General Aid (\$1.2 billion), which was partially offset by decreased spending on Teacher Retirement Systems (\$144 million). Medicaid spending growth is due to increased claims for

monthly managed care and long-term care programs (\$1.4 billion), partly offset by increased Federal reimbursement for the EP spending (\$269 million).

The annual decline in all other local assistance spending is mainly driven by the conversion of the New York City STAR benefit to a tax credit, and lower than expected payments for child care, and increased Mental Hygiene Stabilization Fund (MHSF) offsets resulting from DOH Medicaid savings.

Compared to the prior year, Executive agency operational spending decreased by \$15 million (0.1 percent), while spending for University Systems and elected officials increased. Higher spending for SUNY mainly occurred in hospital operations. Judiciary spending included retroactive salary payments made pursuant to collective bargaining contracts settled in FY 2018.

Higher fringe benefits spending included expected increases for the State's share of employee health insurance.

Debt service spending reflects the impact of the FY 2018 prepayment of expenses due in FY 2019.

Capital Projects Fund spending increased by \$484 million, primarily due to expenses for the Moynihan Station construction project (\$275 million), continued implementation of the Housing Capital Plan (\$148 million), and mental hygiene projects (\$140 million).

Federal operating spending grew by \$4.3 billion, with higher spending for Medicaid (\$3.2 billion), Public Health/CHP (\$692 million), EP (\$618 million), and Children and Family Services (\$297 million) driven by increased child welfare spending. Higher Medicaid spending was driven by enrollment growth (\$2.6 billion) and increased spending in DSRIP (\$1.5 billion), offset by Medicaid recovery from audits. Increased spending in Public Health was primarily driven by the CHP program as the result of increased enrollment. Growth in the EP was the result of increased enrollment in the program. The higher spending was partially offset by reduced spending for School Aid attributable to Title I Grants for districts with high percentages of students from low-income families (\$504 million).

FY 2017

All Funds tax receipts were \$301 million (-0.4 percent) lower than the prior year results, primarily attributable to a decline in business taxes (\$905 million) due to lower gross receipts and a year-over-year decline in other taxes (\$393 million) as a result of the continued phase-in of the estate tax cut enacted in 2014. Partly offsetting the annual decline were higher PIT receipts (\$510 million), which experienced relatively low growth due to weaker than anticipated estimated payments and withholding components, and an increase in Consumption/Use Taxes (\$487 million) consistent with anticipated levels. Miscellaneous receipts were \$674 million below the prior year, largely due to the timing associated with the receipt of one-time Extraordinary Monetary Settlement proceeds in FY 2016, including over \$1.3 billion from BNP alone. Federal grants were \$4.1 billion higher than FY 2016, consistent with the impact of the annual changes in Federal spending described in more detail below.

Through March 2017, All Funds spending was \$6.3 billion (4.2 percent) higher than FY 2016, which was comprised of higher spending for State Operating Funds (\$1.9 billion), Capital Projects Funds (\$1.2 billion), and Federal Operating Funds (\$3.2 billion).

State Operating Funds spending during FY 2017 was \$1.9 billion, or 2 percent, higher than total State Operating Funds spending during FY 2016. This increase was primarily attributable to the growth in School Aid (\$1 billion), Medicaid and EP (\$887 million), and transportation (\$232 million), all of which was consistent with budgeted growth levels. Agency operations grew by \$279 million, or 1.1 percent, reflecting the impact of retroactive collective bargaining agreements, which increased personal service costs, and budgeted growth in pension and health insurance expenses. Debt service spending in FY 2017 declined by \$85 million, or 1.5 percent, from FY 2016, which was due largely to the impact of pre-payment expenses over the multi-year period; of which a greater share of such payment was made during FY 2016, thus driving an annual decline in base expenses for FY 2017. This decline was later mostly back-filled with additional pre-payments afforded by under-spending from other program areas.

School aid growth of \$1 billion from FY 2016 to FY 2017 was consistent with program growth budgeted on an annual basis. Annual growth in Medicaid spending (\$887 million) was consistent with initial spending projections, with the exception of an additional \$31 million increase to the Medicaid Global Cap to fund updated costs associated with minimum wage increases. In addition, significant levels of Medicaid spending moved from the General Fund to HCRA and from state operations categories to local assistance, with no net impact to overall spending estimates within the Financial Plan and Global Cap. Annual spending growth for transit aid was largely attributable to increased revenue pass-thru to MTA (\$116 million) and Metropolitan Mass Transportation Operating Assistance (MMTOA) (\$121 million).

Growth in agency operations (\$279 million) was due to higher personal service costs (\$112 million), which was primarily attributable to general salary increases that were agreed to as part of multiple retroactive collective bargaining settlements reached during FY 2017. In addition, higher annual fringe benefit expenses (\$182 million) reflected growth for pensions, including additional costs associated with legislation allowing for extra pension credits for eligible veterans meeting specific criteria in their application for such credits, and health insurance as a result of growth in utilization expenses and rate renewal costs.

Federal spending growth is largely driven by Medicaid and EP spending (\$4.2 billion), most significantly reflecting the escalating cost impact associated with various Federal health care transformation initiatives (including new spending for the EP), and several significant retroactive share and claiming adjustments from prior years that were effectuated during FY 2017. Significant Federal spending declines relative to FY 2016 were driven largely by Social Services (\$615 million), in part a result of claiming patterns, and Homeland Security (\$522 million), which related to the timing and approval of various project submissions.

Growth in capital projects spending was primarily attributable to the continued implementation of several projects funded from DIIF, where initial spending did not occur until July 2016, and economic development programs.

FY 2016

All Funds tax receipts were \$3.6 billion higher than prior year results, including PIT collections (\$3.3 billion) due to growth in extension payments attributable to tax year 2014 and estimated FY 2015 tax year payments, withholding, and final returns; other taxes (\$572 million) from extraordinary growth in large estate tax payments and New York City real estate transfer tax payments; and consumption/use taxes (\$340 million) primarily from an increase in taxable auto sales and food and lodging establishments, partly offset by a large, non-recurring refund. An annual decline in business taxes (\$619 million) primarily reflects the first year of corporate tax reform. Miscellaneous receipts were \$2.2 billion below the prior year due mainly to a larger amount of Extraordinary Monetary Settlement funds received in FY 2015 (\$1.3 billion) and a decline in SIF assessment reserves transferred to the State per the terms of legislation included in the FY 2014 Budget (\$750 million). The \$2.7 billion annual growth in Federal grants reflects the impact of spending variances, as described below, and other timing-related factors.

Through March 2016, All Funds spending was \$6.8 billion above the prior year, comprised of State Operating Funds (\$1.9 billion), Federal Operating Funds (\$3.5 billion), and Capital Projects Funds (\$1.4 billion). State Operating Funds local assistance growth includes increases in education (\$1.7 billion) mainly for school aid increases, health care (\$590 million), and social services (\$113 million); offset by decreases in Mental Hygiene agencies (\$277 million), DFS (\$143 million), higher education (\$137 million), and the impact of downward spending reclassifications to account for an increase in Medicaid payments to SUNY Hospitals (\$136 million). Higher agency operations' spending includes an additional institutional payroll (\$169 million) and higher PS costs in SUNY (\$125 million), State Police (\$47 million) and Judiciary (\$30 million), as well as budgeted fringe benefit cost increases for pension, health insurance, and litigation (\$419 million). The decline in debt service spending from the prior year (\$585 million) is largely due to the prepayment of FY 2016 costs in FY 2015. Federal spending growth includes increased spending for health care (\$3.7 billion), consistent with the impact of the ACA and new health care costs under the EP, and for education (\$472 million), partly offset by a spending decline in Homeland Security and Emergency Services due to lower disaster-related costs (\$519 million). Growth in capital projects spending is primarily attributable to the capital infrastructure projects funded with Extraordinary Monetary Settlement funds (\$723 million), ESD (\$240 million) for Buffalo Billion projects, and projects related to State and Municipal facilities (\$166 million).

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 |
|--|-----------------|-----------------------------|------------------------------|--------------------------|-----------------------|
| Opening Fund Balance | 7,749 | 4,272 | (1,060) | 144 | 11,105 |
| Receipts: | | | | | |
| Taxes | 49,656 | 7,639 | 1,313 | 20,658 | 79,266 |
| Miscellaneous Receipts | 3,129 | 17,933 | 5,729 | 471 | 27,262 |
| Federal Receipts | 0 | 56,744 | 2,125 | 73 | 58,942 |
| Total Receipts | <u>52,785</u> | <u>82,316</u> | <u>9,167</u> | <u>21,202</u> | <u>165,470</u> |
| Disbursements: | | | | | |
| Local Assistance | 46,072 | 72,126 | 3,797 | 0 | 121,995 |
| State Operations: | | | | | |
| Personal Service | 6,136 | 7,702 | 0 | 0 | 13,838 |
| Non-Personal Service | 2,092 | 4,886 | 0 | 42 | 7,020 |
| General State Charges | 5,572 | 2,603 | 0 | 0 | 8,175 |
| Debt Service | 0 | 0 | 0 | 5,873 | 5,873 |
| Capital Projects | 0 | 0 | 6,843 | 0 | 6,843 |
| Total Disbursements | <u>59,872</u> | <u>87,317</u> | <u>10,640</u> | <u>5,915</u> | <u>163,744</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers from Other Funds | 18,635 | 7,949 | 2,607 | 3,873 | 33,064 |
| Transfers to Other Funds | (9,852) | (2,918) | (1,385) | (19,151) | (33,306) |
| Bond and Note Proceeds | 0 | 0 | 160 | 0 | 160 |
| Net Other Financing Sources (Uses) | <u>8,783</u> | <u>5,031</u> | <u>1,382</u> | <u>(15,278)</u> | <u>(82)</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements | <u>1,696</u> | <u>30</u> | <u>(91)</u> | <u>9</u> | <u>1,644</u> |
| Closing Fund Balance | <u>9,445</u> | <u>4,302</u> | <u>(1,151)</u> | <u>153</u> | <u>12,749</u> |

Source: NYS DOB.

| CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2017 (millions of dollars) | | | | | |
|--|----------------|---------------|----------------|-----------------|----------------|
| | General | Special | Capital | Debt | All |
| | Fund | Revenue | Projects | Service | Funds |
| | | Funds | Funds | Funds | Total |
| Opening Fund Balance | 8,934 | 3,607 | (891) | 160 | 11,810 |
| Receipts: | | | | | |
| Taxes | 45,507 | 8,101 | 1,383 | 19,381 | 74,372 |
| Miscellaneous Receipts | 3,813 | 17,686 | 4,637 | 458 | 26,594 |
| Federal Receipts | 0 | 52,725 | 2,608 | 73 | 55,406 |
| Total Receipts | 49,320 | 78,512 | 8,628 | 19,912 | 156,372 |
| Disbursements: | | | | | |
| Local Assistance | 44,439 | 68,294 | 3,604 | 0 | 116,337 |
| State Operations: | | | | | |
| Personal Service | 6,065 | 7,659 | 0 | 0 | 13,724 |
| Non-Personal Service | 2,022 | 4,898 | 0 | 38 | 6,958 |
| General State Charges | 5,462 | 2,465 | 0 | 0 | 7,927 |
| Debt Service | 0 | 0 | 0 | 5,514 | 5,514 |
| Capital Projects | 0 | 2 | 6,552 | 0 | 6,554 |
| Total Disbursements | 57,988 | 83,318 | 10,156 | 5,552 | 157,014 |
| Other Financing Sources (Uses): | | | | | |
| Transfers from Other Funds | 17,575 | 7,733 | 2,751 | 3,609 | 31,668 |
| Transfers to Other Funds | (10,092) | (2,262) | (1,392) | (17,985) | (31,731) |
| Bond and Note Proceeds | 0 | 0 | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | 7,483 | 5,471 | 1,359 | (14,376) | (63) |
| Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements | (1,185) | 665 | (169) | (16) | (705) |
| Closing Fund Balance | 7,749 | 4,272 | (1,060) | 144 | 11,105 |

Source: NYS DOB.

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | All Funds Total |
|--|-----------------|-----------------------------|------------------------------|--------------------------|-----------------------|
| Opening Fund Balance | <u>7,300</u> | <u>2,661</u> | <u>(724)</u> | <u>118</u> | <u>9,355</u> |
| Receipts: | | | | | |
| Taxes | 45,963 | 8,266 | 1,394 | 19,050 | 74,673 |
| Miscellaneous Receipts | 5,842 | 17,117 | 3,822 | 487 | 27,268 |
| Federal Receipts | 0 | 49,105 | 2,146 | 73 | 51,324 |
| Total Receipts | <u>51,805</u> | <u>74,488</u> | <u>7,362</u> | <u>19,610</u> | <u>153,265</u> |
| Disbursements: | | | | | |
| Local Assistance | 43,314 | 64,502 | 2,498 | 0 | 110,314 |
| State Operations: | | | | | |
| Personal Service | 6,011 | 7,586 | 0 | 0 | 13,597 |
| Non-Personal Service | 1,944 | 4,994 | 0 | 37 | 6,975 |
| General State Charges | 5,397 | 2,342 | 0 | 0 | 7,739 |
| Debt Service | 0 | 0 | 0 | 5,598 | 5,598 |
| Capital Projects | 0 | 2 | 6,483 | 0 | 6,485 |
| Total Disbursements | <u>56,666</u> | <u>79,426</u> | <u>8,981</u> | <u>5,635</u> | <u>150,708</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers from Other Funds | 17,871 | 8,670 | 2,895 | 4,007 | 33,443 |
| Transfers to Other Funds | (11,376) | (2,786) | (1,443) | (17,940) | (33,545) |
| Bond and Note Proceeds | 0 | 0 | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | <u>6,495</u> | <u>5,884</u> | <u>1,452</u> | <u>(13,933)</u> | <u>(102)</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements | <u>1,634</u> | <u>946</u> | <u>(167)</u> | <u>42</u> | <u>2,455</u> |
| Closing Fund Balance | <u>8,934</u> | <u>3,607</u> | <u>(891)</u> | <u>160</u> | <u>11,810</u> |

Source: NYS DOB.

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and Other Supplementary Information, including a management discussion and analysis, on a GAAP basis for governments as promulgated by the GASB. The Basic Financial Statements and Other Supplementary Information are released in July each year. These statements are audited by independent certified public accountants. The State expects to issue the Basic Financial Statements for FY 2018 by July 29, 2018. The Comptroller also prepares and issues a Comprehensive Annual Financial Report (“CAFR”), which, in addition to the components referenced to above, also includes an introductory section and a statistical section. The CAFR for the fiscal year ended March 31, 2018 is expected to be issued later in 2018.

The following tables summarize recent governmental funds results on a GAAP basis.

| COMPARISON OF ACTUAL GAAP-BASIS OPERATING RESULTS SURPLUS/(DEFICIT) (millions of dollars) | | | | | | |
|---|---------------------|------------------------------|---------------------------|-------------------------------|-------------------------------|---|
| <u>Fiscal Year Ended</u> | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> | <u>Capital Projects Funds</u> | <u>All Governmental Funds</u> | <u>Accumulated General Fund Surplus/(Deficit)</u> |
| March 31, 2017 | (2,788) | 188 | (599) | (153) | (3,352) | 2,286 |
| March 31, 2016 | (978) | 460 | 754 | 172 | 408 | 5,074 |
| March 31, 2015 | 6,619 | 356 | (697) | 181 | 6,459 | 6,052 |

| SUMMARY OF NET POSITION (millions of dollars) | | | |
|---|--------------------------------|---------------------------------|---------------------------------|
| <u>Fiscal Year Ended</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Primary Government</u> |
| March 31, 2017 | 28,580 | 332 | 28,912 |
| March 31, 2016 | 32,539 | 225 | 32,764 |
| March 31, 2015 | 32,554 | 771 | 33,325 |

The CAFR for the fiscal year ended March 31, 2017 and CAFRs related to prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller’s website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system website at www.emma.msrb.org.

Economics and Demographics

[THIS PAGE INTENTIONALLY LEFT BLANK]

The demographic and statistical data in this section, which have been obtained from the sources indicated, do not represent all 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, 2018.

The U.S. Economy

National economic growth slid to 2.2 percent in the first quarter of calendar year 2018, confirming that the strength of the last three quarters of 2017 was likely due to transitory factors rather than a sustainable ramp-up in trend economic growth. It now appears that the severe summer storms in 2017 may have shifted home rebuilding, repairing, and related household spending forward into the fourth quarter of 2017, resulting in low consumer spending growth of 1.1 percent in the first quarter of 2018. The replacement of flood-damaged vehicles sent auto sales up to an annualized 18.5 million units in September 2017 and an average of 17.7 million per month in the fourth quarter of 2017. Sales scaled back to an average of 17.1 million per month during the first five months of 2018 and are expected to fall further going forward. However, a modest boost from both the Federal tax reform and the recent Federal budget spending agreement are expected to kick in more fully starting from the second quarter of 2018, providing support for growth for the remainder of 2018. DOB estimates U.S. real GDP growth of 2.6 percent for both 2018 and 2019 on an annual average basis, a substantial improvement over the 2.2 percent average over the life of the expansion since the third quarter of 2009, but below the 3.0 percent average experienced over the last three quarters of 2017.

| Economic Indicators for the United States (Calendar year) | | | | | | |
|---|------------|------------|------------|------------|------------|-------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 ¹ |
| Gross Domestic Product | | | | | | |
| Nominal (\$ billions) | \$16,691.5 | \$17,427.6 | \$18,120.7 | \$18,624.5 | \$19,390.6 | \$20,296.1 |
| Percent Change | 3.3 | 4.4 | 4.0 | 2.8 | 4.1 | 4.7 |
| Real (\$ billions) | \$15,612.2 | \$16,013.3 | \$16,471.5 | \$16,716.2 | \$17,096.2 | \$17,540.4 |
| Percent Change | 1.7 | 2.6 | 2.9 | 1.5 | 2.3 | 2.6 |
| Personal Income | | | | | | |
| (\$ billions) | \$14,073.7 | \$14,818.2 | \$15,553.0 | \$15,928.7 | \$16,427.3 | \$17,113.9 |
| Percent Change | 1.1 | 5.3 | 5.0 | 2.4 | 3.1 | 4.2 |
| Nonagricultural Employment | | | | | | |
| (millions) | 136.4 | 138.9 | 141.8 | 144.3 | 146.6 | 148.8 |
| Percent Change | 1.6 | 1.9 | 2.1 | 1.8 | 1.6 | 1.5 |
| Unemployment Rate (%) | | | | | | |
| | 7.4 | 6.2 | 5.3 | 4.9 | 4.4 | 4.0 |
| Consumer Price Index | | | | | | |
| (1982-84=100) | 233.0 | 236.7 | 237.0 | 240.0 | 245.1 | 251.0 |
| Percent Change | 1.5 | 1.6 | 0.1 | 1.3 | 2.1 | 2.4 |
| Sources: US Department of Commerce, Bureau of Economic Analysis; US Department of Labor, Bureau of Labor Statistics. Table reflects revisions by source agencies to figures for prior years. | | | | | | |
| ¹ As projected by the NYS DOB, based on National Income and Product Account data through March 2018. | | | | | | |

The volatile weather experienced during the first quarter of 2018 likely accounts, at least in part, for the recent volatility in the national labor market. Private sector job gains fluctuated from 188,000 in January 2018, up to 321,000 in February 2018, down to 153,000 and 162,000 in March and April 2018, respectively, and then back up to 218,000 in May 2018. On average, the private sector added 208,000 jobs per month during the first five months of 2018, solidly above the 2017 annual monthly average of 180,000. Going forward, private job gains are expected to decelerate as the expansion matures and labor market slack diminishes. Total nonagricultural employment growth of 1.5 percent is projected for 2018, a slight deceleration from the 1.6 percent growth experienced in 2017. Although the conventional unemployment rate has fallen to 3.8 percent, its lowest level in 18 years, broader measures of under-employment, including the percentage of the workforce working part-time, have not returned to their pre-recession levels. At the same time, evidence of labor shortages has emerged in several sectors requiring special skills, such as construction and manufacturing. Thus, there appears to be ample room for continued job growth.

Consistent with a tightening labor market, the outlook for wage and personal income is solid. Wage growth of 4.5 percent is projected for 2018, although this estimate likely contains some one-time bonus payouts related to corporate tax reform. Overall personal income growth of 4.2 percent is estimated for 2018. In addition to stronger growth in pre-tax income, after-tax disposable income is expected to be further supported by Federal income tax cuts, providing a modest \$50 billion lift to household spending in 2018. Much of the increase in take-home pay is expected to be saved, used to pay down debt, or offset by the recent rise in gasoline prices. After adjusting for increased imports, this additional spending is estimated to increase real GDP growth by about one tenth of a percentage point in both 2018 and 2019.

Business investment has substantially improved upon its performance of the last few years, driven mainly by increasing global demand for U.S. exports, expanded energy sector production, and a possible lift from the TCJA's business tax cuts. DOB estimates real growth in business fixed investment to be 5.6 percent for 2018, following growth of 4.7 percent for 2017 and a decline of 0.6 percent for 2016. However, the most recent global data suggest that expectations for significant further acceleration in the global economy may be unwarranted. Indeed, growth in both France and the U.K. appears to have slowed in the first quarter of 2018. Moreover, the risk of a trade war between U.S. and China likely represents another headwind to both export and investment growth due to increasing levels of uncertainty. As a result, real export growth is estimated to grow 4.5 percent for 2018, which still represents an improvement from last year's 3.4 percent growth and the 0.3 percent decline experienced in 2016.

Higher inflation appears to be making a comeback. After years when oil prices were unable to reach \$50 a barrel, domestic oil prices have remained above \$60 per barrel for virtually all of 2018 to date. Core CPI inflation has also accelerated, from 1.8 percent on a year-ago basis in January 2018 to 2.2 percent in May 2018. Correspondingly, headline consumer price inflation is estimated to accelerate to 2.4 percent in 2018. The rise in the personal consumption expenditure deflator, the inflation measure most closely scrutinized by the Federal Reserve, is projected to be less pronounced, but sufficient to keep the central bank on the path toward interest rate normalization. In addition to the two 0.25 percentage point interest rate hikes in March and June 2018, the Federal Reserve is expected to raise interest rates again this year, in September 2018, with interest rate hikes continuing at a pace of three per year in 2019 and 2020.

Long-term interest rates have also inched up, with the 10-year Treasury yield breaching 3 percent on April 24th – a level that had not been seen since early 2014 – before modestly retreating. However, with short-term rates rising faster thanks to the Federal Reserve, the yield curve, which tracks the difference between long- and short-term rates, has flattened. Since yield curve inversion, which occurs when short-term rates rise above long-term rates, often precedes a recession, a flattening curve can be a cause of concern. At a minimum, a flat yield curve can put downward pressure on the profits derived from bank lending.

On the positive side, lower long-term interest rates reduce pressure on borrowers, particularly within the economy's most interest rate-sensitive sector, housing, which has been underperforming expectations for a prolonged period. However, the most recent data suggest that the housing market has been hampered more by supply side constraints than weak demand. These constraints appear to be putting upward pressure on prices, making housing even less affordable for first-time homebuyers despite rising employment and incomes. DOB estimates real growth in residential fixed investment of 3.0 percent for 2018.

There are many risks to the economic forecast. Disruption of trade flows due to even the threat of tariffs is one such risk and could represent a significant setback for the manufacturing sector if firms put off production plans. There is evidence that the actual implementation of aluminum and steel tariffs could raise prices all along the supply chains of the affected industries, pushing inflation further up and job growth further down than projected in this forecast. The uncertainty associated with tariff risks has been at least in part responsible for reintroducing volatility into equity markets in 2018 after being dormant for so long. This volatility has likely been exacerbated by the threat of rising interest rates as the Federal Reserve continues to tighten, as well as by anxiety surrounding the long-term impact of Federal tax reform on budget deficits and the national debt. Lower and more volatile equity prices can result in lower household spending through both the wealth effect and their role as a signal that a slowdown may lie ahead.

The emergence of labor shortages in some sectors highlights the potential for the nation's slow labor force growth to become a significant drag on economic growth. The recent downward revision by the Census Bureau to its population projections due to reduced levels of immigration signals that this situation is unlikely to improve over the forecast horizon. On the positive side, if the impact of Federal tax reform on consumer spending and business investment is stronger than projected without significantly raising inflation, stronger growth in employment, wages, and the overall economy could result. Stronger global growth than expected could have a similar impact, possibly mitigating the negative impact of trade tariffs. A stronger than projected housing market could also result in stronger employment and income growth than currently expected.

The New York Economy

New York State's private sector labor market appears to be stabilizing after a two-year period of gradual deceleration that started in late 2015. Consistent with national and global trends, job growth has improved in the following sectors: utilities; manufacturing; wholesale trade; transportation and warehousing; finance and insurance; real estate and leasing; and management and administrative services. In contrast, job losses continue to mount in the retail trade sector, while leisure and hospitality growth has continued to slow. On balance, State private sector job growth of 1.3 percent is projected for 2018, following growth of 1.5 percent in 2017.

New York Stock Exchange member firms posted revenue growth of 13.7 percent for the 2017 calendar year, the strongest growth pace since 2006, helping to boost finance and insurance bonus gains to an extraordinary 15.7 percent for the FY 2018 bonus season. However, strong revenue growth may not have been the only factor propelling Wall Street bonuses this season. Extrapolating from the myriad public announcements by firms claiming to be sharing the benefit of the reduction in the corporate tax rate with their employees, it is estimated that New York State firms paid out about \$3.1 billion in one-time bonus payments. FY 2018 wage growth was estimated to be 4.3 percent, but these bonus payments are not expected to be recurring.

The initial injection of volatility into a rising equity market led to strong Wall Street revenue growth in the first quarter of calendar year 2018. However, while a brief spurt of volatility can be lucrative for Wall Street, a prolonged period can have an adverse effect if anxious investors leave the market. Thus, while the five largest Wall Street banks reported strong revenue growth of 9.2 percent for the first quarter of 2018, the current outlook for the remainder of 2018 suggests that the first quarter is likely to be the strongest of the year. Consequently, FY 2019 finance and insurance bonuses are projected to decline 1.9 percent from FY 2018. Overall wage growth of 3.6 percent is projected for FY 2019.

Nonwage taxable income for the 2017 tax year is also estimated to have gotten a boost from a 10-year-old tax provision that was enacted during the Great Recession. That provision, part of the Emergency Economic Stabilization Act of October 2008, required the Internal Revenue Service (IRS) to change a decades-old policy under which managers of offshore hedge funds could defer compensation for operating their funds, thus avoiding a tax bill and allowing the savings to grow tax-free. Managers of hedge funds typically are paid a two-percent fee based on assets under management, plus a performance fee that can be 20 percent or more of profits, compensation often earned in the form of capital gains.²⁷ In October 2008, Congress brought an end to this practice, as it sought to raise revenue during the Great Recession. It gave the hedge funds until the 2017 Tax Day, April 17, 2018, to pay taxes on the money accumulated before the law changed. DOB estimates that the hedge fund repatriation provision added \$15 billion to State taxable nonwage income for the 2017 tax year.

²⁷ The IRS generally allows business executives to defer compensation since lower compensation costs for the firm results in both higher profits and higher taxes on those profits, thus compensating for the revenue lost on the personal income tax side. But in the case of offshore funds, this practice results in a net cost to the U.S. Treasury since there was no way to tax profits held offshore.

Although the State's private-sector labor market appears to be stabilizing, there are many risks to the forecast. All the risks to the U.S. forecast apply to the State forecast as well, although, as the nation's financial capital, both the volume of financial market activity and the volatility in equity markets pose a particularly large degree of uncertainty for New York. The uncertainty surrounding the macroeconomic outlook for the national and global economies is amplified in the financial markets, as demonstrated by recent events. Weaker and/or more volatile markets than anticipated could result in weaker bonus growth and, hence, weaker wage growth overall, in addition to lower realizations of taxable capital gains. In contrast, stronger equity markets, along with stronger national and global growth, could result in stronger employment and wage growth than is reflected in this forecast.

| Economic Indicators for New York State (Calendar year) | | | | | |
|---|-----------|-----------|-----------|-----------|-------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 ¹ |
| Personal Income (\$ billions) | \$1,109.5 | \$1,155.9 | \$1,176.1 | \$1,210.6 | \$1,267.1 |
| Percent Change | 3.5 | 4.2 | 1.7 | 2.9 | 4.7 |
| Nonagricultural Employment (thousands) | 8,819.0 | 8,966.3 | 9,126.8 | 9,246.4 | 9,351.1 |
| Percent Change | 1.9 | 1.9 | 1.6 | 1.3 | 1.1 |
| Unemployment Rate (%) | 6.3 | 5.3 | 4.8 | 4.7 | 4.4 |

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

¹As projected by Division of the Budget, based on National Income and Product Account data and employment data available through March 2018.

New York is the fourth most populous state in the nation, after California, Texas, and Florida, 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 hub for 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 proportionally less employment and wages for the State than for the nation as a whole.

Financial Activities: New York City is the nation’s leading center for banking and finance and, hence this is a far more important sector for the State than for the nation as a whole. Although this sector accounts for less than 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. Combined, these industries 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.

Agriculture: Farming is an important part of the State’s rural economy, 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 certain 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.

| The 2017 Composition of Nonagricultural Employment and Wages (Percent) | | | | |
|---|-------------------|----------------------|--------------|----------------------|
| | Employment | | Wages | |
| | State | United States | State | United States |
| Natural Resources and Mining | 0.1 | 0.5 | 0.1 | 1.0 |
| Construction | 4.0 | 4.7 | 4.2 | 5.1 |
| Manufacturing | 4.7 | 8.5 | 4.4 | 10.0 |
| Trade, Transportation, and Utilities | 16.5 | 18.8 | 12.2 | 15.7 |
| Information | 2.8 | 1.9 | 4.7 | 3.5 |
| Financial Activities | 7.5 | 5.8 | 19.9 | 9.3 |
| Professional and Business Service: | 13.8 | 14.0 | 18.3 | 17.9 |
| Educational and Health Services | 21.1 | 15.8 | 14.6 | 13.5 |
| Leisure and Hospitality | 9.9 | 10.9 | 5.1 | 5.0 |
| Other Services | 4.3 | 3.9 | 3.0 | 3.2 |
| Government | 15.2 | 15.2 | 13.5 | 15.9 |

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 various 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. 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 share of total wages originating in the financial activities sector is particularly large for the State relative to the nation. Thus, the State is likely to be less affected than the nation during an economic recession that is concentrated in manufacturing and construction, but likely to be more affected by any economic downturn that is concentrated in the services sector.

Economic and Demographic Trends

In calendar years 1990 through 1998, the State’s rate of economic growth was somewhat slower than that of the nation. In particular, during the 1990-91 recession and post-recession period, the economies of the State and much of the rest of the Northeast were more heavily damaged than the nation as a whole and were slower to recover. However, the situation subsequently improved. In 1999, for the first time in 13 years, State employment growth surpassed that of the nation, and in 2000 the rates were essentially the same. In 2001, the September 11th attack resulted in a downturn in New York that was more severe than for the nation as a whole. In contrast, the State labor market fared better than that of the nation as a whole during the most recent downturn that began in 2008, though New York experienced a historically large wage decline in 2009. The State unemployment rate was higher than the national rate from 1991 to 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 Great Recession, and remaining below through the end of 2011. The State unemployment rate rose above the national rate in early 2012, but fell below yet again in May 2015. It remained below the national rate for much of the period between May 2015 through September 2016, but has been at or above the national rate every month since September 2016.

The following table compares population change in the State and in the United States since 1980.

| COMPARATIVE POPULATION FIGURES | | | | | |
|--------------------------------|-------------------------|--------------------------------|-------------------------------|-------------------------|--------------------------------|
| | State | | | US | |
| | Total Population (000s) | % Change from Preceding Period | Percentage of U.S. Population | Total Population (000s) | % Change from Preceding Period |
| 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 |
| 2017 | 19,849 | 2.4 | 6.1 | 325,719 | 5.5 |

Source: US Department of Commerce, Census Bureau.

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

| NONAGRICULTURAL EMPLOYMENT AND UNEMPLOYMENT RATE FOR NEW YORK AND THE UNITED STATES | | | | | |
|--|--------------------------|-----------|--|------------------------------|-----------|
| | <u>Employment (000s)</u> | | <u>State as Percent of US Employment</u> | <u>Unemployment Rate (%)</u> | |
| | <u>State</u> | <u>US</u> | | <u>State</u> | <u>US</u> |
| 1980 | 7,207 | 90,533 | 8.0 | 7.5 | 7.1 |
| 1990 | 8,203 | 109,527 | 7.5 | 5.3 | 5.6 |
| 2000 | 8,625 | 132,024 | 6.5 | 4.6 | 4.0 |
| 2010 | 8,544 | 130,362 | 6.6 | 8.6 | 9.6 |
| 2017 | 9,517 | 146,624 | 6.5 | 4.7 | 4.4 |

Source: US 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) | | | |
|---|------------|-----------|---------------------|
| | <u>NYS</u> | <u>US</u> | <u>Ratio NYS/US</u> |
| | 1980 | \$10,997 | \$10,153 |
| 1990 | \$23,994 | \$19,591 | 1.22 |
| 2000 | \$35,924 | \$30,602 | 1.17 |
| 2010 | \$48,145 | \$40,278 | 1.20 |
| 2017 | \$60,991 | \$50,392 | 1.21 |

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

[THIS PAGE INTENTIONALLY LEFT BLANK]



Capital Program and Financing Plan Overview

[THIS PAGE INTENTIONALLY LEFT BLANK]

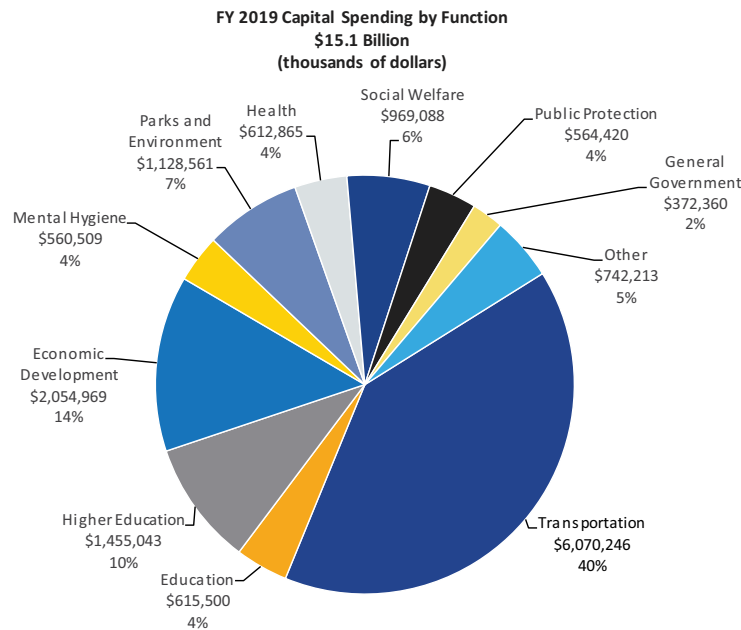
The DOB prepares a Multi-Year Capital Program and Financing Plan with the Executive Budget and updates it following enactment of the budget (the “Enacted Capital Plan”). The Enacted Capital Plan outlines the anticipated capital spending over a five-year period, the way it will be financed, the impact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

Capital Plan

The total commitment and disbursement levels in the Enacted Capital Plan 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 FY 2019.

FY 2019 Capital Projects Spending

Spending on capital projects is projected to total \$15.1 billion in FY 2019, which includes \$672 million in “off-budget” spending. “Off-budget” spending refers to capital spending that occurs directly from bond proceeds held at public authorities, but still requires an enacted appropriation and bonding authorization. The Enacted Budget included authorization that provides the State with the option of paying for “off-budget” capital expenses. Overall, capital spending in FY 2019 is projected to increase by \$3.9 billion (34 percent) from FY 2018.



In FY 2019, transportation capital spending is projected to total \$6.1 billion, which represents 40 percent of total capital spending. Economic development spending is projected to account for 14 percent, higher education capital spending is anticipated to represent 10 percent, and spending related to parks and the environment represents 7 percent. The remaining 29 percent is projected to be comprised of spending for health care, mental hygiene, social welfare, public protection, education, general government, and other purposes, which include Special Infrastructure Account Investments such as the Thruway Stabilization Program.

Transportation capital spending is projected to increase by \$1.2 billion (25 percent) in FY 2019. This is primarily due to timing of disbursements to the MTA in FY 2018 and FY 2019, as well as the continued implementation of the \$29.3 billion transportation capital plan.

Parks and environment capital spending is estimated to increase by \$291 million (35 percent) in FY 2019, reflecting spending from the \$2.5 billion Clean Water Infrastructure Act, the continuation of \$300 million in Environmental Protection Fund (EPF) spending, as well as spending from the State Superfund and State Park Infrastructure Fund (SPIF).

Economic development capital spending is projected to increase by \$877 million (75 percent). This spending reflects the continued investment in programs created to promote regional economic development, including spending from both phases of the Buffalo Billion Program, the Life Sciences Initiative, the Upstate Revitalization Initiative, and Regional Economic Development Councils.

Capital spending for health care is projected to increase by \$402 million (190 percent) in FY 2019. The increase is due to spending from Health Care Restructuring Program grant awards; and the phase-in of spending related to the Health Care Facility Transformation Program, including spending from \$525 million in new health care grants enacted in FY 2019.

Capital spending for social welfare is projected to increase by \$594 million (158 percent) due primarily to the addition of \$250 million for emergency repair projects in NYCHA housing sites, as well as the continued implementation of the Affordable and Homeless Housing Capital Plan.

Education capital spending is projected to increase by \$491 million (393 percent) in FY 2019. The increase is due to expected spending from the Smart Schools Bond Act, which was approved in November 2014.

Higher education capital spending in FY 2019 is projected to remain at the same level as FY 2018, with \$1.2 billion in new appropriation authority enacted for SUNY and CUNY. The State plans to continue its capital spending for the maintenance of SUNY and CUNY senior and community college facilities.

Capital spending for public protection is projected to decrease by \$13 million (2 percent) in FY 2019, which is attributable to the spend-out of Interoperable Communications Grants.

Mental hygiene capital spending is anticipated to increase by \$21 million (4 percent). The increase is primarily related to improvements at OMH's inpatient campuses, the construction of community

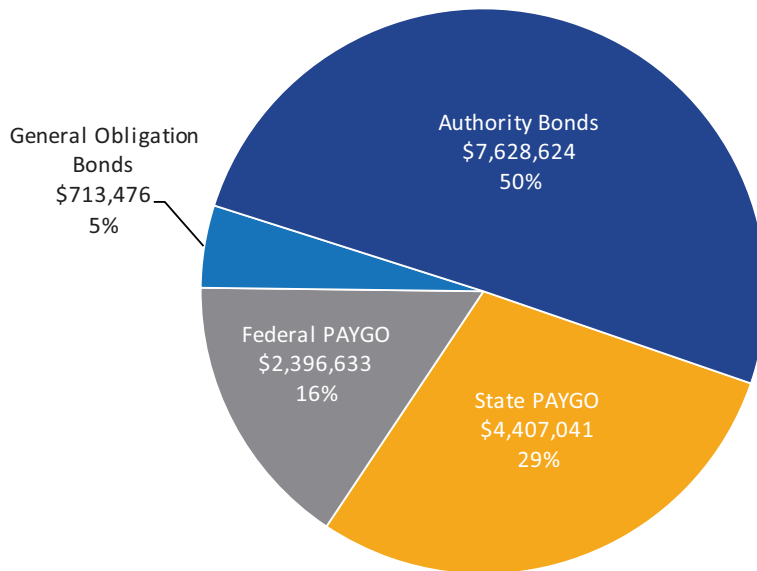
residential sites, various mental health-related general hospital projects, and non-residential community programs.

General governmental capital spending is projected to increase by \$135 million (57 percent), which is mainly attributable to the construction of a cogeneration plant being undertaken by OGS, continued spending on projects that optimize overall space utilization, as well as ITS equipment purchases.

Capital spending for agencies in the All Other category is projected to decrease by \$161 million (17 percent). The decrease is related to a timing adjustment taken for all capital spending. Other spending in this category is expected to increase by \$639 million, primarily for Special Infrastructure Account Investments, including a contribution to the remaining construction costs of the Governor Mario M. Cuomo Bridge and other capital projects for NYSTA.

Financing FY 2019 Capital Projects Spending

FY 2019 Capital Spending by Financing Source
 \$15.1 Billion
 (thousands of dollars)



In FY 2019, the State plans to finance 55 percent of capital projects spending with long-term bonds and 45 percent with cash and Federal aid. Most of the long-term bonds (91 percent) will be issued on behalf of the State through public authorities. All authority debt issued on behalf of the State is approved by the State Legislature, acting on behalf of the people, and subject to approval by the Public Authorities Control Board (PACB) and the issuing authority’s board of directors. Authority bonds, as defined in the FY 2019 Enacted Capital Plan, do not include debt issued by authorities that are backed by their own non-State resources or on behalf of private clients. State cash resources, including Extraordinary Monetary Settlements, will finance 29 percent of capital spending. Federal aid is expected to fund 16 percent of the State’s FY 2019 capital spending, primarily for transportation. Year-to-year, total PAYGO support is projected to increase by \$877 million, with State PAYGO increasing by \$610 million and Federal PAYGO support increasing by \$267 million. Bond-financed spending is projected to increase by \$3.0 billion, with authority bond spending increasing by \$2.4 billion and General Obligation bond spending increasing by \$606 million.

Financing Plan

New York State, including its public authorities, is one of the largest issuers of municipal debt in the United States, ranking second among the states, behind California, in the aggregate amount of debt outstanding. The State ranks sixth in the U.S. in state debt per capita, behind Connecticut, Massachusetts, Hawaii, New Jersey, and Washington²⁸. As of March 31, 2018, State-related debt outstanding totaled \$51.6 billion excluding capital leases and mortgage loan commitments, equal to approximately 4.3 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. 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 has transitioned to using only three credits – General Obligation bonds, PIT Revenue Bonds, and Sales Tax Revenue Bonds.

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 reported as debt 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 (e.g., NYSTA toll revenue bonds, Triborough Bridge and Tunnel Authority

²⁸ Debt per capita information is based on data made available by Moody's Investors Service, Inc. for other states. The debt per capita information for New York is based on State-related debt outstanding as represented in this AIS, which excludes debt that is issued by, or on behalf of, local governments and secured by State local assistance payments.

(TBTA), MTA revenue bonds and DASNY dormitory facilities revenue bonds) or issue debt on behalf of private clients (e.g., DASNY's bonds issued for not-for-profit colleges, universities, and hospitals). 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 New York 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, which coordinates the structuring of bonds, the timing of bond sales, and decides which programs are to be funded in each transaction. The Authorized Issuers for PIT Revenue Bonds are NYSTA, DASNY, ESD, the Environmental Facilities Corporation (EFC), and the New York State 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, 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.

| OUTSTANDING STATE-SUPPORTED AND STATE-RELATED DEBT ¹ (millions of dollars) | | | |
|---|----------------|----------------|----------------|
| | FY 2016 | FY 2017 | FY 2018 |
| State-Supported Debt | 50,229 | 49,622 | 51,266 |
| Personal Income Tax Revenue Bonds | 31,268 | 31,783 | 33,589 |
| Sales Tax Revenue Bonds | 4,254 | 5,008 | 7,377 |
| General Obligation | 2,727 | 2,463 | 2,371 |
| Local Government Assistance Corporation | 2,058 | 1,758 | 1,370 |
| Service Contract & Lease Purchase | 5,488 | 4,758 | 3,779 |
| Other Revenue Bonds | 4,434 | 3,852 | 2,780 |
| Contingent-Contractual Obligation Financings | 1,635 | 880 | 193 |
| DASNY/MCFFA - Secured Hospital Program | 257 | 220 | 193 |
| Tobacco Settlement Financing Corporation | 1,378 | 660 | 0 |
| Moral Obligation Financings | 2 | 1 | 1 |
| Housing Finance Agency | 2 | 1 | 1 |
| Other State Financings | 509 | 745 | 708 |
| MBBA Prior Year School Aid Claims | 234 | 203 | 172 |
| Capital Leases | 206 | 475 | 470 |
| Mortgage Loan Commitments | 69 | 67 | 66 |
| State Guaranteed Debt | | | |
| Job Development Authority | 6 | 3 | 0 |
| TOTAL STATE-RELATED DEBT ² | 52,381 | 51,251 | 52,168 |

Source: NYS DOB. Except Mortgage Loan Commitments which are taken from the CAFR for FY 2016 and FY 2017. Mortgage Loan Commitments and Capital Leases are estimated by DOB for FY 2018.

¹Reflects par amounts outstanding for bonds and financing arrangements or gross proceeds outstanding in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received.

²Capital 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 — Other Matters Affecting the Financial Plan — Debt Reform Act Limit" herein 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 required 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 Enacted Budget amends the State Finance Law provisions to increase the level of PIT receipts to be deposited into the RBTF, from 25 percent to 50 percent, for the purposes of making debt service payments on PIT Revenue Bonds.

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 required 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. The Enacted Budget amends the State Finance Law provisions to provide that PIT receipts and ECEP receipts shall continue to be deposited to the RBTF equal to the greater of 40 percent of the aggregate of annual State PIT receipts and ECEP receipts or \$12 billion. Debt service on State PIT Revenue Bonds is subject to legislative appropriation, as part of the annual debt service bill.

As described under the heading "Financial Plan Overview – Impact of Federal Tax Law Changes", the Enacted Budget includes State tax reforms intended to mitigate issues arising from the Federal law, including the impact of tax law changes on PIT Revenue Bonds.

As of March 31, 2018, approximately \$33.6 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.

The projected PIT Revenue Bond coverage ratios assume that projects previously financed through the Mental Health Revenue Bond program and the DHBTF 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. While DOB routinely monitors the State's debt portfolio across all State-supported credits for refunding opportunities, no future refunding transactions are reflected in the following projected coverage ratios.

The following table entitled “PIT Revenue Bond Coverage Ratios” does not reflect any estimate of charitable donations or the impact on the amount of PIT receipts deposited into the RBTF. The coverage ratios shown on the table may be materially and adversely affected by such donations.

| PIT REVENUE BOND COVERAGE RATIOS | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| FY 2018 RESULTS AND FY 2019 THROUGH FY 2022 PROJECTIONS | | | | | |
| (thousands of dollars) | | | | | |
| | Results | Projections | | | |
| | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> | <u>FY 2022</u> |
| Projected RBTF Receipts | 12,875,334 | 25,205,190 | 26,976,276 | 27,505,300 | 28,727,500 |
| Projected New PIT Bonds Issuances | 2,885,880 | 4,754,456 | 4,468,582 | 4,453,930 | 4,327,483 |
| Projected Total PIT Bonds Outstanding | 33,593,040 | 36,646,656 | 38,892,620 | 40,849,045 | 42,534,580 |
| Projected Maximum Annual Debt Service | 3,533,113 | 3,925,467 | 4,315,121 | 4,710,958 | 4,953,439 |
| Projected PIT Coverage Ratio | 3.6 | 6.4 | 6.3 | 5.8 | 5.8 |
| 1 Beginning in FY 2019, PIT receipts dedicated to the payment of PIT bonds increased from 25% to 50%, and 50% of ECEP receipts were dedicated to the payment of PIT bonds. | | | | | |
| 2 The PIT coverage ratio in the outyears will likely be lower than what is shown in the table, and could be materially reduced as donations to the Charitable Gifts Trust Fund occur. | | | | | |

Sales Tax Revenue Bond Program

Legislation enacted in 2013 created the Sales Tax Revenue Bond program. This 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 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 are 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.

The legislation also 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 allowed 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.

Sales Tax Revenue Bonds are used interchangeably with PIT Revenue Bonds to finance State capital needs. As of March 31, 2018, \$7.4 billion of Sales Tax Revenue Bonds were outstanding. Assuming average issuances of approximately \$1.4 billion annually over the next four years, Sales Tax coverage based only upon the 1 cent pledge is expected to decline from 4.0 times in FY 2019 to 3.8 times in FY 2022, as shown in the following chart. While DOB routinely monitors the State's debt portfolio across all State-supported credits for refunding opportunities, no future refunding transactions are reflected in the following projected coverage ratios.

SALES TAX REVENUE BOND COVERAGE RATIOS
FY 2018 RESULTS AND FY 2019 THROUGH FY 2022 PROJECTIONS
(thousands of dollars)

| | <u>Results</u> | <u>Projections</u> | | | |
|---|----------------|--------------------|----------------|----------------|----------------|
| | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> | <u>FY 2022</u> |
| Projected Sales Tax Receipts | 3,388,283 | 3,528,500 | 3,665,750 | 3,806,000 | 3,949,000 |
| Projected New Sales Tax Bonds Issuances | 2,710,275 | 1,326,720 | 1,366,521 | 1,407,517 | 1,449,742 |
| Projected Total Sales Tax Bonds Outstanding | 7,376,930 | 8,292,216 | 9,317,915 | 10,149,634 | 11,131,916 |
| Projected Maximum Annual Debt Service | 766,626 | 875,228 | 993,468 | 1,117,603 | 1,052,942 |
| Projected Sales Tax Coverage Ratio | 4.4 | 4.0 | 3.7 | 3.4 | 3.8 |

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 all 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, housing and education 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. Education-related bonds are issued to 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, these bonds will enable long-term investments in full-day pre-kindergarten through the construction of new pre-kindergarten classroom space.

Most General Obligation debt-financed spending in the Enacted Capital Plan is authorized under ten previously approved bond acts (five for transportation, four for environmental and recreational programs and one for education purposes). The majority of projected general obligation bond-financed spending supports authorizations for the 2005 Rebuild and Renew New York Bond Act and the \$2 billion Smart Schools Bond Act, which was approved by voters in November 2014. DOB projects that spending authorizations from the remaining bond acts will be virtually depleted by the end of the Enacted Capital Plan.

As of March 31, 2018, approximately \$2.4 billion of General Obligation bonds were outstanding. See “Exhibit B — State-Related Bond Authorizations” for information regarding the levels of authorized, authorized but 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 July 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, 2018, approximately \$1.4 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 the past 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 Enacted Budget includes a local assistance appropriation of \$170 million from the Local Government Assistance Tax Fund to the City.

State-Supported Lease-Purchase and Other Contractual-Obligation Financings

Prior to the 2002 commencement of the State'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. As of March 31, 2018, approximately 3.8 billion of State-supported lease-purchase and other contractual obligation financings were outstanding.

Legislation first enacted in FY 2011, and extended through FY 2020, 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. The State currently has no plans to issue lease-purchase or other contractual-obligation financings.

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, subject to appropriation. As of March 31, 2018, approximately \$1.6 billion of DHBTB bonds were outstanding. The State currently has no plans to issue additional DHBTB bonds, but could utilize this credit in the future if market conditions warrant.

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. A major source of patient revenues for these bonds are Federal Medicaid payments for services delivered by OPWDD. Debt service coverage for FY 2019 is currently projected at approximately 10.0 times for existing Mental Health Facilities Improvement Bonds. As of March 31, 2018, approximately \$599 million of Mental Health Facilities Improvement Bonds were outstanding. The State currently has no plans to issue additional Mental Health Facilities Improvement Bonds.

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, do 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 any such 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 \$60 million is not included in State debt service payments reported in this AIS. Annual debt service related to the Lease Revenue Bonds was \$55 million in FY 2018. As of March 31, 2018, approximately \$394 million of Lease Revenue Bonds were outstanding. Annual debt service payments on the remaining Lease Revenue Bonds

is projected to be \$44 million in FY 2019, \$39 million in FY 2020, \$36 million in FY 2021, and \$32 million in FY 2022.

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.

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. The bankruptcy and deteriorating financial conditions of certain hospitals in the Secured Hospital Program resulted in the State paying approximately \$14 million of debt service payments in FY 2018. As of March 31, 2018, there was approximately \$193 million of bonds outstanding for this program. See “Financial Plan Overview — Other Matters Affecting the Financial Plan — Secured Hospital Program” herein for more information.

Tobacco Settlement Financing Corporation (TSFC)

As of March 31, 2018, all TSFC bonds were retired. The State was never called upon to make any payment, pursuant to the contingency contract on the TSFC bonds.

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 2019. As of March 31, 2018, approximately \$800 thousand of moral obligation debt was outstanding.

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). However, as of March 31, 2018, all JDA bonds guaranteed by the State were paid off, and the State does not anticipate any future JDA indebtedness to be guaranteed by the State. The State has never been called upon to make any direct payments pursuant to any such guarantees.

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 MBBA 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 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> | <u>FY 2022</u> |
| Personal Income Tax Revenue Bonds | 2,886 | 4,754 | 4,469 | 4,454 | 4,327 |
| Sales Tax Revenue Bonds | 2,710 | 1,327 | 1,367 | 1,408 | 1,450 |
| General Obligation Bonds | 145 | 714 | 704 | 262 | 237 |
| Total Issuances¹ | <u>5,741</u> | <u>6,795</u> | <u>6,539</u> | <u>6,123</u> | <u>6,014</u> |
| Source: NYS DOB. | | | | | |
| ¹ Numbers may not add due to rounding | | | | | |

Debt issuances totaling \$6.8 billion are planned to finance new capital project spending in FY 2019, an increase of \$1.1 billion (18 percent) from FY 2018, that includes large capital programs for healthcare and the Smart Schools Bond Act that are expected to increase spending in FY 2019. It is anticipated that the State will finance these capital projects through PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds in FY 2019.

The bond issuances are expected to finance capital commitments for transportation infrastructure (\$1.8 billion), education (\$1.3 billion), mental hygiene and health care facilities (\$703 million), economic development and housing (\$2.0 billion), the environment (\$572 million), and State facilities and equipment (\$336 million).

Over the next four years, new debt issuances are projected to total \$25.5 billion. New issuances are primarily for transportation infrastructure (\$6.8 billion), education facilities (\$4.9 billion), economic development (\$7.6 billion), the environment (\$2.1 billion), mental hygiene and health care facilities (\$2.7 billion), and State facilities and equipment (\$1.3 billion). Assuming an issuance plan consistent with the prior table, the State projects debt outstanding levels through FY 2022 to be as follows:

| PROJECTED DEBT OUTSTANDING BY CREDIT | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| (millions of dollars) | | | | | |
| | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| Personal Income Tax Revenue Bonds | 33,589 | 36,647 | 38,893 | 40,849 | 42,535 |
| Sales Tax Revenue Bonds | 7,377 | 8,292 | 9,318 | 10,150 | 11,132 |
| General Obligation Bonds | 2,371 | 2,885 | 3,369 | 3,386 | 3,365 |
| Local Government Assistance Corp. | 1,370 | 1,198 | 880 | 524 | 284 |
| Other Revenue Bonds | 2,780 | 2,498 | 2,194 | 1,611 | 1,317 |
| Service Contract & Lease Purchase | 3,779 | 3,140 | 2,648 | 2,103 | 1,749 |
| TOTAL STATE-SUPPORTED¹ | 51,266 | 54,661 | 57,301 | 58,622 | 60,382 |

Source: NYS DOB.
¹ Numbers may not add due to rounding

State-Related Debt Service Requirements

The following table presents the current and projected debt service (principal and interest) requirements on State-related debt. State-related debt service is projected at \$5.4 billion in FY 2019, a decrease of \$1.2 billion (18 percent) from FY 2018. This is due, in large part, to debt service prepayments which result in higher debt service payments in FY 2018, and lower debt service costs in FY 2019. The State is contractually required to make debt service payments prior to bondholder payment dates in most instances, and may also elect to make payments earlier than contractually required. In FY 2019 and beyond, the State expects to use three principal bonding programs -- Personal Income Tax Revenue Bonds, Sales Tax Revenue Bonds, and General Obligation Bonds -- to fund all bond-financed capital spending. Other bonding programs are expected to be phased out over time.

| ESTIMATED DEBT SERVICE REQUIREMENTS ON EXISTING STATE-RELATED DEBT BY CREDIT STRUCTURE ^{1,2} | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| (millions of dollars) | | | | | | |
| | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> | <u>FY 2022</u> | <u>Total</u> |
| Personal Income Tax Revenue Bonds | 3,297 | 2,872 | 4,162 | 4,538 | 4,840 | 19,710 |
| Sales Tax Revenue Bonds | 625 | 771 | 769 | 1,056 | 991 | 4,212 |
| General Obligation Bonds | 336 | 303 | 346 | 393 | 409 | 1,786 |
| Local Government Assistance Corporation | 287 | 370 | 371 | 261 | 137 | 1,426 |
| Other State-Supported Bonds | 1,313 | 1,039 | 1,289 | 910 | 692 | 5,243 |
| Tobacco Bonds ³ | 676 | 0 | 0 | 0 | 0 | 676 |
| All Other State-Related Bonds ⁴ | 83 | 80 | 79 | 79 | 73 | 394 |
| Total Debt Service ⁵ | <u>6,617</u> | <u>5,436</u> | <u>7,017</u> | <u>7,237</u> | <u>7,141</u> | <u>33,446</u> |

Source: NYS DOB.

¹ Estimates as of FY 2018 Enacted Budget Financial Plan.

² Reflects existing debt service on debt issued as of March 31, 2018 and projected debt service on assumed new debt issuances. 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 assumed rates, which average 2.05%.

³ Tobacco bonds were fully retired on June 1, 2017.

⁴ Excludes Mortgage Loan Commitments and Capital Leases.

⁵ Numbers may not add due to rounding

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 \$51.3 billion as of March 31, 2018 results in a cap on variable rate exposure and a cap on interest rate exchange agreements of about \$7.7 billion each (15 percent of total outstanding State-supported debt). As discussed below, as of March 31, 2018, 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, 2018, the State's Authorized Issuers have a notional amount of \$1.5 billion in interest rate exchange agreements. The following table shows the amount of outstanding interest rate exchange agreements subject to the statutory cap. Overall, the State's swap exposure is expected to decline from 2.8 percent in FY 2018 to 1.5 percent in FY 2022.

| INTEREST RATE EXCHANGE CAP (millions of dollars) | | | | | |
|--|---------|---------|---------|---------|---------|
| | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| Interest Rate Exchange Cap | 7,690 | 8,199 | 8,595 | 8,793 | 9,057 |
| Notional Amounts of Interest Rate Exchange Agreements | 1,460 | 1,383 | 1,277 | 1,062 | 927 |
| Percent of Interest Rate Exchange Agreements to Debt Outstanding | 2.8% | 2.5% | 2.2% | 1.8% | 1.5% |

The State's swaps portfolio comprises 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). If the variable rate the State pays to bondholders and the variable rate the State is receiving from the counterparty off-set each other, the State is left with the synthetic fixed rate payment. The two variable rate components do not always precisely offset each other, which may result in an amount owed by the State in addition to 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.

The State has no plans to increase its swap exposure.

Net Variable Rate Obligations

The State's net variable rate exposure (including a policy reserve) is projected to average 0.9 percent of outstanding debt from FY 2018 through FY 2022. 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 fixed rate swap - \$1.5 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.

DOB continues to evaluate the market for variable rate bonds, but has no plans to issue additional variable rate debt at this time.

| VARIABLE RATE EXPOSURE (millions of dollars) | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> | <u>FY 2022</u> |
| Variable Rate Exposure Cap | 7,690 | 8,199 | 8,595 | 8,793 | 9,057 |
| Current Unhedged Variable Rate Obligations | 97 | 97 | 97 | 90 | 90 |
| Additional Planned Variable Rate Exposure | 0 | 0 | 0 | 0 | 0 |
| Total Net Variable Rate Exposure | 97 | 97 | 97 | 90 | 90 |
| Net Variable Rate Exposure to Debt Outstanding | 0.2% | 0.2% | 0.2% | 0.2% | 0.1% |
| Current Policy Reserve for LIBOR Swaps | 511 | 484 | 447 | 372 | 324 |
| Net Variable Rate Exposure (with Policy Reserve) | 608 | 581 | 544 | 462 | 414 |
| Net Variable Rate Exposure (with Policy Reserve) to Debt Outstanding | 1.2% | 1.1% | 0.9% | 0.8% | 0.7% |

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. In the Enacted Budget, statutory bond authorizations on State-supported debt were raised by \$6.5 billion across multiple programmatic purposes. The bonded indebtedness (and related capital spending) from the new authorizations is expected to occur over many years, and is counted against the State's statutory debt caps only when bonds are actually issued.

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). 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.



Authorities and Localities

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 they may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. Certain of these authorities issue bonds under two of the three primary State credits - PIT Revenue Bonds and Sales Tax Revenue Bonds. 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 any of 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 on their notes, bonds or other legislatively authorized financing structures 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. Since the State has no actual or contingent liability for the payment of this type of public authority indebtedness, it is not classified as either State-supported debt or State-related debt. Some public authorities, however, receive monies from State appropriations to pay for the operating costs of certain programs.

There are statutory arrangements that, under certain circumstances, authorize State local assistance payments that have been appropriated in a given year and are 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, in honoring such statutory arrangement for the redirection of local assistance payments, the State has no constitutional or statutory obligation to provide assistance to localities beyond amounts that have been appropriated therefor in any given year.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

As of December 31, 2017, (with respect to Job Development Authority or “JDA” as of March 31, 2018) each of the 17 authorities listed in the following table had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately \$187 billion, only a portion of which constitutes State-supported or State-related debt. Note that the outstanding debt information contained in the following table is the most current information provided by OSC from data submitted by the 17 authorities in the following table at the time of this AIS.

| OUTSTANDING DEBT OF CERTAIN AUTHORITIES⁽¹⁾ | | | |
|--|---------------------------|------------------------------|----------------|
| AS OF DECEMBER 31, 2017⁽²⁾ | | | |
| (millions of dollars) | | | |
| Authority | State-Related Debt | Authority and Conduit | Total |
| Dormitory Authority | 30,422 | 19,781 | 50,203 |
| Metropolitan Transportation Authority | 68 | 28,715 | 28,783 |
| Port Authority of NY & NJ | 0 | 24,940 | 24,940 |
| Housing Finance Agency | 192 | 16,987 | 17,179 |
| UDC/ESD | 14,346 | 1,093 | 15,439 |
| Job Development Authority ⁽²⁾ | 0 | 10,218 | 10,218 |
| Thruway Authority | 3,224 | 5,603 | 8,827 |
| Triborough Bridge and Tunnel Authority | 0 | 8,545 | 8,545 |
| Long Island Power Authority ⁽³⁾ | 0 | 7,569 | 7,569 |
| Environmental Facilities Corporation | 64 | 6,223 | 6,287 |
| Energy Research and Development Authority | 0 | 2,568 | 2,568 |
| State of New York Mortgage Agency | 0 | 2,566 | 2,566 |
| Local Government Assistance Corporation | 1,447 | 0 | 1,447 |
| Power Authority | 0 | 1,306 | 1,306 |
| Battery Park City Authority | 0 | 955 | 955 |
| Municipal Bond Bank Agency | 172 | 195 | 367 |
| Niagara Frontier Transportation Authority | 0 | 105 | 105 |
| TOTAL OUTSTANDING | 49,935 | 137,369 | 187,304 |

Source: Compiled by the Office of the State Comptroller from data submitted by the Public Authorities. Debt classifications by DOB.

⁽¹⁾ Includes only authorities with \$100 million or more in outstanding debt which are reported as component units or joint ventures of the State in the Comprehensive Annual Financial Report (CAFR). Includes short-term and long-term debt. Reflects par amounts outstanding for bonds and financing arrangements or gross proceeds outstanding in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received.

⁽²⁾ All Job Development Authority (JDA) debt outstanding reported as of March 31, 2018. This includes \$10.2 billion in conduit debt issued by JDA's blended component units consisting of \$6.1 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), \$745 million issued by the Brooklyn Arena Local Development Corporation and \$3.3 billion issued by the New York Transportation Development Corporation.

⁽³⁾ Includes \$4.26 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 Jay Olson, Investor Relations, (212) 788-5874, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The official financial disclosures of the City of New York and its related issuers can also be accessed through the EMMA system website at www.emma.msrb.org. 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 AND RELATED ENTITIES⁽¹⁾
AS OF JUNE 30 OF EACH YEAR
(millions of dollars)**

| Year | General Obligation Bonds | Obligations of TFA ⁽¹⁾ | Obligations of STAR Corp. ⁽²⁾ | Obligations of TSASC, Inc. | Hudson Yards Infrastructure Corporation | Other ⁽³⁾ Obligations | Total |
|------|--------------------------------|--------------------------------------|--|-------------------------------|---|-------------------------------------|--------|
| 2008 | 36,100 | 14,828 | 2,339 | 1,297 | 2,067 | 2,556 | 59,187 |
| 2009 | 39,991 | 16,913 | 2,253 | 1,274 | 2,033 | 2,442 | 64,906 |
| 2010 | 41,555 | 20,094 | 2,178 | 1,265 | 2,000 | 2,444 | 69,536 |
| 2011 | 41,785 | 23,820 | 2,117 | 1,260 | 2,000 | 2,590 | 73,572 |
| 2012 | 42,286 | 26,268 | 2,054 | 1,253 | 3,000 | 2,493 | 77,354 |
| 2013 | 41,592 | 29,202 | 1,985 | 1,245 | 3,000 | 2,394 | 79,418 |
| 2014 | 41,665 | 31,038 | 1,975 | 1,228 | 3,000 | 2,334 | 81,240 |
| 2015 | 40,460 | 33,850 | 2,035 | 1,222 | 3,000 | 2,222 | 82,789 |
| 2016 | 38,073 | 37,358 | 1,961 | 1,145 | 3,000 | 2,102 | 83,639 |
| 2017 | 37,891 | 40,696 | 1,884 | 1,089 | 2,751 | 2,034 | 86,345 |

Source: Office of the State Comptroller, The City of New York Comprehensive Annual Financial Report.

(1) Includes amounts for Building Aid Revenue Bonds (BARBS), the debt service on which will be funded solely from future State Building Aid payments that are subject to appropriation by the State and have been assigned by the City of New York to the Transitional Finance Authority (TFA).

(2) A portion of the proceeds of the Sales Tax Asset Receivable Corporation (STARC) Bonds were used to retire outstanding Municipal Assistance Corporation bonds. The debt service on STARC bonds will be funded from annual revenues to be provided by the State, subject to annual appropriation. These revenues have been assigned to the STARC by the Mayor of the City of New York.

(3) Includes bonds issued by the Fiscal Year 2005 Securitization Corporation, the New York City Educational Construction Fund, the Industrial Development Agency and, beginning in 2010, the New York City Tax Lien Collateralized Bonds. 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 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, <http://www.fcb.state.ny.us/>; OSDC, 59 Maiden Lane, 29th Floor, New York, NY 10038, Attention: Deputy Comptroller, <http://www.osc.state.ny.us/osdc/>; City Comptroller, Municipal Building, 6th Floor, One Centre Street, New York, NY 10007-2341, Attention: Deputy Comptroller for Budget, <https://comptroller.nyc.gov/>; and IBO, 110 William Street, 14th Floor, New York, NY 10038, Attention: Director, <http://www.ibo.nyc.ny.us/>.

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. State legislation enacted post-2004 includes 27 special acts authorizing bond issuances to finance local government operating deficits. Included in this figure are special acts that extended the period of time related to prior authorizations and modifications to issuance amounts previously authorized. When a local government is authorized to issue bonds to finance operating deficits, the local government is subject to certain additional fiscal oversight during the time the bonds are outstanding as required by the State's Local Finance Law, 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 particular localities. The Cities of Buffalo and Troy, and the Counties of Erie and Nassau are subject to varying levels of review and oversight by entities created by such legislation. The City of Newburgh operates under special State legislation that provides for fiscal oversight by the State Comptroller. The impact on the State of any possible requests in the future for additional oversight or financial assistance cannot be determined at this time and therefore is not included in the Enacted Budget Financial Plan projections.

The City of Yonkers ("Yonkers") no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The Yonkers City School District (the "Yonkers School District") is fiscally dependent upon Yonkers as it lacks taxing authority. 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 School District. In response, the Yonkers City School District Deficit Financing Act was enacted, which authorized Yonkers, subject to certain requirements, to issue serial bonds, not to exceed \$45 million by March 31, 2015, to liquidate current deficits in the Yonkers School District's general fund as of June 30, 2014. Subject to certain conditions that were satisfied, the FY 2015 Enacted Budget provided an additional \$28 million to Yonkers in addition to other education aid provided by the State for the support of the Yonkers School District for Yonkers fiscal year 2015. Legislation enacted in 2015 provided a total of \$25 million in additional aid to Yonkers for the support of the Yonkers School District for Yonkers fiscal years ending 2016 and 2017, subject to Yonkers submitting a comprehensive financial plan providing for continuity of current educational services and receiving approval of that plan from the Director of the Budget. That plan was submitted and approved by the State Director of the Budget.

Legislation enacted in 2013 created the Financial Restructuring Board for Local Governments (the "Restructuring Board"). The Restructuring Board consists of ten members, including the State Director of the 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 is currently reviewing or has completed reviews for twenty-five 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.

OSC implemented its Fiscal Stress Monitoring System (the "Monitoring System") in 2013. The Monitoring System utilizes a number of fiscal and environmental indicators with the goal of providing an early warning to local communities about stress conditions in New York's local governments and school districts. 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".

A total of 38 local governments (8 counties, 10 cities, 11 towns, 9 villages) and 59 school districts have been placed in a stress category by OSC based on financial data for their fiscal years ending in 2016. The vast majority of entities scored by OSC (96 percent) are classified in the "No Designation" category.

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 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 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 2016.

| DEBT OF NEW YORK LOCALITIES ⁽¹⁾ | | | | | | |
|--|-----------------------------------|-------|--------------------------------------|----------------------|------------------------------------|----------------------|
| (millions of dollars) | | | | | | |
| Locality Fiscal Year | Combined | | Other Localities Debt ⁽³⁾ | | Total Locality Debt ⁽³⁾ | |
| | New York City Debt ⁽²⁾ | | Bonds ⁽⁴⁾ | Notes ⁽⁴⁾ | Bonds ⁽³⁾⁽⁴⁾ | Notes ⁽⁴⁾ |
| Ending | 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 | 19,093 | 4,470 | 58,337 | 4,985 |
| 2010 | 69,536 | 0 | 36,110 | 7,369 | 105,646 | 7,369 |
| 2011 | 73,572 | 0 | 36,247 | 7,327 | 109,819 | 7,327 |
| 2012 | 77,354 | 0 | 36,699 | 7,194 | 114,053 | 7,194 |
| 2013 | 79,418 | 0 | 36,483 | 7,447 | 115,901 | 7,447 |
| 2014 | 81,240 | 0 | 36,290 | 7,236 | 117,530 | 7,236 |
| 2015 | 82,789 | 0 | 34,346 | 6,981 | 117,135 | 6,981 |
| 2016 | 83,639 | 0 | 35,006 | 6,952 | 118,645 | 6,952 |

Source: Office of the State Comptroller; The City of New York Comprehensive Annual Financial Report.

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 may include debt that has been defeased through the issuance of refunding bonds.

⁽¹⁾ Because the State calculates locality debt differently for certain localities (including New York City), the figures above may vary from those reported by such localities. In addition, this table excludes indebtedness of certain local authorities and obligations issued in relation to State lease-purchase arrangements.

⁽²⁾ Includes bonds issued by New York City and its related issuers, the Transitional Finance Authority, STAR Corporation, TSASC, Inc., the Hudson Yards Infrastructure Corporation, and Treasury obligations (as shown in the table "Debt of New York City and Related Entities" 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 Municipal Assistance Corporation, the Samurai Funding Corporation, the New York City Educational Construction Fund, 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 and, beginning in 2010, the New York City Tax Lien Collateralized Bonds.

⁽³⁾ Includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Starting in 2001, debt for other localities includes installment purchase contracts.

⁽⁴⁾ Amounts reflect those set forth on Annual Update Documents provided to OSC by New York State localities. Does not include the indebtedness of certain localities that did not file Annual Update Documents (financial reports) with the State Comptroller.

[THIS PAGE INTENTIONALLY LEFT BLANK]

State Government Employment

[THIS PAGE INTENTIONALLY LEFT BLANK]

As of March 31, 2018, the State had approximately 181,600 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 182,728 positions at the end of FY 2019. The State workforce subject to direct Executive control is expected to total 118,868 full time equivalent positions at the end of FY 2019.

The State Public Employment Relations Board defines negotiating units for State employees. Governor's Office of Employee Relations (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 multi-year labor agreements in place with the majority of the unionized workforce. The Civil Service Employees Association (CSEA) and DC-37 (Rent Regulation) employees have a five-year labor contract that provides annual salary increases of 2 percent for FYs 2017 through 2021 and additional compensation changes, offset by benefit design changes within the New York State Health Insurance Program (NYSHIP) and reductions in overtime costs.

Employees represented by the Public Employees Federation (PEF) and the Graduate Student Employees Union (GSEU) have a three-year collective bargaining agreement providing 2 percent annual salary increases in FYs 2017 through 2019. The salary increases provided to PEF and GSEU employees have also been extended to Management/Confidential (M/C) employees in FYs 2017 through 2019.

Members of the Police Benevolent Association of the New York State Troopers (NYSTPBA) and the New York State Police Investigators Association (NYSPIA) have a multi-year collective bargaining agreement that provides a 2 percent general salary increase for each of FY 2015 and FY 2016, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018. Negotiations on the next contract with NYSTPBA and NYSPIA have commenced.

On May 24, 2018, the State reached a tentative agreement with the United University Professions (UUP) for the six-year period that includes academic years 2017 through 2023 (July 1, 2016 through June 30, 2023). The agreement provides for a 2 percent general salary increase each year, and additional compensation changes, which are partly offset by benefit design changes within NYSHIP. The tentative agreement is contingent on legislative approval of a pay bill and UUP member ratification, the provisions of this agreement are estimated to cost approximately \$250 million in FY 2019.

The State is in negotiations with all other employee unions whose contracts concluded in FY 2016, including Council 82 and the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) following the March 2017 membership rejection of a tentative agreement on a five-year labor contract through FY 2021.²⁹ Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

The Judiciary has reached agreement with all 12 unions represented within its workforce. The contract periods are as follows: FY 2018 to FY 2020 for CSEA, FY 2012 to FY 2019 for Court Officers Benevolent Association of Nassau County (COBANC), FY 2012 to FY 2021 for the NYS Supreme Court Officers Association, the NYS Court Officers Association and the Court Clerks Association, and FY 2017 to FY 2019 for seven other unions.

| HISTORICAL SUMMARY OF EXECUTIVE BRANCH WORKFORCE | | |
|--|-------------------------------------|-------------|
| ANNUAL SALARIED FTEs | | |
| ALL FUNDS | | |
| Date | Subject to Direct Executive Control | Grand Total |
| 3/31/2008 | 137,707 | 195,266 |
| 3/31/2009 | 136,517 | 195,347 |
| 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 |
| 3/31/2015 | 117,807 | 179,620 |
| 3/31/2016 | 117,862 | 180,220 |
| 3/31/2017 | 117,907 | 181,436 |
| 3/31/2018 | 117,397 | 181,599 |

*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.

²⁹ The five-year agreement with NYSCOPBA that was not ratified would have provided for annual 2 percent general salary increases through FY 2021, and differentials typically received within the law enforcement community (e.g., Hazardous Duty Pay), the costs of which were offset by benefit design changes within NYSHIP and reductions in overtime costs.

| WORKFORCE SUMMARY | | | |
|--|-------------------|-------------------|-------------------|
| ALL FUNDS | | | |
| FY 2017 THROUGH FY 2019 | | | |
| | FY 2017 | FY 2018 | FY 2019 |
| | Actuals | Actuals | Estimate |
| | (03/31/17) | (03/31/18) | (03/31/19) |
| Major Agencies | | | |
| Children and Family Services, Office of | 2,932 | 2,887 | 2,965 |
| Corrections and Community Supervision, Department of | 29,189 | 29,351 | 29,183 |
| Education Department, State | 2,590 | 2,575 | 2,692 |
| Environmental Conservation, Department of | 2,956 | 2,887 | 2,994 |
| Financial Services, Department of | 1,325 | 1,356 | 1,382 |
| General Services, Office of | 1,755 | 1,811 | 1,932 |
| Health, Department of | 4,853 | 4,690 | 5,463 |
| Information Technology Services, Office of | 3,486 | 3,471 | 3,405 |
| Labor, Department of | 2,861 | 2,935 | 2,990 |
| Mental Health, Office of | 14,221 | 13,911 | 13,684 |
| Motor Vehicles, Department of | 2,184 | 2,301 | 2,345 |
| Parks, Recreation and Historic Preservation, Office of | 1,752 | 1,751 | 1,762 |
| People with Developmental Disabilities, Office for | 18,958 | 18,867 | 18,598 |
| State Police, Division of | 5,645 | 5,609 | 5,741 |
| Taxation and Finance, Department of | 3,946 | 3,898 | 3,977 |
| Temporary and Disability Assistance, Office of | 1,973 | 1,923 | 1,992 |
| Transportation, Department of | 8,487 | 8,501 | 8,523 |
| Workers' Compensation Board | 1,122 | 1,082 | 1,110 |
| Subtotal - Major Agencies | 110,235 | 109,806 | 110,738 |
| Minor Agencies | 7,672 | 7,591 | 8,130 |
| Subtotal - Subject to Direct Executive Control | 117,907 | 117,397 | 118,868 |
| University Systems | | | |
| City University of New York | 13,635 | 13,726 | 13,549 |
| State University Construction Fund | 144 | 142 | 152 |
| State University of New York | 45,316 | 45,882 | 45,657 |
| Subtotal - University Systems | 59,095 | 59,750 | 59,358 |
| Independently Elected Agencies | | | |
| Audit and Control, Department of | 2,647 | 2,630 | 2,663 |
| Law, Department of | 1,787 | 1,822 | 1,839 |
| Subtotal - Independently Elected Agencies | 4,434 | 4,452 | 4,502 |
| Grand Total | 181,436 | 181,599 | 182,728 |
| Source: NYS DOB, as provided with the FY 2019 Enacted Budget Report published in May 2018. | | | |

[THIS PAGE INTENTIONALLY LEFT BLANK]

State Retirement System

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN PREPARED SOLELY BY THE OFFICE OF THE STATE COMPTROLLER, AND DOB HAS NOT UNDERTAKEN ANY INDEPENDENT VERIFICATION OF SUCH INFORMATION.

General

This section summarizes key information regarding the New York State and Local Retirement System (“NYSLRS” or the “System”) and the Common Retirement Fund (“CRF”). The System was established as a means to pay benefits to the System’s participants. The CRF comprises a pooled investment vehicle designed to protect and enhance the long-term value of the System’s assets.

Greater detail, including the independent auditor’s report for the fiscal year ending March 31, 2017, is included in NYSLRS’ Comprehensive Annual Financial Report (“NYSLRS’ CAFR”) for the fiscal year ended March 31, 2017 and is available on the OSC website at the following address: http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php. Additionally, available at the OSC website are the System’s asset listing for the fiscal year ended March 31, 2017 and audited financial statements with independent auditor’s report for the fiscal year ended March 31, 2017. For the fiscal year ended March 31, 2018, the System’s audited financial statements will be available on the OSC website by July 31, 2018, and the NYSLRS’ CAFR and asset listing will be available by September 30, 2018.

The Annual Reports to the Comptroller on Actuarial Assumptions from the Retirement System’s Actuary - the contents of which explain the methodology used to determine employer contribution rates to the System - issued from 2007 through 2017 and benefit plan booklets describing how each of the System’s tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications/.

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 System. 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 System’s assets, and, as such, is responsible for investing the assets of the System. 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 are part of the chain of approval that must recommend all 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 System engages an independent auditor to conduct an audit of the System's annual financial statements. Furthermore, an Actuarial Advisory Committee meets annually to review the actuarial assumptions and the results of the actuarial valuation of the System. The Actuarial Advisory Committee is composed of current or retired senior actuaries from major insurance companies or pension plans. The System also engages the services of an outside actuarial consultant to perform a statutorily required quinquennial review. At least once every five years, NYSLRS is also examined by DFS. The Comptroller has established within the Retirement System, the Pension Integrity Bureau, the purpose of which is to identify and prevent errors, fraud and abuse. The State Comptroller has also established an Office of Internal Audit to provide the Comptroller with independent and objective assurance and consulting services for the programs and operations of the Office of the State Comptroller, including programs and operations of NYSLRS. The Comptroller's Advisory Audit Committee, established in compliance with DFS regulations, meets three times per year to review the System's audited financial statements and the NYSLRS' CAFR, and to discuss a variety of financial and investment-related activities. Pursuant to DFS regulations, a fiduciary review of the System for the three-year period ended March 31, 2015 was submitted on June 16, 2016.

The System

The System provides pension benefits to public employees of the State and its localities (except employees of New York City, and public school teachers and administrators, who are covered by separate plans). State employees made up about 33 percent of the membership as of March 31, 2017. There were 3,040 other public employers participating in the System, 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, 2017, 652,324 persons were members of the System and 452,455 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 System's members are categorized into six tiers depending on date of membership. As of March 31, 2017, approximately 64 percent of ERS members were in Tiers 3 and 4 and approximately 72 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 who joined on or after January 1, 2010 and PFRS members who joined 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 who joined 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 System can be accessed at:

ERS Chart: http://www.osc.state.ny.us/retire/employers/tier-6/ers_comparison.php

PFRS Chart: http://www.osc.state.ny.us/retire/employers/tier-6/pfrs_comparison.php

Contributions and Funding

Contributions to the System 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 87 percent of the 1,665 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.³⁰ Members in Tier 6 of both ERS and PFRS earning \$45,000 or less are required to contribute 3 percent of their gross annual wages; members earning between \$45,001 and \$55,000 are required to contribute 3.5 percent; members earning between \$55,001 and \$75,000 are required to 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 are required to contribute 6 percent of their gross annual salary.

In order to protect employers from potentially volatile contributions tied directly to the value of the System’s assets held by the CRF, the System utilizes 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 System’s Actuary, which is currently 7.0 percent.³¹

³⁰ Less than 1 percent of the 7,028 PFRS Tier 6 members are non-contributory.

³¹ During 2015, the Retirement System’s Actuary conducted the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is an influential factor in calculating employer contribution rates. In addition, the Chief Investment Officer conducted an asset allocation study. The resulting asset allocation and long-term asset allocation policy informed the Actuary’s recommendation regarding the revision of the investment rate of return (discount rate). In September 2015, the Comptroller announced the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent. The 7 percent rate of return has been effective for employer contribution rates used in FYs 2017, 2018 and 2019.

The current actuarial smoothing method recognizes unexpected annual gains and losses (returns above or below the assumed investment rate of return) over a 5-year period.

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 System as of each April 1. Final contribution rates for FY 2019 were released in September 2017. The average ERS rate decreased by 2.6 percent from 15.3 percent of salary in FY 2018 to 14.9 percent of salary in FY 2019, while the average PFRS rate decreased by 2.7 percent from 24.4 percent of salary in FY 2018 to 23.5 percent of salary in FY 2019. Information regarding average rates for FY 2019 may be found in the 2017 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at:

http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php.

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 the 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, FY 2014, FY 2015, FY 2016, FY 2017 and FY 2018, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent, 3.21 percent, 2.33 percent and 2.84 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, OSC expects that this will reduce the budgetary volatility of employer contributions. As of March 31, 2017, the amortized amount receivable, including accrued interest, for the 2011 amortization is \$111.06 million from the State and \$14 million from 30 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is \$308.21 million from the State and \$101.15 million from 106 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is \$495.62 million from the State and \$217.94 million from 124 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is \$692.51 million for the State and \$139.66 million from 92 participating employers; the amortized amount receivable including accrued interest, for the 2015 amortization is \$589.18 million from the State and \$114.25 million from 78 participating employers; the amortized amount receivable, including accrued interest for the 2016 amortization, is \$326.2 million from the State and \$61.25 million from 53 participating employers; and the amortized amount receivable, including accrued interest for the 2017 amortization, is \$6.13 million from 9 participating employers; the State did not amortize in 2017.

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 have been available for amortization under the 2010 legislation. In addition, the maximum payment period was 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. There are 41 employers that are currently enrolled in the program. Employers are not required to amortize every year. As of March 31, 2017, the amortized amount receivable, including interest, from 26 participating employers for the 2014 amortization is \$197.49 million. The amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is \$168.85 million. The amortized amount receivable, including interest, from 23 participating employers for the 2016 amortization is \$124.79 million. The amortized amount receivable, including interest, from 19 participating employers for the 2017 amortization is \$82.96 million.

For those eligible employers electing to participate in 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. The FY 2019 amounts are 14.0 percent for ERS and 22.0 percent for PFRS. 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, 3.50 percent for FY 2015, 3.31 percent for FY 2016, 2.63 percent for FY 2017 and 3.31 percent for FY 2018). 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.

Legislation enacted in June 2017 modified the calculation of an employer’s graded rate to be the product of the System’s graded rate with the ratio of the employer’s average contribution rate to the System’s average contribution rate, not to exceed the System’s graded rate.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2018 was approximately \$2.362 billion. Multiple prepayments (including interest credit) reduced this amount to \$2.339 billion.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2019 is approximately \$2.361 billion.

The FY 2017 Enacted Budget authorized the State, as an amortizing employer, to prepay to NYSLRS the total amount of principal due for its annual amortization installment or installments for a given fiscal year prior to the expiration of a ten-year amortization period.

Pension Assets and Liabilities

The System's assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the System are made by the State Comptroller as trustee of the CRF. The System reports that the net position restricted for pension benefits as of March 31, 2017 was \$197.6 billion (including \$5.9 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 \$14.0 billion or 7.6 percent from the FY 2016 level of \$183.6 billion. The increase in net position restricted for pension benefits from FY 2016 to FY 2017 reflects, in large part, equity market performance.³² The System's audited Financial Statement reports a time-weighted investment rate of return of 11.48 percent (gross rate of return before the deduction of certain fees) for FY 2017.

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, 2015, 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 50 percent public equities (36 percent domestic and 14 percent international); 18 percent bonds, cash and mortgages; 4 percent inflation indexed bonds and 28 percent alternative investments (10 percent private equity, 10 percent real estate, 2 percent absolute return or hedge funds, 3 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.³³

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased to \$240.7 billion (including \$119.2 billion for retirees and beneficiaries) as of April 1, 2017, up from \$232.9 billion as of April 1, 2016. The funding method used by the System 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. The valuation used by the Retirement Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2017. 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, 2017 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected gain for FY 2017, 40 percent of the unexpected loss for FY 2016, 60 percent of the unexpected loss for FY 2015, and 80 percent of the unexpected gain for FY 2014. The asset valuation method smooths gains and losses based on

³² On May 17, 2018, the State Comptroller released a statement indicating that the value of the System's Invested assets posted an 11.35 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the fiscal year ended March 31, 2018. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

³³ More detail on the CRF's asset allocation as of March 31, 2017, long-term policy and transition target allocation can be found on page 94 of the NYSLRS' CAFR for the fiscal year ending March 31, 2017.

the market value of all investments. Actuarial assets increased from \$190.7 billion on April 1, 2016 to \$198.1 billion on April 1, 2017.

In June 2012, GASB approved two related Statements that change the accounting and financial reporting of pensions by state and local governments and pension plans. These statements impact neither the System's 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, and replaced 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 and Statement No. 50, Pension Disclosures. Statement No. 67 mandates more extensive note disclosure and required supplementary information. The implementation of Statement No. 67 will have no impact on the System's Statement of Fiduciary Net Position, which measures the System's net position, restricted for pension benefits or Statement of Changes in Fiduciary Net Position. The System adopted Statement No. 67 in the March 31, 2015 Financial Statements.

The ratio of fiduciary net position to the total pension liability for ERS, as of March 31, 2017, calculated by the System's Actuary, was 94.7 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2017, calculated by the System's Actuary, was 93.5 percent.³⁴

Statement No. 68, Accounting and Financial Reporting for Pensions, replaced the requirements of Statement No. 27, Accounting for Pensions by State and Local Government Employers, and Statement No. 50, Pension Disclosures. Statement No. 68 establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. Statement No. 68 requires employers participating in the plans to report expanded information concerning pensions in their financial statements, as well as their proportionate share of the Net Pension Liability effective for fiscal years beginning after June 15, 2014. The Net Pension Liability is a measure of the amount by which the Total Pension Liability exceeds a pension system's Fiduciary Net Position. Employers now have to recognize their proportionate share of the collective Net Pension Liability in their financial statements, as well as pension expense and deferred inflows and outflows.

As noted above, Statement No. 68 impacts neither the actuarial funding method nor the calculation of rates. The System provided employers with the information required to comply with Statement No. 68 in September 2017, based on the System's measurement date of March 31, 2017. The Net Pension liability is allocated to participating employers and reported pursuant to both Statements 67 and 68.

³⁴ The System previously disclosed a funded ratio in accordance with GASB Statements 25 and 27, which, as discussed herein, have been amended by GASB Statements 67 and 68. The GASB Statements 67 and 68 amendments had the effect, among other things, of no longer requiring the disclosure of a funded ratio. GASB now requires the disclosure of the ratio of the fiduciary net position to the total pension liability. This ratio is not called a funded ratio and is not directly comparable to the funded ratio disclosed in prior years.

Detailed “Schedules of Employer Allocation” and “Schedules of Pension Amounts by Employer” can be found on the OSC website at the following link:

<https://www.osc.state.ny.us/retire/about-us/financial-statements-index.php>.

The GASB 68 “Schedules of Employer Allocation” and “Schedules of Pension Amounts by Employer” as of March 31, 2017 have been posted to the OSC website.

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 Retirement System – Contributions and Funding" above.

| CONTRIBUTIONS AND BENEFITS NEW YORK STATE AND LOCAL RETIREMENT SYSTEM ⁽¹⁾ (millions of dollars) | | | | | |
|--|--|--------------------------------------|-------------------------|-----------|--|
| Fiscal Year Ended March 31 | Contributions Recorded | | | | Total Benefits Paid ⁽³⁾ |
| | All Participating Employers ⁽¹⁾⁽²⁾ | Local Employers ⁽¹⁾⁽²⁾ | State ⁽¹⁾⁽²⁾ | Employees | |
| 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 | 3,386 | 1,950 | 269 | 9,521 |
| 2014 | 6,064 | 3,691 | 2,373 | 281 | 9,978 |
| 2015 | 5,797 | 3,534 | 2,263 | 285 | 10,514 |
| 2016 | 5,140 | 3,182 | 1,958 | 307 | 11,060 |
| 2017 | 4,787 | 2,973 | 1,814 | 329 | 11,508 |

Sources: State and Local Retirement System.

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

⁽²⁾ The actuarially determined contribution (ADC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts.

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

**NET POSITION RESTRICTED FOR PENSION BENEFITS OF THE
NEW YORK STATE AND LOCAL RETIREMENT SYSTEM ⁽¹⁾**
(millions of dollars)

| Fiscal Year Ended | | Percent |
|--------------------------|-------------------|---------------------------------|
| March 31 | Net Assets | Increase/ (Decrease) |
| | | From Prior Year |
| 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 | 7.1% |
| 2014 | 181,275 | 10.4% |
| 2015 | 189,412 | 4.5% |
| 2016 | 183,640 | -3.0% |
| 2017 | 197,602 | 7.6% |

Sources: State and Local Retirement System.

⁽¹⁾ Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2017 includes approximately \$5.8 billion of receivables.

Additional Information Regarding the System

The NYSLRS CAFR contains in-depth and audited information about the System. Among other things, the NYSLRS CAFR contains information about the number of members and retirees, salaries of members, valuation of assets, changes in fiduciary net position and information related to contributions to the System. The NYSLRS CAFR is available on the OSC website at the following web address:

http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php

- 1) Information on the number of members and retirees, including the change in the number of members and retirees and beneficiaries since 2008 can be found on page 27 of the NYSLRS CAFR at the link noted above. More information on this topic is available in the “Statistical” section of the NYSLRS CAFR.
- 2) A combined basic statement of changes in fiduciary net position can be found on page 41 of the NYSLRS CAFR at the link noted above.
- 3) Schedule of Changes in the Employers’ Net Pension Liability and Related Ratios (unaudited) can be found on pages 70-71 at the link noted above.
- 4) Information on contributions can be found on pages 139-147 of the NYSLRS CAFR at the link noted above.
- 5) A table with the market value of assets, actuarial value of assets and actuarial accrued liability of the CRF since 2007 can be found on page 148 of the NYSLRS CAFR at the link noted above.
- 6) Information related to the salaries of members can be found on pages 181-185 of the NYSLRS CAFR at the link noted above.

Litigation

[THIS PAGE INTENTIONALLY LEFT BLANK]

General

The legal proceedings listed below involve State finances and programs and other claims in which the State is a defendant and the potential monetary claims against the State are deemed to be material, meaning 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 2019 or thereafter. The State intends to describe newly initiated proceedings which the State deems to be material and existing proceedings which the State has subsequently deemed 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 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, 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 2019 or thereafter. The Basic Financial Statements for FY 2018, which OSC expects to issue by July 29, 2018, are expected to report possible and probable awards 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 2019 Financial Plan. The State believes that the Enacted Budget Financial Plan includes sufficient reserves to offset the costs associated with the payment of judgments that may be required during FY 2019. 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 Enacted Budget resources available for the payment of judgments, and could therefore adversely affect the ability of the State to maintain a balanced Enacted Budget Financial Plan.

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

Over the years, there have been a number of 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. Of these cases, only one remains active.

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 prior decisions in other cases rejecting such land claims, 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.

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 19, 2018 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.

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 § 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.

The trial commenced on January 21, 2015 and was completed on March 12, 2015. On September 19, 2016, the trial court ruled in favor of the State and dismissed the action. Plaintiffs filed a notice of appeal dated October 5, 2016 with the Appellate Division, Third Department. Plaintiffs have filed their appellate brief and the State's brief was filed May 30, 2017. The appeal was argued on

September 5, 2017. By decision and order dated October 26, 2017, the Appellate Division reversed the judgment of the trial court and remanded the case in order for the trial court to make specific findings as to the adequacy of inputs and causation.

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 Answer to the Second Amended Complaint was filed on February 2, 2015.

By decision dated August 12, 2014, Supreme Court, New York County, granted a motion to consolidate *Aristy-Farer*, discussed in the preceding paragraph, with *New Yorkers for Student Educational Rights v. New York*. On June 27, 2017, the Court of Appeals dismissed the *Aristy-Farer* action but held that the *New Yorkers for Student Educational Rights v. New York* action could proceed on a limited basis as to the New York City and Syracuse school districts, as discussed below.

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. On June 24, 2014, plaintiffs moved for a preliminary injunction seeking to restrain defendants from enforcing three of the four statutory provisions challenged in the underlying action. Specifically, plaintiffs sought to enjoin defendants from enforcing: (1) the gap elimination adjustment set forth in N.Y. Education Law § 3602(17); (2) the cap on state aid increases set forth in N.Y. Education Law § 3602(1)(dd); and (3) the requirements regarding increases in local property tax levies set forth in N.Y. Education Law § 3602(1)(dd) & 18. On July 8, 2014, defendants moved by Order to Show Cause to change the venue of the preliminary injunction application, as well as the entire action, to Albany County, pursuant to CPLR 6311(1). By Decision and Order dated August 8, 2014, the Court granted defendants' motion to transfer the preliminary injunction application to Albany County, but denied that part of the motion which sought to transfer the entire action.

By letter dated October 27, 2014, plaintiffs withdrew their motion for a preliminary injunction. By order dated November 17, 2014, Supreme Court, New York County, denied defendants' motion to dismiss. By separate order dated November 17, 2014, Supreme Court, New York County also granted the motion of the City of Yonkers to intervene as a plaintiff in the proceeding. Defendants filed Notices of Appeal of both November 17, 2014 decisions on December 15, 2014. Defendants filed Answers to the Amended Complaint and to Yonkers' Intervenor Complaint on February 2, 2015. The appeals of both November 17, 2014 decisions, along with the appeal in *Aristy-Farer*, were heard by the First Department on February 24, 2016.

Plaintiffs moved for partial summary judgment, pre-discovery, on May 29, 2015. Defendants filed opposition papers and cross-moved for partial summary judgment on July 31, 2015. Defendants also moved for a stay of the litigation pending the outcomes of the pending appeals. Oral argument was held on the cross-motions for partial summary judgment and the motion for a stay on November 4, 2015. The court denied both parties' motions for partial summary judgment on November 20, 2015. The court also denied defendants' motion for a stay on November 20, 2015. The court held a preliminary conference on February 3, 2016. On April 5, 2016, following the submission of a stipulation by the parties, the court stayed the case pending the outcome of the appeal before the First Department.

On September 8, 2016, the First Department ruled largely in favor of plaintiffs and held that the bulk of their school-financing claims in *Aristy-Farer* and *New Yorkers for Students' Educational Rights (NYSER)* could proceed. Defendants moved for leave to appeal to the Court of Appeals, and that motion was granted by the First Department on December 15, 2016. The matter was fully briefed in the Court of Appeals which heard argument on May 30, 2017.

On June 27, 2017, the Court of Appeals held that the Aristy-Farer complaint failed to state a claim and that the NYSER complaint failed to state a claim on its causes of action alleging that the State violated the Constitution by departing from funding levels endorsed in CFE and envisioned by the Legislature's 2007 reforms to the State aid system. The Court held that plaintiffs could proceed on their claims that the State was failing in its constitutional obligation to ensure the provision of minimally adequate educational services in the New York City and Syracuse school districts and remanded for further proceedings as to those two districts only.

Plaintiffs filed their Second Amended Complaint on December 11, 2017. The first cause of action alleges that the State has failed to provide a sound basic education in five school districts: New York City, Syracuse, Schenectady, Central Islip and Gouverneur. The second cause of action alleges that the State has failed to maintain a system of accountability to ensure that a sound basic education is being provided in those five districts. The third cause of action appears to still assert a statewide cause of action, alleging that since 2009 the State has failed to "adopt appropriate policies, systems and mechanisms to properly implement the requirements of N.Y. Const. art. XI § 1 and of the CFE decisions." This cause of action is not limited to the five districts.

Defendants filed a partial motion to dismiss the third cause of action in the Second Amended Complaint on April 9, 2018. On May 4, 2018, plaintiffs filed a Third Amended Complaint, which is identical to the Second Amended Complaint, except for the deletion of the third cause of action and correction of certain typographical errors. Defendants' Answer to the Third Amended Complaint is due on or before July 10, 2018, and a conference is scheduled for July 19, 2018. Discovery remains stayed until after the conference.

On May 4, 2018, the case was reassigned from Hon. Manuel J. Mendez to Hon. Lucy Billings.

Canal System Financing

American Trucking Association v. New York State Thruway Authority, 13-CV-8123 (SDNY), is a purported class action by a trucking industry trade association and three trucking companies against the Thruway Authority, the Canal Corporation and individual officers and board members of both entities, claiming violations of the Commerce Clause and the Privileges and Immunities Clauses of the United States Constitution because of the Thruway Authority's use of revenues from Thruway Authority tolls to maintain and improve the State's canal system. The District Court granted defendant's motion to dismiss the complaint for failure to join the State as a necessary party. On August 4, 2015, the Second Circuit Court of Appeals reversed the judgment of the District Court dismissing the complaint and remanded the case to District Court for further proceedings.

Following the Second Circuit's remand, plaintiffs filed a motion for partial summary judgment on December 9, 2015. Defendants filed an opposition and cross-motion for summary judgment on February 15, 2016. Briefing on the motion and cross-motion were fully submitted as of April 1, 2016. In an August 10, 2016 decision, the District Court concluded that the claims were not barred by limitations or laches and that, to the extent that the tolls collected from interstate truckers were used to maintain the canal system, the incorporation of those expenses into the Thruway's toll

rates, and their collection from the plaintiffs, violates the dormant commerce clause of the United States Constitution.

Plaintiffs' motion for class action certification was filed with the District Court on September 6, 2016. Defendants' response was filed on November 18, 2016 and plaintiffs' reply was filed February 3, 2017. In addition, on January 26, 2017, the Thruway Authority moved to dismiss for lack of subject matter jurisdiction based on Federal legislation authorizing the Thruway to use highway tolls for canal purposes. Plaintiffs' opposition to that motion was filed February 13, 2017 and defendants' reply was filed on February 16, 2017. Thereafter, all matters on the case were stayed pending the determination of the motion to dismiss - with discovery ongoing, a trial on the issue of damages had previously been scheduled to begin in March 2017. In addition, on February 1, 2017, counsel for plaintiffs filed a similar, companion action on behalf of the motor bus industry as a related case, *Am. Bus Ass'n v. N.Y. Thruway Auth.*, 17-CV-0782 (SDNY).

On March 1, 2017, the Court entered a decision dismissing the complaint in the original matter under Fed. R. Civ. P. 12(c) for failure to state a cause of action, consistent with the Thruway Authority's motion to dismiss. The Court entered judgment in favor of defendants the same day. The Court also entered an order to show cause in the companion matter brought by the bus association, directing plaintiffs to indicate by March 20, 2017, why the similar matter should not be dismissed on the same grounds as the trucking lawsuit. The Court subsequently granted judgment in favor of defendants in the bus association case. Plaintiffs appealed in both the trucking association and bus association cases, and the two appeals were consolidated by the Second Circuit with the consent of both sides. Plaintiff's opening brief on appeal was filed June 26, 2017. Defendants' opposing brief was filed September 25, 2017. Plaintiffs' reply brief was filed on November 7, 2017. Argument was heard on January 25, 2018. On March 29, 2018, the Second Circuit affirmed the judgments in favor of defendants in both the trucking association and bus association cases. Plaintiffs' last day to petition the U.S. Supreme Court for a writ of certiorari was June 27, 2018. No petition was filed.



Exhibit A to AIS - Selected State Government Summary

[THIS PAGE INTENTIONALLY LEFT BLANK]

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, 2018.

| <u>Name</u> | <u>Office</u> | <u>Party Affiliation</u> | <u>First Elected</u> |
|-----------------------|---------------------|--------------------------|----------------------|
| Andrew M. Cuomo | Governor | Democrat | 2010 |
| Kathleen C. Hochul | Lieutenant Governor | Democrat | 2014 |
| Thomas P. DiNapoli | Comptroller | Democrat | 2007 |
| Barbara D. Underwood* | Attorney General | Democrat | N/A |

*Elected by the Legislature as Attorney General on May 22, 2018, after being sworn in as Acting Attorney General on May 9, 2018, following the resignation of former Attorney General Schneiderman.

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 F. Mujica Jr.). 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, 2018. 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 Leader of the Senate is President Pro Tempore and Majority Leader John Flanagan (Republican). Carl Heastie (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 where there is specific statutory authorization to do so. In addition, moneys or other financial resources of a fund may be temporarily loaned to the General Fund, but only if such loan is repaid in full within four months, or the end of the fiscal year, whichever occurs first. Pursuant to authority contained in most State operations appropriations for FY 2019, 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. Some 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, 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, 2018 was \$3.090 billion, an increase of \$331 million from the outstanding loan balance of \$2.759 billion at March 31, 2017.

Accounting Practices, Financial Reporting and Budgeting

Historically, the State has accounted for, reported and budgeted its operations on a cash basis. Under this form of accounting, receipts are recorded at the time money or checks are deposited in the State Treasury, and disbursements are recorded at the time a check or electronic payment is released. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore can significantly affect the cash amounts reported in a fiscal year. Under cash-basis accounting, all estimates and projections of State receipts and disbursements relating to a particular fiscal year are of amounts to be deposited in or disbursed from the State Treasury during that fiscal year, regardless of the fiscal period to which particular receipts or disbursements may otherwise be attributable.

The State also has an accounting and financial reporting system based on GAAP and currently formulates a GAAP financial plan. GAAP for governmental entities requires use of the accrual basis of accounting for the government-wide financial statements which includes governmental and business-type activities and component units. Revenues are recorded when they are estimated to have been earned and expenses are recorded when a liability is estimated to have been incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the modified accrual basis of accounting. Under modified accrual procedures, revenues are recorded when they become both measurable and available within 12 months of the end of the current fiscal period to finance expenditures; expenditures are recorded in the accounting period for which the liability is incurred to the extent it is expected to be paid within the next 12 months with the exception of expenditures such as debt service, compensated absences, and claims and judgments. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Non-exchange grants and subsidies such as local assistance grants and public benefit corporation subsidies are recognized as expenditures when all requirements of the grant and or subsidy have been satisfied.



**Exhibit B to AIS -
State Related Bond Authorizations**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Exhibit B - 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 2019 BOND CAPS AND DEBT OUTSTANDING | | | | | |
| (millions of dollars) ⁽¹⁾ | | | | | |
| Type of Cap | Program | Authorized | | Debt | |
| | | FY 2019 | But | Outstanding ⁽³⁾ | |
| (Gross or Net) ⁽⁴⁾ | | Bond Caps | Unissued ⁽²⁾ | As of 3/31/18 | |
| Education: | | | | | |
| Gross | SUNY Educational Facilities (4) | 13,179 | 1,132 | 9,150 | |
| Net | SUNY Dormitory Facilities (5) | 1,561 | 68 | 394 | |
| Net | SUNY Upstate Community Colleges (5) | 969 | 171 | 850 | |
| Gross | CUNY Educational Facilities (6) | 8,315 | 836 | 4,967 | |
| Net | State Ed Department Facilities (7) | 0 | 0 | 31 | |
| Net | SUNY Athletic Facilities | 22 | 0 | 7 | |
| Net | RESCUE | 195 | 0 | 14 | |
| Net | University Facilities (Jobs 2000) | 48 | 1 | 0 | |
| Net | School District Capital Outlay Grants | 140 | 40 | 0 | |
| Net | Judicial Training Institute | 16 | 0 | 3 | |
| Net | Transportation Transition Grants | 80 | 12 | 0 | |
| Net | Higher Education Capital Matching Grants | 270 | 128 | 26 | |
| Net | EXCEL | 2,600 | 44 | 1,738 | |
| Net | Library Facilities | 217 | 61 | 85 | |
| Net | Cultural Education Storage Facilities | 79 | 69 | 8 | |
| Net | State Longitudinal Data System | 20 | 10 | 1 | |
| Net | SUNY 2020 Challenge Grants | 660 | 543 | 88 | |
| Net | Private Special Education | 55 | 55 | 0 | |
| Environment: | | | | | |
| Net | Environmental Infrastructure Projects (8) | 5,147 | 3,576 | 1,048 | |
| Net | Hazardous Waste Remediation | 2,200 | 1,166 | 711 | |
| Net | Riverbank State Park | 78 | 18 | 17 | |
| Net | Water Pollution Control (SRF) | 910 | 128 | 189 | |
| Net | Pipeline for Jobs (Jobs 2000) | 34 | 2 | 0 | |
| Net | Pilgrim Sewage Plant | 11 | 0 | 0 | |
| State Facilities: | | | | | |
| Net | Empire State Plaza | 133 | 13 | 0 | |
| Net | State Capital Projects (Attica) | 200 | 0 | 55 | |
| Net | Division of State Police Facilities | 220 | 89 | 108 | |
| Net | Division of Military & Naval Affairs | 67 | 49 | 13 | |
| Net | Alfred E. Smith Building | 89 | 0 | 39 | |
| Net | Sheridan Ave. (Elk St.) Parking Garage | 25 | 0 | 15 | |
| Net | State Office Buildings and Other Facilities | 749 | 345 | 304 | |
| Net | Judiciary Improvements | 38 | 1 | 15 | |
| Net | OSC State Buildings | 52 | 0 | 15 | |
| Net | Albany Parking Garage (East) | 41 | 0 | 17 | |
| Net | OGS State Buildings and Other Facilities (9) | 165 | 51 | 60 | |
| Net | Equipment Acquisition (COPs) (10) | 784 | 106 | 74 | |
| Net | Food Laboratory | 41 | 1 | 32 | |
| Net | OFT Facilities | 21 | 18 | 2 | |
| Net | Courthouse Improvements | 76 | 4 | 47 | |
| Gross | Prison Facilities | 8,083 | 980 | 4,024 | |
| Net | Homeland Security | 253 | 94 | 110 | |
| Gross | Youth Facilities | 770 | 323 | 196 | |
| Net | NYRA Land Acquisition/VLT Construction | 355 | 0 | 0 | |
| Net | Storm Recovery Capital | 450 | 450 | 0 | |
| Net | Information Technology | 541 | 236 | 247 | |
| Net | Nonprofit Infrastructure Capital Investment Program | 120 | 116 | 3 | |
| Health/Mental Hygiene: | | | | | |
| Net | Department of Health Facilities (inc. Axelrod) | 495 | 3 | 186 | |
| Gross | Mental Health Facilities | 8,779 | 1,331 | 3,509 | |
| Net | HEAL NY Capital Program | 750 | 95 | 340 | |
| Net | Capital Restructuring Program | 3,050 | 2,994 | 52 | |
| Transportation: | | | | | |
| Gross | Consolidated Highway Improvement Program (CHIPS) | 10,252 | 1,621 | 4,218 | |
| Net | Dedicated Highway & Bridge Trust | 16,500 | 1,977 | 6,082 | |
| Net | High Speed Rail | 22 | 14 | 6 | |
| Net | Albany County Airport | 40 | 1 | 0 | |
| Net | Transportation Initiatives | 4,500 | 3,633 | 719 | |
| Net | MTA Transportation Facilities | 1,694 | 1,444 | 214 | |
| N/A | MTA Service Contract | 2,005 | 0 | 1,419 | |
| Net | Transportation (TIFIA) | 750 | 750 | 0 | |

Exhibit B - State Related Bond Authorizations

Annual Information Statement

| STATE-RELATED DEBT | | | | | | |
|---|---|---|--|---------------------------------|---------------|-------|
| FY 2019 BOND CAPS AND DEBT OUTSTANDING | | | | | | |
| (millions of dollars) ⁽¹⁾ | | | | | | |
| Type of Cap | Program | FY 2019 Bond Caps | Authorized But Unissued ⁽²⁾ | Debt Outstanding ⁽³⁾ | As of 3/31/18 | |
| Economic Development: | | | | | | |
| Gross | Housing Capital Programs | 5,981 | 2,922 | | 1,361 | |
| Net | Community Enhancement Facilities (CEFAP) | 424 | 37 | | 14 | |
| Net | University Technology Centers (incl. HEAT) ⁽¹¹⁾ | 248 | 13 | | 6 | |
| Gross | Onondaga Convention Center | 40 | 0 | | 7 | |
| Net | Sports Facilities | 145 | 0 | | 15 | |
| Net | Child Care Facilities | 30 | 1 | | 5 | |
| Net | Bio-Tech Facilities | 10 | 10 | | 0 | |
| Net | Strategic Investment Program | 216 | 17 | | 12 | |
| Net | Regional Economic Development (Fund 002) ⁽¹²⁾ | 1,190 | 38 | | 137 | |
| Net | NYS Economic Development (2004) ⁽¹³⁾ | 346 | 0 | | 106 | |
| Net | Regional Economic Development (2004) ⁽¹⁴⁾ | 293 | 255 | | 8 | |
| Net | High Technology and Development | 249 | 73 | | 60 | |
| Net | Regional Economic Development/SPUR | 90 | 18 | | 15 | |
| Net | Buffalo Inner Harbor | 50 | 0 | | 30 | |
| Net | Jobs Now | 14 | 1 | | 0 | |
| Net | Economic Development 2006 (Various) ⁽¹⁵⁾ | 2,310 | 267 | | 1,161 | |
| Net | Javits Convention Center | 1,350 | 1,350 | | 0 | |
| Net | Queens Stadium (Mets) | 75 | 0 | | 28 | |
| Net | Bronx Stadium (Yankees) | 75 | 0 | | 34 | |
| Net | NYS Ec Dev Stadium Parking ⁽¹⁶⁾ | 75 | 69 | | 4 | |
| Net | State Modernization Projects (RIOC Tram, etc.) | 50 | 15 | | 5 | |
| Net | Int. Computer Chip Research and Dev. Center | 300 | 0 | | 37 | |
| Net | 2008 and 2009 Economic Development Initiatives | 1,269 | 176 | | 453 | |
| Net | H.H. Richardson Complex/Darwin Martin House | 84 | 0 | | 57 | |
| Net | Economic Development Initiatives | 8,301 | 5,698 | | 2,170 | |
| Net | State and Municipal Facilities | 2,324 | 1,949 | | 350 | |
| LGAC | Net | Local Government Assistance Corporation | 4,700 | 0 | | 1,370 |
| GO | Gross | General Obligation | 19,185 | 2,747 | | 2,371 |
| Total State-Supported Debt | | 148,337 | 40,453 | | 51,266 | |
| Other State Financings: | | | | | | |
| | Tobacco Settlement Financing Corporation Bonds | | | | 0 | |
| | MBBA Special Purpose School Aid Bonds | | | | 172 | |
| | Capital Lease and Mortgage Loan Commitments ⁽¹⁶⁾ | | | | 536 | |
| | Other ⁽¹⁷⁾ | | | | 194 | |
| Total State-Related Debt ⁽¹⁸⁾ | | | | | 52,168 | |
| Totals may not add due to rounding. | | | | | | |
| * Gross caps include cost of issuance fees. Net caps do not. | | | | | | |
| Source: NYS DOB | | | | | | |
| ⁽¹⁾ Includes only authorized programs that are active at March 31, 2018 or have outstanding program balances or both. | | | | | | |
| ⁽²⁾ Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (i) net bond proceeds available to fund program, or (ii) par amount of bonds issued. | | | | | | |
| ⁽³⁾ Reflects par amounts outstanding for bonds and financing arrangements or gross proceeds outstanding in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received. | | | | | | |
| ⁽⁴⁾ Authorization also includes any amount necessary to refund outstanding Housing Finance Agency State University Construction Bonds, all of which have been refunded. | | | | | | |
| ⁽⁵⁾ Authorization applies to bonds issued after March 31, 2002, prior to that date there was no limit. | | | | | | |
| ⁽⁶⁾ The amount outstanding includes CUNY Community Colleges bonds for which the State pays debt service. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to \$8.315 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85. | | | | | | |
| ⁽⁷⁾ Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes. | | | | | | |
| ⁽⁸⁾ Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, and the Office of Parks and Recreation and Historic Preservation. | | | | | | |
| ⁽⁹⁾ Includes debt outstanding for OGS Buildings: 44 Holland Ave., 50 Wolf Rd., 625 Broadway Ave., Hampton Plaza, and DOT Region 1. | | | | | | |
| ⁽¹⁰⁾ Authorized amounts includes Certificates of Participation, which have been issued as bonds after March 31, 2003. | | | | | | |
| ⁽¹¹⁾ Includes authorizations for Science and Technology Center (Syracuse), Super Computer Center (Cornell), Center for Telecommunications (Columbia), HEAT, Center for Industrial Innovation (City of Troy), Center for Advanced materials (Clarkson), Center for Electro-Optic (Rochester), Center for Neural Sciences (NYU) and Center for Incubator Facilities. | | | | | | |
| ⁽¹²⁾ Includes bonds issued for Community Capital Assistance Program (CCAP), Rebuilding the Empire State Through Opportunities in Regional Economies Program (RESTORE), Empire Opportunity Fund (EOF), Generating Employment Through New York Science Program (Gen*NY*sis), Multi-Modal Transportation Program, and Center of Excellence Program (Laws of 2002). | | | | | | |
| ⁽¹³⁾ Includes bonds to be issued for economic development projects outside cities of 1 million or more in population. | | | | | | |
| ⁽¹⁴⁾ Includes bonds issued for the EOF, RESTORE and CCAP. | | | | | | |
| ⁽¹⁵⁾ Includes bonds to be issued for economic development and environmental projects. | | | | | | |
| ⁽¹⁶⁾ Estimated. | | | | | | |
| ⁽¹⁷⁾ Includes bonds issued for Secured Hospital Program, HFA Moral Obligation Bonds, and the JDA State-guaranteed bonds. | | | | | | |
| ⁽¹⁸⁾ 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 ¹ as of March 31, 2018 (In Millions) | | | |
|---|---------------------|----------------------------|--|
| Purpose/Year Authorized | Total Authorized | Authorized but Unissued | Total Debt Outstanding ² |
| Transportation Bonds: | | | |
| Rebuild and Renew New York Transportation Bonds (2005) | | | |
| Highway Facilities/Other Transportation (Excluding MTA) | | | |
| Highway Facilities | Note 3 | Note 3 | \$ 691 |
| Mass Transit - DOT | Note 3 | Note 3 | 5 |
| Rail & Port | Note 3 | Note 3 | 96 |
| Canals & Waterways | Note 3 | Note 3 | 15 |
| Aviation | Note 3 | Note 3 | 45 |
| Subtotal Highway Facilities/Other Transportation (Excluding MTA) | \$ 1,450 | \$ 66 | 852 |
| Mass Transit - Metropolitan Transportation Authority | 1,450 | 386 | 759 |
| Accelerated Capacity and Transportation | | | |
| Improvements of the Nineties (1988) | | | |
| | 3,000 | 20 | 32 |
| Rebuild New York Through Transportation | | | |
| Infrastructure Renewal (1983) | | | |
| Highway Related Projects ⁴ | 1,064 | 21 | 1 |
| Ports, Canals, and Waterways ⁴ | 49 | - | - |
| Rapid Transit, Rail and Aviation Projects ⁴ | 137 | - | 4 |
| Energy Conservation Through Improved Transportation (1979) | | | |
| Local Streets and Highways | 100 | - | - |
| Rapid Transit and Rail Freight | 400 | - | 2 |
| Rail Preservation (1974) | 250 | - | - |
| Transportation Capital Facilities (1967) | | | |
| Highways | 1,250 | - | - |
| Mass Transportation | 1,000 | - | - |
| Aviation | 250 | - | 4 |
| Total Transportation Bonds | 10,400 | 493 | 1,654 |
| Environmental Bonds: | | | |
| Clean Water/Clean Air (1996) | | | |
| Air Quality | 230 | 28 | 3 |
| Safe Drinking Water | 355 | - | - |
| Clean Water | 790 | 58 | 346 |
| Solid Waste | 175 | - | 28 |
| Environmental Restoration | 200 | 22 | 57 |
| Environmental Quality (1986) | | | |
| Land and Forests | 250 | 1 | 9 |
| Solid Waste Management | 1,200 | 46 | 116 |
| Environmental Quality (1972) | | | |
| Air | 150 | 12 | Note 5 |
| Land and Wetlands | 350 | 7 | 3 |
| Water | 650 | 2 | 16 |
| Outdoor Recreation Development (1966) | 200 | Note 6 | - |
| Pure Waters (1965) | 1,000 | 20 | 21 |
| Park and Recreation Land Acquisition (1960 and 1962) | 100 | 1 | - |
| Total Environmental Bonds | 5,650 | 197 | 599 |
| Education Bonds: | | | |
| SMART Schools Bond Act (2014) | 2,000 | 1,886 | 100 |
| Total Education | 2,000 | 1,886 | 100 |
| Housing Bonds: | | | |
| Low-Income Housing (through 1958) | 960 | 8 | 10 |
| Middle-Income Housing (through 1958) | 150 | 1 | 8 |
| Urban Renewal (1958) | 25 | 1 | - |
| Total Housing Bonds | 1,135 | 10 | 18 |
| TOTAL GENERAL OBLIGATION DEBT | \$ 19,185 | \$ 2,586 | \$ 2,371 |
| Source: Office of the State Comptroller | | | |
| (1) This table reflects General Obligation Bond Acts where there is a remaining authorized but unissued amount and/or a remaining debt outstanding balance. | | | |
| (2) Reflects unaudited amounts. | | | |
| (3) 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. | | | |
| (4) Authorizations have been adjusted to reflect reallocations made by Chapter 54 of the Laws of 1990. | | | |
| (5) This amount rounds to zero, but there was a debt outstanding balance of \$169,207.37 at March 31, 2018. | | | |
| (6) This amount rounds to zero, but there was an authorized but unissued balance of \$230,000 at March 31, 2018. | | | |

[THIS PAGE INTENTIONALLY LEFT BLANK]

**Exhibit C to AIS - GAAP-Basis
Financial Plan**

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 2019, the General Fund GAAP Financial Plan shows total projected revenues of \$41.8 billion, total projected expenditures of \$71.8 billion, and net other financing sources of \$25.9 billion, resulting in a projected operating deficit of \$2.2 billion.

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 2019 | | | |
| (millions of dollars) | | | |
| | <u>Executive</u> | <u>Change</u> | <u>Enacted</u> |
| Revenues: | | | |
| Taxes: | | | |
| Personal Income Tax | 23,457 | (304) | 23,153 |
| Consumption/Use Taxes | 7,472 | (111) | 7,361 |
| Business Taxes | 5,531 | (211) | 5,320 |
| Other Taxes | 1,051 | 0 | 1,051 |
| Miscellaneous Receipts | 5,025 | (115) | 4,910 |
| Federal Receipts | 0 | 0 | 0 |
| Total Receipts | <u>42,536</u> | <u>(741)</u> | <u>41,795</u> |
| Expenditures: | | | |
| Local Assistance Grants | 49,366 | 950 | 50,316 |
| Departmental Operations | 13,005 | 247 | 13,252 |
| General State Charges | 8,244 | 19 | 8,263 |
| Debt Service | 0 | 0 | 0 |
| Capital Projects | 0 | 0 | 0 |
| Total Disbursements | <u>70,615</u> | <u>1,216</u> | <u>71,831</u> |
| Other Financing Sources (Uses): | | | |
| Transfers From Other Funds | 31,981 | 1,218 | 33,199 |
| Transfers To Other Funds | (7,332) | 30 | (7,302) |
| Proceeds From Financing Arrangements/ Advance Refundings | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | <u>24,649</u> | <u>1,248</u> | <u>25,897</u> |
| Operating Surplus/(Deficit) | <u>(3,430)</u> | <u>(709)</u> | <u>(4,139)</u> |
| Accumulated Surplus/(Deficit) | <u>(1,463)</u> | <u>(709)</u> | <u>(2,172)</u> |

Source: NYS DOB.

[THIS PAGE INTENTIONALLY LEFT BLANK]



Exhibit D to AIS - Principal State Taxes and Fees

[THIS PAGE INTENTIONALLY LEFT BLANK]

Personal income taxes are imposed on the New York source income of individuals, estates and trusts. Personal income taxes accounted for roughly 65 percent of All Government Funds tax receipts during FY 2018. The State tax adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax 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 2018 and continuing through 2025, marginal tax rates on middle-income tax filers will gradually phase down from between 5.9 percent and 6.65 percent to between 5.5 percent and 6 percent. New York allows a standard deduction of \$16,050 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 top bracket, which applies an 8.82 percent marginal tax rate, is scheduled to expire after the 2019 tax year.

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 2019, taxpayers with incomes above \$10 million may deduct only 25 percent of their Federal charitable contributions deductions as their only itemized deduction.

New York also allows several credits against the tax. Significant credits include the: Empire State Child 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, college tuition credit, and the New York City STAR PIT credit.

A property tax relief credit was enacted during the 2015 legislative session, applying to tax years 2016 through 2019. Eligibility for the credit is limited to STAR-eligible tax filers with less than \$275,000 in qualified gross income. In tax year 2016, the credit is equal to either \$130 for households within the metropolitan commuter transportation district, or \$185 for all other New York households. For all other tax years, the credit is equal to a percentage of the benefits provided by the existing STAR homeowner's exemption.

The TCJA of 2017 made significant changes to the Federal personal income tax which, if not for Enacted Budget legislation, would have dramatically affected New York State PIT receipts. Enacted Budget legislation decoupled from the Federal personal income tax with respect to TCJA-related changes to itemized deductions, the standard deduction for single filers, and the child tax credit. Enacted Budget legislation also allows a State filer to itemize deductions, regardless of whether the filer itemized for Federal tax purposes. TCJA-related itemized deduction changes include a cap on state and local tax deductions. This limit was addressed by Enacted Budget legislation through the creation of state and local charitable contribution funds and the Employee Compensation Expense Program.

Beyond changes related to the TCJA, Enacted Budget legislation clarifies New York residency requirements for tax purposes, extends the statute of limitations for assessing tax on amended returns, allows payment of fixed and final unwarranted debt against unclaimed funds, and provides for employee wage reporting consistency between the Department of Labor and DTF. Enacted Budget legislation also extends 1) the Hire a Veteran Credit for two years, 2) the theatrical

production credit for four years, and 3) the historic properties credit for five years, while also decoupling the credit from Federal law. In 2001, legislation was enacted to provide for the issuance of State PIT Revenue Bonds, which has become the primary financing vehicle for a broad range of existing State-supported debt programs previously secured by service contract or lease-purchase payments. The first bonds were issued in May 2002. The legislation provided that 25 percent of PIT receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the RBTF for purposes of making debt service payments on the bonds, with excess amounts transferred to the General Fund. Legislation enacted with the FY 2008 Budget provided that the RBTF will be calculated based on 25 percent of PIT receipts (excluding refunds owed to taxpayers, but before deposits to the STAR fund). FY 2019 Enacted Budget legislation increased RBTF deposits from 25 percent to 50 percent of PIT receipts.

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 40 percent of annual PIT receipts or \$12 billion.

User taxes and fees consist of several taxes on consumption, the largest of which is the State sales and compensating use tax. The discussion below describes each tax and summarizes recent significant enacted legislation.

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 2010.

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.

Legislation enacted in 2014 increased the exemption threshold for certain items purchased from vending machines from \$0.75 to \$1.50.

Legislation passed in 2015 capped the tax on the sale or use of a vessel at the first \$230,000 of purchase price, and made such tax due at the time of DMV registration (90-days); exempted private aircraft; provided for a transition period for certain dissolutions resulting directly from Federal Dodd-Frank regulatory requirements; expanded the exemption for alcoholic beverage tastings to include additional alcohol types and permissible off-premises tastings; clarified that taxable pre-paid mobile purchases are sourced to the location of the sale; and provided an exemption for certain solar panel purchase agreements.

Legislation enacted in 2016 conformed the State Tax Law to Federal Aviation Administration regulations regarding taxes on aviation fuel, required motor fuel wholesalers to register and file informational returns with the State, provided an exemption for commercial fuel cell electricity generating systems and the electricity they provide, and simplified the taxation of remarketed rooms.

Legislation enacted in 2017 exempted cemetery monuments from sales tax, reduced the amount on motor fuel and diesel motor fuel prepayment throughout the State and closed the sales tax related entities loophole.

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 \$2.75 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.

The State imposes *motor fuel* and *diesel motor fuel taxes* 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 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. Legislation enacted in 2016 required motor fuel wholesalers to register and file informational returns with the State.

The State imposes *alcoholic beverage excise taxes* at various rates on liquor, beer, wine and specialty beverages. The tax rate on beer is 14 cents per gallon and wine is 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 State imposes the *highway use tax* (HUT) which consists of three revenue 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. Prior to April 13, 2016, highway use registration certificates (original or renewed) were \$15 and decals were \$4. Legislation enacted in 2016 reduced the registration and decal fees from \$19 to \$1.50 per vehicle and directed the revenue from these fees to a newly created HUT Administration Account. 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, aside from HUT registration fees, are deposited in the DHBTF. 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 this State of a passenger car with a gross vehicle weight of 9,000 pounds or less. Receipts are deposited in the DHBTF. Legislation enacted 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.

The State imposes a *medical marijuana tax* on registered organizations that dispense medical marijuana. This excise tax of 4 percent is levied on gross receipts from medical marijuana and is entirely deposited into the medical marijuana trust fund. This tax became effective in January 2016.

The State imposes a 4 percent assessment on transportation network companies (TNCs) that operate outside of New York City. Municipalities have the option to license TNCs. All revenues are deposited in the General Fund. This tax became effective in June 2017.

Business taxes include a general business corporation franchise tax as well as specialized franchise taxes on 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 6.5 percent of taxable income allocated to New York. Taxable income is defined as Federal taxable income with certain modifications. The tax includes two other

bases: the capital and fixed dollar minimum. The taxpayer must pay under the base which produces the highest tax.

The Excelsior Jobs Program was established in 2010 to provide incentives based on job creation, investment and research and development expenditures in New York State. Legislation enacted in 2011 enhanced the Excelsior Jobs Program 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.

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 to increase accountability and transparency. 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 modernized and simplified the corporate tax structure, merged the bank tax with the corporate franchise tax, reduced 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.

In 2015, legislation was enacted to enhance the Excelsior Jobs Program by allowing certain entertainment companies to be eligible for tax credits under the program. Additionally, the production or post-production of video games and music production are qualified activities eligible for the Excelsior Jobs Program. The Employer Training Incentive Program (ETIP) Tax Credit was created that allows for up to \$5 million in tax credits from the Excelsior Jobs Program funding. Tax credits under the Urban Youth Jobs Program (formerly known as the Youth Works Tax Credit Program) were expanded by \$10 million per year for allocation years 2015 through 2017 and two regional airports are now eligible to participate in the START-UP NY program.

In 2016, legislation was enacted that extended several existing tax credits (the Empire State Commercial Production, Low Income Housing, Hire-A-Vet, Excelsior Jobs Program and the Credit for Companies that Provide Transportation to Individuals with Disabilities). The Urban Youth Jobs Program tax credit was enhanced by increasing the annual allocation from \$20 million to \$50 million for hiring years 2016 and 2017 and the Special Additional Mortgage Recording Tax (SAMRT) credit was made refundable for certain taxpayers effective January 1, 2015. Previously, the SAMRT credit was non-refundable.

Legislation enacted in 2017 established the Life Sciences Initiative in New York State. A tax credit for research and development expenditures was created for new life sciences companies that come to New York. The workforce training credit (formerly known as the Employer Training Incentive Program) was expanded to include life sciences companies and provide a tax credit to employers for existing employees. Several existing tax credit programs were extended through 2022 (film and post production tax credit, New York Youth Works tax credit [formerly the Urban Youth Jobs Program] and the Charge NY Electric Vehicle Recharging Equipment tax credit). The Empire State Apprenticeship Tax Credit program was created to provide a tax credit to employers that hire qualified apprentices. This credit is funded from the allocation for the New York Youth Jobs Program. Tangible personal property used in the production or distribution of electricity, natural gas after extraction from wells, steam or water delivered through pipes or mains no longer qualifies for the investment tax credit. Legislation to revise a decision of the tax appeals tribunal that disturbed a long standing policy of the DTF was enacted to prevent the loss of tax credits claimed by disregarded entities. If this legislation was not enacted, tax credits would be denied to taxpayers who in previous years received those credits. The taxation of REITS and RICS was changed in the Enacted Budget. REITS (real estate investment trusts) and RICS (regulated investment companies) are allowed to utilize the 8 percent qualified financial instrument allocation for sourcing New York income and utilize a separate State fixed dollar minimum schedule for the calculation of their New York tax. Two changes were made to the Excelsior Jobs Program. The credit limit for the research and development credit was increased from 3 percent to 6 percent and the minimum requirement for net new jobs was reduced for select industries.

Legislation enacted in 2018 includes conformity to several flow-through impacts from the TCJA as well as the decoupling from the Federal tax deduction relating to the repatriation of certain foreign income. The credit amounts for the New York Youth Jobs Program were enhanced to encourage businesses to hire youth. The Low Income Housing credit now allows the bifurcation of credit upon approval by the Division of Homes and Community Renewal. The Hire a Vet Credit and the Musical and Theatrical Production Credit were extended for two years and four years, respectively. Lastly, the current law provisions of the Historic Properties Tax Credit were extended through 2024 and decoupled from the direct linkage to the federal credit so that the credit may continue to be claimed in full in one year.

Receipts from the *corporation and utilities taxes* are primarily attributable to taxes imposed on transportation and transmission companies, utility services and telecommunication services.

Legislation in 2014 repealed 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 effective January 1, 2015.

Legislation enacted in 2015 increased the rate on mobile telecommunication companies under Tax Law Section 186-e from 2.5 percent to 2.9 percent and the MTA surcharge rate from 0.595 percent to 0.721 percent. This incremental increase was necessary to preserve revenue as Section 184 of the Tax Law ceased to apply to these companies.

Insurance taxes are imposed on insurance corporations, insurance brokers and certain insurers that operate in New York State. Non-life insurers are subject to a premiums tax. Accident and health premiums are taxed at the rate of 1.75 percent and all other premiums are taxed at the rate of 2 percent. The insurance tax on life insurers ranges 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 2011 conformed the taxes on excess lines and direct writings with requirements enacted in the 2010 Federal Dodd-Frank financial reform legislation.

The State imposed 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* until December 31, 2014. Beginning with tax years on and after January 1, 2015, all former bank taxpayers are now subject to tax under the corporate franchise tax.

The State imposes a *petroleum business tax* on the privilege of operating a petroleum business in the State. This tax is measured by the quantity of various petroleum products imported into the State for sale or use. The tax is imposed at various cents per gallon rates depending on the type of petroleum product. The cents per gallon tax rates are indexed to reflect petroleum price changes but are limited to changes of no more than 5 percent of the tax rate in any one year. Legislation enacted in 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. Legislation enacted in 2015 clarified that qualifying farmers purchasing taxable diesel can claim a refund if the fuel is ultimately used for an exempt purpose (i.e., farming). Legislation enacted in 2016 conformed the State Tax Law to Federal Aviation Administration regulations regarding taxes on aviation fuel, and required motor fuel wholesalers to register and file informational returns with the State.

Other tax revenues include taxes on pari-mutuel wagering, the estate tax, taxes on real estate transfers, the Metropolitan Commuter Transportation Mobility Tax, 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. There is an additional real estate transfer tax of 1 percent of the sales price applicable to residences where consideration is \$1 million or more. The FY 2011 Enacted Budget reduced the statutorily fixed deposit to the EPF from \$199.3 million to \$119.1 million. The remaining receipts are deposited in the Clean Water/Clean Air (CW/CA) Debt Service Fund.

The Metropolitan Commuter Transportation Tax (MCTMT) is imposed on certain employers and self-employed individuals engaging in business within the Metropolitan Commuter Transportation District (MCTD). The MCTD consists of New York City and the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester. Revenues generated from the mobility tax are directed to the Mobility Tax Trust Account of the MTA Financial Assistance Funds. For self-employed individuals, the MCTMT applies at a rate of 0.34 percent against self-employment earnings that are allocated to the MCTD. Individuals with annual self-employment income below \$50,000 are exempt. The tax rate for employers varies between 0.11 percent and 0.34 percent, depending on quarterly payroll size. Employer payroll exemptions exist for 1) employers with quarterly payroll below \$312,500; 2) elementary schools and secondary schools; and 3) instrumentalities of the United States, the United Nations and interstate agencies or public corporations created under an agreement or compact with another state or Canada. FY 2016 Enacted Budget legislation included an additional exemption for all public and free association libraries.

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. Other taxes include a 4 percent tax on the charge for admissions to racetracks and simulcast theaters, and a 3 percent tax on both gross receipts and broadcasting rights from boxing and wrestling exhibitions, limited to \$50,000 in tax due for both pieces per event. Effective September 2016, for all other authorized combative sports, a tax of 8.5 percent of the admissions charge and 3 percent on broadcasting rights and digital streaming, with the broadcasting and streaming portion limited to \$50,000 in tax due per event.

Miscellaneous receipts and other revenues include various fees, fines, tuition, license revenues, lottery revenues, investment income, assessments on various businesses (including healthcare providers), and abandoned property. Miscellaneous receipts also include minor amounts received from the Federal government and deposited directly in the General Fund.

Gaming miscellaneous receipts includes traditional lottery, Video Lottery Terminal (VLT) games, commercial gaming, interactive fantasy sports and Tribal State Compact. The following discussion summarizes significant revenue actions taken since 2010.

Legislation enacted in 2010 made the New York 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 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 New York Lottery to have up to a 55 percent prize-payout on multi-jurisdictional games, and allowed the New York 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 authorized up to four commercial gaming facilities in several Upstate regions. In addition to licensing fees, a commercial gaming tax applies to slot machine net drop at a tax rate commensurate with the existing VLT facility in the same statutory gaming region, and a rate on table game net wins of 10 percent Statewide.

Legislation enacted in 2014, and annually since, extended the VLG Vendor's Capital Awards Program for one year and increased the free play allowance from 10 to 15 percent.

Legislation enacted in 2015 authorized electronic table games at certain racetracks.

Legislation enacted in 2016 allowed the Resorts World VLT facility to host VLT machines on behalf of the Nassau Off Track Betting Corporation and additional commission was provided for the Finger Lakes facility. In addition, interactive fantasy sports was legalized August 3, 2016.

Legislation enacted in 2017 reprivatized the New York Racing Association, modernized charitable gaming laws, amended the Jockey Injury Compensation Fund (extended in 2018) and improved the operation of drug testing in horse racing.

Legislation enacted in 2018 increased the amount of reserves to be kept by NYRA, created an equine drug testing advisory committee and eliminated the VLG hold harmless transfer provision.

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.

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 simplified the fund distribution of motor vehicle fee receipts. This simplification has no revenue impact on any funds involved.

The *Public Safety Communications Surcharge* is collected by wireless communications service suppliers from their customers. The surcharge is \$1.20 per month per device used to access this service. Legislation enacted in 2017 expanded the surcharge to prepaid purchases of mobile communication services, with purchases subject to a 90-cent surcharge. Local governments, including those that do not currently impose the surcharge on mobile plan contracts, can also opt in for a 30-cent surcharge on prepaid purchases. This surcharge supports the State's public safety activities and funds the Statewide Interoperable Communications Grant program.



Exhibit E to AIS - Glossary of Financial Terms

[THIS PAGE INTENTIONALLY LEFT BLANK]

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.

Debt Reduction Reserve Fund or DRRF: The State created the DRRF in 1998 to accumulate surplus revenues to pay debt service costs on State-supported bonds, retire or defease such bonds, and to finance capital projects. Use of DRRF funds requires an appropriation.

Debt Service: Debt service refers to the payment of principal and interest on bonds, notes, or other evidences of indebtedness, including interest on BANs and TRANS, in accordance with the respective terms thereof.

Debt Service Funds: DSFs, one of the four GAAP-defined governmental fund types, account for the accumulation of resources (including receipts from certain taxes, transfers from other funds and miscellaneous revenues, such as dormitory room rental fees, which are dedicated by statute for payment of lease-purchase rentals) for the payment of general long-term debt service and related costs and payments under lease-purchase and contractual-obligation financing arrangements.

Disbursement: A disbursement is a cash outlay and in the General Fund includes transfers to other funds.

Executive Budget: The Executive Budget is the Governor's constitutionally mandated annual submission to the Legislature which contains his recommended program for the forthcoming fiscal year. The Executive Budget is an overall plan of recommended appropriations. It projects disbursements and expenditures needed to carry out the Governor's recommended program and receipts and revenues expected to be available for such purpose. The recommendations contained in the Executive Budget serve as the basis for the State Financial Plan (defined below) which is adjusted after the Legislature acts on the Governor's submission. Under the State Constitution, the Governor is required each year to propose an Executive Budget that is balanced on a cash basis.

Expenditure: An expenditure, in GAAP terminology, is a decrease in net financial resources as measured under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term expenditure to refer to a cash outlay or disbursement.

Expenses: Expenses, in GAAP terminology, are a decrease in net financial resources as measured in the government-wide financial statements under the accrual basis of accounting.

Fiduciary Funds: Fiduciary Funds refers to a GAAP-defined fund type which accounts for assets held by the State in a trustee capacity or as agent for individuals, private organizations and other governmental units and/or other funds. These funds are custodial in nature and do not involve the measurement of operations. Although the Executive Budget for a fiscal year generally contains operating plans for Fiduciary Funds, and their results are included in the Comptroller's GAAP-based financial statements, they are not included in the State Financial Plan.

Financial Plan: see State Financial Plan.

Fiscal Year: The State's fiscal year commences on April 1 and ends on March 31. The term fiscal year refers to the fiscal year of the State unless the context clearly indicates otherwise.

Fund Accounting: The accounts of the State are presented on the basis of GAAP funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GAAP: GAAP refers to generally accepted accounting principles for state and local governments, which are the uniform minimum standards of and guidelines for financial accounting and reporting prescribed by GASB. GAAP requires that the government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise funds, component units and the fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance expenditures. Expenditures and related liabilities are recognized in the accounting period they are incurred to the extent they are expected to be paid within the next 12 months, under the modified accrual basis of accounting.

General Fund: The General Fund, one of the four GAAP-defined governmental fund types, is the major operating fund of the State and receives all receipts that are not required by law to be deposited in another fund, including most State tax receipts and certain fees, transfers from other funds and miscellaneous receipts from other sources.

General Obligation bonds: Long-term obligations of the State, used to finance capital projects. These obligations must be authorized by the voters in a general election, are issued by the Comptroller, and are backed by the full faith and credit of the State. Under current provisions of the Constitution, only one bond issue may be put before the voters at each general election, and it must be for a single work or purpose. Debt service must be paid from the first available taxes whether or not the Legislature has enacted the required appropriations for such payments.

General State Charges: Costs mandated by statute or court decree or by agreements negotiated with employee unions for which the State is liable, including: pensions; health, dental and optical benefits; payments on behalf of State employees for Social Security; unemployment insurance benefits; employee benefit programs; court judgments and settlements; assessments for local improvements; and taxes on public lands.

Governmental Activities: Governmental activities describes those operations that are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues and are reported in the governmental funds.

Governmental Funds: Governmental funds refers to a category of GAAP-defined funds which account for most governmental functions and which, for the State, include four GAAP-defined governmental fund types: the General Fund, Special Revenue Funds, Debt Service Funds, and

Capital Projects Funds. The State's projections of receipts and disbursements in the governmental funds comprise the State Financial Plan.

Interfund Transfers: Under GAAP fund accounting principles, each fund is treated as a separate fiscal and accounting unit with limitations on the kinds of disbursements to be made. To comply with these limitations, moneys are moved from one fund to another to make them available for use in the proper fund, and are accounted for as "interfund transfers".

Lease-Purchase Financing: Lease-purchase financing is an arrangement pursuant to which the State leases facilities from a public benefit corporation or municipality for a term not less than the amortization period of the debt obligations issued by the public benefit corporation or municipality to finance acquisition and construction, and pays rent which is used to pay debt service on the obligations. At the expiration of the lease, title to the facility vests in the State in most cases. Generally, the State's rental payments are expressly subject to annual appropriation by the Legislature and availability of moneys to the State for the purposes thereof.

Local Assistance: Disbursements of State grants to counties, cities, towns, villages, school districts and other local entities, certain contractual payments to localities, and financial assistance to, or on behalf of, individuals and not-for-profit organizations.

Moral obligation debt: Long-term bonds issued by certain State public benefit corporations which are essentially supported by their own revenues. Moral obligation debt is not incurred pursuant to a referendum, is not State-supported debt, and is not backed by the full faith and credit of the State. However, the authorities selling such obligations have been allowed to establish procedures where, under certain conditions, the State may be requested to meet deficiencies in debt service reserve funds supporting such bonds. An appropriation must be enacted by the Legislature to meet any such request.

Official Statement: A disclosure document prepared to accompany an issuance of bonds, notes and certificates of participation offered for sale by the State or its public authorities. Its primary purpose is to provide prospective bond or note purchasers sufficient information to make informed investment decisions. It describes, among other things, the issuer, the project or program being financed and the security behind the bond issue.

PAYGO financing: The use of current State resources (as opposed to bonds 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.

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.

Tax Stabilization Reserve Fund: This fund was created to hold surplus revenue that can be used in the event of any unanticipated General Fund deficit. Amounts within this fund can be borrowed to cover any year-end deficit and must be repaid within six years in no less than three equal annual installments. The fund balance cannot exceed two percent of General Fund disbursements for the fiscal year; contributions are limited to two-tenths of one percent of General Fund disbursements in that year.



Exhibit F to AIS - Glossary of Acronyms

[THIS PAGE INTENTIONALLY LEFT BLANK]

| | |
|-------|---|
| AAA | Area Agencies on Aging |
| ACA | Affordable Care Act |
| ACT | Assertive Community Treatment |
| ADW | Advanced Deposit Wagering |
| AG | Attorney General |
| AIG | American International Group, Inc. |
| AIM | Aid and Incentives for Municipalities |
| ALICO | American Life Insurance Company |
| AML | Anti-Money Laundering |
| AMTAP | Additional Mass Transportation Assistance Program |
| APCD | All-Payer Claims Database |
| ARC | Annual Required Contribution |
| ARRA | American Recovery and Reinvestment Act of 2009 |
| AXA | AXA Equitable Life Insurance Company |
| BAN | Bond Anticipation Note |
| BARBS | Building Aid Revenue Bonds |
| BEA | Bureau of Economic Analysis |
| BHP | Basic Health Plan |
| BIP | Balancing Incentive Program |
| BNPP | BNP Paribas, S.A., New York Branch |
| BOCES | Boards of Cooperative Educational Services |
| BofA | Bank of America |
| BSA | Bank Security Act |
| BTMU | Bank of Tokyo-Mitsubishi UFJ, Ltd. |
| CHIPs | Consolidated Local Street & Highway Improvement Program |
| CHP | Child Health Plus |
| CMS | Centers for Medicare and Medicaid Services |
| COLA | Cost of Living Adjustment |
| CPI | Consumer Price Index |
| CSEA | Civil Service Employees Association |
| CUNY | City University of New York |
| DA | District Attorney |
| DAB | Departmental Appeals Board |
| DANY | New York County District Attorney |
| DASNY | Dormitory Authority of the State of New York |
| DC-37 | District Council-37 |
| DCJS | Division of Criminal Justice Services |
| DDPC | Developmental Disabilities Planning Council |
| DEC | Department of Environmental Conservation |
| DelAm | Delaware American Life Insurance Company |
| DFS | Department of Financial Services |
| DHBTf | Dedicated Highway and Bridge Trust Fund |
| DIIF | Dedicated Infrastructure Investment Fund |
| DMV | Department of Motor Vehicles |
| DOB | Division of the Budget |
| DOCCS | Department of Corrections and Community Supervision |
| DOH | Department of Health |
| DOL | Department of Labor |
| DOS | Department of State |
| DOT | Department of Transportation |
| DRP | Deficit Reduction Plan |
| DRRF | Debt Reduction Reserve Fund |
| DS | Debt Service |
| DSHP | Designated State Health Program |
| DSP | Division of State Police |

Exhibit F - Glossary of Acronyms

| | |
|----------|--|
| DSRIP | Delivery System Reform Incentive Payment |
| DTF | Department of Taxation and Finance |
| ECEP | Employer Compensation Expense Program |
| EFC | Environmental Facilities Corporation |
| EI | Early Intervention |
| EPF | Environmental Protection Fund |
| EPIC | Elderly Pharmaceutical Insurance Coverage |
| ERS | Employees' Retirement System |
| ESD | Empire State Development |
| ESPRI | Empire State Poverty Reduction Initiative |
| ETIP | Employee Training Incentive Program |
| FEMA | Federal Emergency Management Agency |
| FHP | Family Health Plus |
| FPG | Fortis Property Group |
| FTE | Full-Time Equivalent |
| FY | Fiscal Year |
| GAAP | Generally Accepted Accounting Principles |
| GASB | Governmental Accounting Standards Board |
| GDP | Gross Domestic Product |
| GEA | Gap Elimination Adjustment |
| GLIP | Group Life Insurance Plan |
| GOER | Governor's Office of Employee Relations |
| GPHW | General Public Health Work |
| GSCs | General State Charges |
| GSEU | Graduate Student Employees Union |
| HCRA | Health Care Reform Act |
| HESC | Higher Education Services Corporation |
| HHS | Health & Human Services |
| IAAF | Interim Access Assurance Fund |
| ICF/IID | Intermediate Care Facilities for Individuals with Intellectual Disabilities |
| ICF/DD | Intermediate Care Facilities for Individuals with Developmental Disabilities |
| IPO | Initial Public Offering |
| IT | Information Technology |
| ITS | Information Technology Services |
| LGAC | Local Government Assistance Corporation |
| LICH | Long Island College Hospital |
| LIPA | Long Island Power Authority |
| LLC | Limited Liability Company |
| MA | Medicaid |
| MCTD | Metropolitan Commuter Transportation District |
| MMTOA | Metropolitan Mass Transportation Operating Assistance Account |
| MP-2014 | Mortality Improvement Scale - MP-2014 |
| MRT | Medicaid Redesign Team |
| MTA | Metropolitan Transportation Authority |
| MTACIF | Metropolitan Transit Assistance for Capital Investment Fund |
| NPS | Non-Personal Service |
| NYC | New York City |
| NYPA | New York Power Authority |
| NYRA | New York Racing Association |
| NYS | New York State |
| NYSAGI | New York State Adjusted Gross Income |
| NYSCOPBA | New York State Correctional Officers and Police Benevolent Association |
| NYSHIP | New York State Health Insurance Program |
| NYSLRS | New York State & Local Retirement System |
| NYSOH | New York State of Health |
| NYSPBA | The Police Benevolent Association of the New York State Troopers, Inc. |

| | |
|---------|---|
| NYSTA | New York State Thruway Authority |
| NYU | New York University |
| OASAS | Office of Alcoholism and Substance Abuse Services |
| OCA | Office of Court Administration |
| OCFS | Office of Children and Family Services |
| OMH | Office of Mental Health |
| OPEB | Other Post-Employment Benefits |
| OPWDD | Office for People with Developmental Disabilities |
| OSC | Office of the State Comptroller |
| OTDA | Office of Temporary and Disability Assistance |
| PAYGO | Pay-As-You-Go |
| PBA | Police Benevolent Association |
| PBANYS | Police Benevolent Association of New York State |
| PBT | Petroleum Business Tax |
| PwC | PricewaterhouseCoopers LLP |
| PEF | Public Employees Federation |
| PFRS | Police and Fire Retirement System |
| PI | Personal Income |
| PIT | Personal Income Tax |
| PS | Personal Service |
| QHP | Qualified Health Plan |
| RBTF | Revenue Bond Tax Fund |
| RFP | Request for Proposals |
| SCB NY | Standard Chartered Bank, New York Branch |
| SEIT | Special Education Itinerant Teacher |
| SFY | School Fiscal Year |
| SHIN-NY | Statewide Health Information Network for New York |
| SIF | State Insurance Fund |
| SOF | State Operating Funds |
| SOFA | State Office for the Aging |
| SONYMA | State of New York Mortgage Agency |
| SPIF | State Parks Infrastructure Fund |
| SRO | State Special Revenue |
| SSI | Supplemental Security Income |
| STAR | School Tax Relief |
| STARC | Sales Tax Asset Receivable Corporation |
| STEM | Science, Technology, Engineering and Math |
| STIP | Short-Term Investment Pool |
| SUNY | State University of New York |
| SY | School Year |
| TA | Transit Authority |
| TANF | Temporary Assistance for Needy Families |
| TAP | Tuition Assistance Program |
| TCJA | Tax Cuts and Jobs Act of 2017 |
| TIAA | Teachers Insurance and Annuity Association - College Retirement Equities Fund |
| TSCR | Tribal State Compact Revenue |
| UDSA | Utility Debt Securitization Authority |
| U.S. | United States |
| UUP | United University Professions |
| VLG | Video Lottery Gaming |
| VLT | Video Lottery Terminal |
| WCB | Workers' Compensation Board |

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B-I

SUMMARY OF CERTAIN PROVISIONS OF DORMITORY AUTHORITY OF THE STATE OF NEW YORK STATE SALES TAX REVENUE BONDS 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 Sales Tax Revenue Bonds 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 Chair, the Vice Chair, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director or President, the Deputy Executive Director or Vice President, 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 Sales Tax Revenue Bonds 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 Sales Tax Revenue Bonds 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.

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 Acts.

(Section 103)

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 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 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 Sales Tax Revenue Bonds” 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 Sales Tax Revenue Bonds", 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 Sales Tax Revenue Bonds"

1. Debt Service Fund,
2. Rebate Fund,
3. Bond Proceeds Fund,
4. Administrative Fund,
5. 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)

Debt Service Fund

There shall be deposited promptly upon receipt by the Trustee to the credit of the Debt Service Fund all Revenues.

Financing Agreement Payments together with any other Pledged Property deposited in the Debt Service 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 Debt Service Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, as set forth and in the amounts needed for the purposes set forth in the following paragraph, second, to the Rebate Fund, third, to the Subordinated Payment Fund and, fourth, to the Administrative Fund. 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:

- (a) The interest due on all Outstanding Bonds on such Interest Payment Date;
- (b) The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;
- (c) The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;
- (d) The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and
- (e) 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 503)

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 Debt Service 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 504)

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 the 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 69-n 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 Debt Service Fund. Notwithstanding the foregoing, 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 applicable Series of 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 Debt Service 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.

(Section 505)

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 506)

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, plus investment income thereon, exceeds the amount reasonable and necessary for Issuer Expenses, the Issuer shall promptly direct the Trustee to pay the excess to the Debt Service Fund.

(Section 507)

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 Debt Service 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.

(Section 508)

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 509)

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 SALES 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 as described under “Special Provisions for Additional Bonds” below.

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 69-m.

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.

Balloon Indebtedness shall mean any Bonds of a Series described in clause (2)(ii) of the definition of Calculated Debt Service.

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 as described under “Bond Anticipation Notes” below.

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 (i) Put Bonds and (ii) 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, (x) 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 (y) 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 or entered into 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-F 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 69-o, 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 Sales Tax 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, depository 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, depository 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) notes, bonds, debentures, mortgages, and other evidences of indebtedness, issued or guaranteed at the time of the investment by any United States government sponsored agency, corporation or entity 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, or the same rating as the United States of America.

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 102% of the investment value based upon daily valuations of 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 for commercial paper (including refinement or gradation of such rating by a numerical modifier or otherwise) 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,

(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 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 to the Resolution, 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 in the Resolution 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 constituting State-Supported Debt and previously issued or incurred by a public corporation in the State, and not under this 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, but for purposes of refunding Prior Obligations under the Resolution, means any purposes for which State-Supported Debt is or has been issued.

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, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, (i) with respect to any Interest Payment Date that falls on the fifteenth (15th) day of the month, the last day of the calendar month preceding such Interest Payment Date, and (ii) with respect to any Interest Payment Date that falls on any other day of the month, the fifteenth (15th) day of the calendar month preceding such 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 as described under “Refunding Bonds” below, 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 Sales Tax Revenue Bond Tax Fund pursuant to Section 92-h 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, (iii) any payments received by the Issuer from the federal government, as a credit or debt service subsidy relating to, or measured by, payments of principal or interest on Bonds, as may be determined, and solely to the extent so provided, by the Issuer pursuant to a Supplemental Resolution to constitute “revenues,” and (iv) interest received or to be received on any moneys or securities held pursuant to the Resolution.

Sales Tax Revenue Bond Tax Fund shall mean the fund established by Section 92-h of the State Finance Law.

Section 92-h shall mean section 92-h of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 69-m shall mean section 69-m of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 69-n shall mean section 69-n of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 69-o shall mean section 69-o 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 hereafter 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.

State Sales Tax Revenue Bonds shall mean any notes, bonds or other obligations issued by an Authorized Issuer pursuant to the Enabling Act.

State-Supported Debt shall mean state-supported debt as defined in Section 67-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time, other than debt for which the full faith and credit of the State is pledged to pay debt service.

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, or Prior Obligations, 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 a date other than as provided in the definition thereof;
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 the sum of (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) 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 Sales Tax Revenue Bond Tax Fund; provided, however, that if any taxes, fees, fines, penalties or other monies that are required to be deposited into such fund (a) were not so required to be deposited for all of such 12 calendar months, or (b) were required to be deposited into such fund pursuant to Section 92-h, subdivision 2 but at a lower rate of taxation than in effect on or after the date of issuance of such Series of Additional Bonds pursuant to such Section 92-h, such certificate may nevertheless include the full amount of all such taxes, fees, fines, penalties, or other monies as if those amounts were 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) on outstanding State Sales Tax Revenue Bonds or related parity reimbursement obligations issued by all Authorized Issuers pursuant to the Enabling Act, which State Sales Tax Revenue Bonds or parity reimbursement obligations are secured by payments to be made from the Sales Tax Revenue Bond Tax Fund for each State Fiscal Year for which such State Sales Tax Revenue 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 (i) Outstanding Bonds or Parity Reimbursement Obligations and/or (ii) outstanding State Sales Tax Revenue Bonds or related parity reimbursement obligations issued by an Authorized Issuer pursuant to the Enabling Act ((i) and (ii) being collectively referred to herein, as the “Prior State Sales Tax Revenue Obligations”) shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

- (1) If the Prior State Sales Tax Revenue Obligations to be refunded are to be redeemed, irrevocable instructions from the applicable Authorized Issuer to the trustee for such Prior State Sales Tax Revenue Obligations, satisfactory to it, to give due notice of redemption of all the Prior State Sales Tax Revenue Obligations to be refunded on a redemption date specified in such instructions;
- (2) If Prior State Sales Tax Revenue Obligations to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions or in the general resolution pursuant to which such Prior State Sales Tax Revenue Obligations were issued to the holders of the Prior State Sales Tax Revenue Obligations being refunded;
- (3) If Prior State Sales Tax Revenue Obligations 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 Prior State Sales Tax Revenue Obligations to be refunded, together with accrued interest on such Prior State Sales Tax Revenue Obligations to the maturity or redemption date, which money shall be held by the trustee for such Prior State Sales Tax Revenue Obligations or any one or more of the applicable paying agents for such Prior State Sales Tax Revenue Obligations in a separate account irrevocably in trust for and assigned to the respective holders of such Prior State Sales Tax Revenue Obligations 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 or the corresponding section or sections of the general resolution pursuant to which such Prior State Sales Tax Revenue Obligations were issued, 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 the Director of the Budget (a) setting forth (I) the greatest amount of calculated debt service on all outstanding State Sales Tax Revenue Bonds and parity reimbursement obligations for any future State Fiscal Year (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Prior State Sales Tax Revenue Obligations to be refunded or purchased) and (II) the greatest amount of calculated debt service on all outstanding State Sales Tax Revenue 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 Prior State Sales Tax Revenue Obligations to be refunded but excluding the Refunding Bonds), and (b) stating that the greatest amount of calculated debt service on all outstanding State Sales Tax Revenue Bonds and parity reimbursement obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (a)(I) above is not greater than the greatest amount of calculated debt service on all outstanding State Sales Tax Revenue Bonds and parity reimbursement obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (a)(II) above; or
- (ii) the certificates required by the Standard Resolution Provisions as described under “Special Provisions for Additional Bonds” above with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Bonds then proposed to be issued will be Outstanding but the Prior State Sales Tax Revenue Obligations to be refunded will no longer be outstanding under the general resolution pursuant to which such Prior State Sales Tax Revenue Obligations were issued.

(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 that are not Prior State Sales Tax Revenue 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 as described under “Special Provisions for Additional Bonds” above; 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, as described under “Powers of Amendment” and “Modifications by Unanimous Consent” below, and following a default as described under “Events of Default” and “Remedies” below, 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.

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.

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.

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.

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.

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.

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 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

Except as otherwise provided by Supplemental Resolution:

1. 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, and, if any maturity shall include Bonds bearing different interest rates and all Bonds of such maturity are not being redeemed, the interest rate of the Bonds so elected. The Series designation, maturities, interest rates 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.

2. 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.

3. 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 this paragraph) 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 Resolution, 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 Sales Tax Revenue Bond Tax Fund pursuant to Section 92-h, nor to maintain such taxes or the sources of any other funds at any minimum level, nor to refrain from amending, repealing, modifying or otherwise altering statutes imposing or relating to such taxes, and moneys in the Sales Tax

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-h with respect to moneys on deposit in the Sales Tax 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 as described under “Certificate of the Director of the Budget” below 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-h 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 Sales Tax 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; and
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 Sales Tax Revenue Bond Tax Fund in accordance with Section 92-h, 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 Sales Tax Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Sales Tax Revenue Bond Tax Fund and (ii) the monthly amounts provided for in paragraph (a) above required to be deposited to the Sales Tax Revenue Bond Tax Fund in such month is equal to one fifth of the interest due on such obligations on the next succeeding Interest Payment Date multiplied by the number of months from the last such payment and one eleventh of the next Principal Installment due on such obligations multiplied by the number of months from the last such Principal Installment where principal is due on an annual basis or one fifth of the next Principal Installment due on such obligations multiplied by the number of months from the last such Principal Installment where principal is due on a semiannual basis. For the purpose of meeting the Issuer's cash requirements that are due on a monthly basis or more frequently, the Comptroller shall set aside all amounts in the Sales Tax Revenue Bond Tax Fund until the amount so set aside is, in the reasonable judgment of the Director of the Budget as set forth in such certificate, sufficient to make the required payment on or before such payment date. The foregoing set asides are intended to satisfy the monthly cash requirements, as required by 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-h 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-h.

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-h. 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 Obligations, 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 69-o shall be deemed executory only to the extent of appropriations available for payments under Section 69-o 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 as described under “Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations” above) 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 69-o providing for the specific manner, timing and amount of payments to be made under Section 69-o 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 Section 1105 and Section 1110 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 69-o, 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 either of paragraphs (a) or (b) below. (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.)

(a) 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 Sales Tax 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-h and paragraph (a) of subdivision 5 of Section 92-h may be amended to delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-h 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 described under “Adoption and Filing” through “Notation on Bonds” below, and shall include events of default to the effect of those contained in the Standard Resolution described in paragraphs (a), (f) and (g) under “Events of Default” below Provisions and shall grant the remedies contained in the Standard Resolution Provisions described under “Remedies” below, 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, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions described under “Defeasance” below; 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 described in the first paragraph under “Agreement with the State” above; 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 paragraph (a) (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 provided in this paragraph).

(b) 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 below 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 paragraph (b) (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 provided in this paragraph). No such assumption, extinguishment and substitution pursuant to this paragraph 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 paragraph 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 paragraph, 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 provided in this paragraph) 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 provided in this paragraph). 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 paragraph 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.

(c) 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 Sales Tax 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 of the Resolution, 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 clause (18) above, 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 as described under "Further Assurances" above 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 described under "Adoption and Filing," "Supplemental Resolutions Effective Upon Adoption" and "Supplemental Resolutions Effective with Consent of Trustee" above 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 such Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of the 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 described under “Consent of Bondholders” below, (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 described under “Powers of Amendment” above, 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 provided 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 described under “Powers of Amendment” above, 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 this section 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 Holders of the Bonds of a Series, shall be deemed to have irrevocably consented to a modification or amendment permitted by the Standard Resolution Provisions described under “Powers of Amendment” above and under “Modifications by Unanimous Consent” below; where the Supplemental Resolution authorizing such Bonds of a Series sets forth the terms of such modification or amendment; and where the terms of the modification or

amendment 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 described under “Powers of Amendment,” “Consent of Bondholders” and “Modifications by Unanimous Consent” above, 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 such 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 described under “Adoption and Filing” through “Exclusion of Bonds” above 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 69-n, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-h 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 69-o 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-h, 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-h, in connection with financings for any Authorized Purpose authorized by Section 69-n, 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 69-n; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 69-o or Section 92-h, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 69-n; 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 this section or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 69-o 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 Sales Tax 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 paragraph (a) under “Events of Default” above, 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 69-n 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 above-described powers granted in the Resolution, 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 described under "Extension of Payment of Bonds" above. 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 Standard Resolution Provisions described under "Extension of Payment of Bonds" above.

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 over 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 nor 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, however, that* any money on deposit with the Trustee, (i) to the extent such money will not be required at any time for such purpose, shall be paid over to the Issuer as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution, and (ii) to the extent such money will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient, together with any money available to the Trustee for such purpose, 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 or maturity date thereof, as the case may be. Notwithstanding any other provision hereof, the Issuer may at the time of defeasance elect to retain the right to redeem or require the tender of any obligations deemed paid pursuant to this paragraph. The Trustee shall, at the direction of the Issuer, select the Bonds or portions thereof that are deemed to have been paid in advance of the redemption of such Bonds. 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 and 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 of the Resolution 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 provisions of the Resolution.

(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 Resolution 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 described under “Adoption and Filing” through “Notation on Bonds” above. 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

FORM OF FINANCING AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

FORM OF FINANCING AGREEMENT

STATE SALES TAX REVENUE BONDS FINANCING AGREEMENT (the “Financing Agreement”), dated as of October 1, 2013, 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-F 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 Sales Tax Revenue Bonds General Bond Resolution on September 11, 2013 (including Annex A thereto), and one or more Supplemental Resolutions (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 Sales Tax Revenue Bonds, 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, other than with respect to Balloon Indebtedness or Variable Interest Rate Bonds, 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 be as nearly equal as practicable taking into account the probable life of projects being financed.

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 Sales Tax Revenue 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, or other applicable disclosure, 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 Sales Tax Revenue Bond Tax Fund and other sources authorized under Section 69-n, 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 69-o 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 Sales Tax 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 Sinking Fund Installments) 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 therefor 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 interests 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, the interests of the Holders of Bonds or holders of 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 Sales Tax 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 therefor 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: _____

Supplemental Schedule ____ to
Dormitory Authority of the State of New York
State Sales Tax Revenue Bonds Financing Agreement
dated October 1, 2013 (the "Financing Agreement")

Pursuant to Section 1.5 of the Financing Agreement, the following Bonds are hereby made subject to the Financing Agreement for all purposes, including, but not limited to, debt service and related payments on the Bonds.

\$ _____
Dormitory Authority of the State of New York
State Sales Tax Revenue Bonds
Series _____

Dated: _____

Approved:

Dormitory Authority of the
State of New York

Certified:

State of New York

By: _____
Authorized Officer

By: _____
Director of the Budget,
State of New York

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

PROPOSED FORMS OF CO-BOND COUNSEL OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 2018 BONDS

Upon delivery of the Series 2018 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
7 WORLD TRADE CENTER, 250 GREENWICH STREET, 41ST FLOOR
NEW YORK, NEW YORK 10007-2442

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 the Authority’s \$1,707,610,000 aggregate principal amount of State Sales Tax Revenue Bonds, Series 2018C (Tax-Exempt) (the “Series 2018C Bonds”) and \$73,905,000 aggregate principal amount of State Sales Tax Revenue Bonds, Series 2018D (Federally Taxable) (the “Series 2018D Bonds” and together with the Series 2018C Bonds, the “Series 2018 Bonds”).

The Series 2018 Bonds are issued under and pursuant to the Dormitory Authority Act, Sections 56 through 59, inclusive, of Part HH of Chapter 57 of the Laws of New York of 2013 (the “Enabling Act”), and the State Sales Tax Revenue Bonds General Bond Resolution adopted by the Authority on September 11, 2013 (the “Bond Resolution”), as supplemented by Supplemental Resolution 2018-2 Authorizing State Sales Tax Revenue Bonds adopted by the Authority on May 9, 2018 (the “Series 2018 Supplemental Resolution”). The Bond Resolution and the Series 2018 Supplemental Resolution 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 2018 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 Sales 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 Sales Tax Revenue Bond Tax Fund established by Section 92-h of the New York State Finance Law (the “Sales Tax Bond 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 2018 Bonds have or will have a lien on the monies on deposit in the Sales Tax Bond 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 Sections 1105 and 1110 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 2018 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 2018 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 2018 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2018 Bonds.

5. The Financing Agreement dated as of October 1, 2013, between the Authority and the Director of the Budget of the State of New York (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 2018C 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 2018C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed 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 for taxable years beginning prior to January 1, 2018. 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 New York State Department of Transportation ("DOT"), the New York State Thruway Authority (the "Thruway 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 Corrections and Community Supervision ("DOCCS") and others, and we have assumed compliance by the Authority, DOT, the Thruway Authority, SUNY, SUCF, CUNY, CUCF and, DOCCS with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2018C Bonds from gross income under Section 103 of the Code.

7. Interest on the Series 2018D Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

8. Under existing statutes, interest on the Series 2018 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 as to any other federal, state or local tax consequences arising with respect to the Series 2018 Bonds, or the ownership or disposition thereof, except as stated in paragraphs 6, 7 and 8 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2018C Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2018 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 2018C Bond and an executed Series 2018D 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 GOLDEN HOLLEY JAMES LLP,
CO-BOND COUNSEL TO DASNY FOR THE SERIES 2018 BONDS

Upon delivery of the Series 2018 Bonds, Golden Holley James LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

GOLDEN HOLLEY JAMES LLP
ONE GRAND CENTRAL PLACE,
60 EAST 42ND STREET, SUITE 4700
NEW YORK, NEW YORK 10017

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 the Authority’s \$1,707,610,000 aggregate principal amount of State Sales Tax Revenue Bonds, Series 2018C (Tax-Exempt) (the “Series 2018C Bonds”) and \$73,905,000 aggregate principal amount of State Sales Tax Revenue Bonds, Series 2018D (Federally Taxable) (the “Series 2018D Bonds” and together with the Series 2018C Bonds, the “Series 2018 Bonds”).

The Series 2018 Bonds are issued under and pursuant to the Dormitory Authority Act, Sections 56 through 59, inclusive, of Part HH of Chapter 57 of the Laws of New York of 2013 (the “Enabling Act”), and the State Sales Tax Revenue Bonds General Bond Resolution adopted by the Authority on September 11, 2013 (the “Bond Resolution”), as supplemented by Supplemental Resolution 2018-2 Authorizing State Sales Tax Revenue Bonds adopted by the Authority on May 9, 2018 (the “Series 2018 Supplemental Resolution”). The Bond Resolution and the Series 2018 Supplemental Resolution 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 2018 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 Sales 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 Sales Tax Revenue Bond Tax Fund established by Section 92-h of the New York State Finance Law (the “Sales Tax Bond 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 2018 Bonds have or will have a lien on the monies on deposit in the Sales Tax Bond 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 Sections 1105 and 1110 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 2018 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 2018 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 2018 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2018 Bonds.

5. The Financing Agreement dated as of October 1, 2013, between the Authority and the Director of the Budget of the State of New York (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.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2018 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 2018C Bond and an executed Series 2018D Bond and, in our opinion, the forms of said Bonds and their execution are regular and proper.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF MASTER CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF MASTER CONTINUING DISCLOSURE AGREEMENT

THIS MASTER CONTINUING DISCLOSURE AGREEMENT dated as of October 1, 2013 (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.

“Authorized Issuer” shall mean, individually, the Dormitory Authority of the State of New York, 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.

“Authorizing Document” shall mean the applicable Authorized Issuer’s State Sales Tax Revenue Bond General Resolution, including Annex A thereto, as supplemented and amended from time to time.

“Bonds” shall mean all of the State Sales 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-F of the New York 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, 2014, 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, 2014, 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 Section 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 SALES TAX REVENUE BONDS”, and “PART 4— SOURCES OF NEW YORK STATE SALES TAX RECEIPTS FOR THE SALES TAX REVENUE BOND TAX FUND”* which shall include information relating to the following:

(1) a description of the sales tax imposed by Section 1105 and Section 1110 of the New York State Tax Law, which shall include a description of the tax rates, the tax base and the components of the State sales tax (unless the sales 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 Sales Tax Receipts, and deposits to the Sales Tax Revenue Bond Tax Fund, or the historical equivalent, for a period of at least the five most recent completed State 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-1101(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 Documents 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 become effective with respect to the State, the Dormitory Authority of the State of New York and The Bank of New York Mellon, as trustee under the Authority's Authorizing Document, as of October 1, 2013, but as to each other party hereto, this Agreement shall not become effective as to such party until the date of such party's execution of this Agreement by its duly authorized officer.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Master Continuing Disclosure Agreement as of the respective dates set forth below.

AUTHORIZED ISSUERS:

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

**NEW YORK STATE THRUWAY
AUTHORITY**

By: _____
Name:
Title:
Date:

By: _____
Name:
Title:
Date:

**NEW YORK STATE URBAN DEVELOPMENT
CORPORATION**
d/b/a Empire State Development Corporation

By: _____
Name:
Title:
Date:

THE STATE OF NEW YORK

Obligated Person

By Thomas P. DiNapoli, Comptroller

By: _____

Name:

Title:

Date:

By Robert L. Megna, Director of the Budget

By: _____

Name:

Title:

Date:

TRUSTEES:

THE BANK OF NEW YORK MELLON,
*as Trustee for the benefit of Dormitory Authority of the State
of New York Bondholders*

By: _____
Authorized Signatory

Date: _____

[Signature Page to New York State Sales Tax Revenue Bonds
Master Continuing Disclosure Agreement]

*as Trustee for the benefit of New York State
Thruway Authority Bondholders*

By: _____
Authorized Signatory

Date: _____

[Signature Page of Trustee to New York State Sales Tax Revenue Bonds
Master Continuing Disclosure Agreement]

*as Trustee for the benefit of New York State
Urban Development Corporation Bondholders*

By: _____
Authorized Signatory

Date: _____

[Signature Page of Trustee to New York State Sales Tax Revenue Bonds
Master Continuing Disclosure Agreement]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

SUMMARY OF REFUNDED BONDS

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

SUMMARY OF REFUNDED BONDS

The following is a list, by issuer, of the bonds that DASNY will refund with a portion of the proceeds of the Series 2018C Bonds and the Series 2018D Bonds, together with other available funds. All of the bonds listed below are the Refunded Bonds as described in “PART 7—THE REFUNDING PLAN.”

DASNY Bonds

| Series | CUSIP [†] Number | Maturity Date | Coupon | Outstanding Principal | Principal Refunded | Redemption Date | Redemption Price |
|--|------------------------------|------------------|--------|--------------------------|-----------------------|--------------------|---------------------|
| <i>City University System, Consolidated Fifth General Resolution Revenue Bonds, Series 2008A</i> | 64990HM56 | 07/01/2019 | 5.000% | \$ 530,000 | \$ 530,000 | 08/23/2018 | 100% |
| <i>City University System, Consolidated Fifth General Resolution Revenue Bonds, Series 2008B</i> | 64983M2P2 | 07/01/2020 | 4.300% | \$ 1,705,000 | \$ 1,705,000 | 08/23/2018 | 100% |
| | 64983M2Q0 | 07/01/2021 | 5.000 | 44,190,000 | 44,190,000 | 08/23/2018 | 100 |
| | 64983M2R8 | 07/01/2022 | 5.000 | 40,035,000 | 40,035,000 | 08/23/2018 | 100 |
| | 64983M2S6 | 07/01/2024 | 4.600 | 710,000 | 710,000 | 08/23/2018 | 100 |
| | 64983M2T4 | 07/01/2025 | 5.000 | 9,870,000 | 9,870,000 | 08/23/2018 | 100 |
| | 64983M2U1 | 07/01/2026 | 5.000 | 10,670,000 | 10,670,000 | 08/23/2018 | 100 |
| | 64983M2V9 | 07/01/2027 | 5.000 | 4,955,000 | 4,955,000 | 08/23/2018 | 100 |
| | 64983M2W7 | 07/01/2028 | 4.800 | 2,920,000 | 2,920,000 | 08/23/2018 | 100 |

New York State Urban Development Corporation Bonds

| Series | CUSIP [†] Number | Maturity Date | Coupon | Outstanding Principal | Principal Refunded | Redemption Date | Redemption Price |
|---|------------------------------|------------------|--------|--------------------------|-----------------------|--------------------|---------------------|
| <i>Service Contract Revenue Refunding Bonds, Series 2008B</i> | 650035LD8 | 01/01/2019 | 4.300% | \$ 5,325,000 | \$ 5,325,000 | 08/20/2018 | 100% |
| | 650035LE6 | 01/01/2019 | 5.000 | 20,885,000 | 20,885,000 | 08/20/2018 | 100 |
| | 650035LF3 | 01/01/2020 | 4.300 | 1,565,000 | 1,565,000 | 08/20/2018 | 100 |
| | 650035LG1 | 01/01/2020 | 5.000 | 26,115,000 | 26,115,000 | 08/20/2018 | 100 |
| | 650035LH9 | 01/01/2021 | 4.500 | 1,375,000 | 1,375,000 | 08/20/2018 | 100 |
| | 650035LJ5 | 01/01/2021 | 5.000 | 33,260,000 | 33,260,000 | 08/20/2018 | 100 |
| | 650035LK2 | 01/01/2022 | 4.600 | 1,145,000 | 1,145,000 | 08/20/2018 | 100 |
| | 650035LL0 | 01/01/2022 | 5.250 | 43,790,000 | 43,790,000 | 08/20/2018 | 100 |
| | 650035LM8 | 01/01/2023 | 4.625 | 1,315,000 | 1,315,000 | 08/20/2018 | 100 |
| | 650035LN6 | 01/01/2023 | 5.250 | 45,700,000 | 45,700,000 | 08/20/2018 | 100 |
| | 650035LP1 | 01/01/2024 | 4.625 | 1,235,000 | 1,235,000 | 08/20/2018 | 100 |
| | 650035LQ9 | 01/01/2024 | 5.250 | 41,225,000 | 41,225,000 | 08/20/2018 | 100 |
| | 650035LR7 | 01/01/2025 | 4.700 | 295,000 | 295,000 | 08/20/2018 | 100 |
| | 650035LS5 | 01/01/2025 | 5.250 | 44,245,000 | 44,245,000 | 08/20/2018 | 100 |
| | 650035LT3 | 01/01/2026 | 4.750 | 385,000 | 385,000 | 08/20/2018 | 100 |
| | 650035LU0 | 01/01/2026 | 5.000 | 23,830,000 | 23,830,000 | 08/20/2018 | 100 |
| | 650035LV8 | 01/01/2027 | 4.800 | 560,000 | 560,000 | 08/20/2018 | 100 |
| | 650035LW6 | 01/01/2027 | 5.000 | 24,730,000 | 24,730,000 | 08/20/2018 | 100 |
| | 650035LX4 | 01/01/2028 | 4.800 | 2,290,000 | 2,290,000 | 08/20/2018 | 100 |
| | 650035LY2 | 01/01/2028 | 5.000 | 18,560,000 | 18,560,000 | 08/20/2018 | 100 |
| | 650035LZ9 | 01/01/2029 | 4.750 | 15,775,000 | 15,775,000 | 08/20/2018 | 100 |
| | 650035MA3 | 01/01/2030 | 4.875 | 6,705,000 | 6,705,000 | 08/20/2018 | 100 |

† Copyright, American Bankers Association. CUSIP numbers have been assigned by CUSIP Global Services 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.

| Series | CUSIP[†] Number | Maturity Date | Coupon | Outstanding Principal | Principal Refunded | Redemption Date | Redemption Price |
|--|-------------------------------------|--------------------------|---------------|----------------------------------|-------------------------------|----------------------------|-----------------------------|
| <i>Service Contract Revenue Refunding Bonds, Series 2008C</i> | | | | | | | |
| | 650035MU9 | 01/01/2019 | 4.000% | \$ 2,385,000 | \$ 2,385,000 | 08/20/2018 | 100% |
| | 650035MV7 | 01/01/2019 | 5.000 | 5,175,000 | 5,175,000 | 08/20/2018 | 100 |
| | 650035MW5 | 01/01/2020 | 4.250 | 1,925,000 | 1,925,000 | 08/20/2018 | 100 |
| | 650035MX3 | 01/01/2020 | 5.000 | 5,965,000 | 5,965,000 | 08/20/2018 | 100 |
| | 650035MY1 | 01/01/2021 | 5.000 | 9,695,000 | 9,695,000 | 08/20/2018 | 100 |
| | 650035MZ8 | 01/01/2022 | 5.000 | 12,410,000 | 12,410,000 | 08/20/2018 | 100 |
| | 650035NA2 | 01/01/2023 | 4.500 | 4,590,000 | 4,590,000 | 08/20/2018 | 100 |
| | 650035NB0 | 01/01/2023 | 5.000 | 8,285,000 | 8,285,000 | 08/20/2018 | 100 |
| | 650035NC8 | 01/01/2024 | 5.000 | 11,575,000 | 11,575,000 | 08/20/2018 | 100 |
| | 650035ND6 | 01/01/2025 | 5.000 | 12,015,000 | 12,015,000 | 08/20/2018 | 100 |
| | 650035NE4 | 01/01/2026 | 5.000 | 6,525,000 | 6,525,000 | 08/20/2018 | 100 |
| | 650035NF1 | 01/01/2027 | 5.000 | 6,795,000 | 6,795,000 | 08/20/2018 | 100 |
| | 650035NG9 | 01/01/2028 | 4.750 | 2,355,000 | 2,355,000 | 08/20/2018 | 100 |
| | 650035NH7 | 01/01/2028 | 5.000 | 3,235,000 | 3,235,000 | 08/20/2018 | 100 |
| | 650035NJ3 | 01/01/2029 | 5.000 | 4,185,000 | 4,185,000 | 08/20/2018 | 100 |
| | 650035NK0 | 01/01/2030 | 4.750 | 1,770,000 | 1,770,000 | 08/20/2018 | 100 |

New York State Thruway Authority Bonds

| Series | CUSIP[†] Number | Maturity Date | Coupon | Outstanding Principal | Principal Refunded | Redemption Date | Redemption Price |
|--|-------------------------------------|--------------------------|---------------|----------------------------------|-------------------------------|----------------------------|-----------------------------|
| <i>Second General Highway and Bridge Trust Fund Bonds, Series 2008B</i> | | | | | | | |
| | 650014NZ2 | 04/01/2019 | 4.000% | \$11,980,000 | \$11,980,000 | 10/01/2018 | 100% |
| | 650014XA6 | 04/01/2019 | 5.000 | 54,095,000 | 54,095,000 | 10/01/2018 | 100 |
| | 650014XB4 | 04/01/2020 | 5.000 | 20,945,000 | 20,945,000 | 10/01/2018 | 100 |
| | 650014XC2 | 04/01/2021 | 5.000 | 19,185,000 | 19,185,000 | 10/01/2018 | 100 |
| <i>State Personal Income Tax Revenue Bonds (Transportation), Series 2008A</i> | | | | | | | |
| | 650028WG4 | 03/15/2021 | 5.000% | \$ 5,680,000 | \$ 5,680,000 | 09/15/2018 | 100% |

† Copyright, American Bankers Association. CUSIP numbers have been assigned by CUSIP Global Services 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

