



\$1,380,550,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE SALES TAX REVENUE BONDS
SERIES 2017

\$1,308,065,000
Series 2017A
(Tax-Exempt)

\$72,485,000
Series 2017B
(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 2017A (Tax-Exempt) (the “Series 2017A Bonds”) and the Dormitory Authority of the State of New York State Sales Tax Revenue Bonds, Series 2017B (Federally Taxable) (the “Series 2017B Bonds”) and together with the Series 2017A Bonds, the “Series 2017 Bonds”), are special obligations of the Dormitory Authority of the State of New York (“DASNY”). The Series 2017 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 2017 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 2017 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2017 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 2017 Bonds. DASNY has no taxing power.

The Series 2017 Bonds will be issued as fixed rate obligations, fully registered, in denominations of \$5,000 or any integral multiple thereof. The Series 2017 Bonds will bear interest at the rates and mature at the times shown on the inside cover page hereof. Interest on the Series 2017 Bonds is payable on each March 15 and September 15, commencing March 15, 2018.

The Series 2017 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 7 — BOOK-ENTRY ONLY SYSTEM” herein. So long as Cede & Co., as nominee for DTC, is the registered owner of the Series 2017 Bonds, payments of principal or redemption price of and interest on the Series 2017 Bonds will be made by The Bank of New York Mellon, as Trustee and Paying Agent, to Cede & Co.

The Series 2017 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 2017A 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 2017A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Hawkins Delafield & Wood LLP also is of the opinion that interest on the Series 2017B 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 2017 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 12 — TAX MATTERS” herein regarding certain other tax considerations.

The Series 2017 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, and to certain other conditions. It is expected that the Series 2017 Bonds will be delivered in definitive form in New York, New York, on or about July 27, 2017.

\$1,380,550,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE SALES TAX REVENUE BONDS
SERIES 2017

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

\$1,308,065,000
State Sales Tax Revenue Bonds, Series 2017A (Tax-Exempt)

Due March 15	Amount	Interest Rate	Yield	CUSIP Numbers[†]	Due March 15	Amount	Interest Rate	Yield	CUSIP Numbers[†]
2019	\$ 1,200,000	5.00%	0.98%	64990AFR1	2034	\$40,065,000	5.00%	2.65%*	64990AGG4
2020	1,260,000	5.00	1.08	64990AFS9	2035	42,075,000	5.00	2.69*	64990AGH2
2021	18,365,000	5.00	1.16	64990AFT7	2036	44,170,000	5.00	2.72*	64990AGJ8
2022	32,800,000	5.00	1.25	64990AFU4	2037	46,375,000	5.00	2.74*	64990AGK5
2023	34,445,000	5.00	1.38	64990AFV2	2038	48,695,000	5.00	2.76*	64990AGL3
2024	36,185,000	5.00	1.53	64990AFW0	2039	51,140,000	5.00	2.78*	64990AGM1
2025	37,970,000	5.00	1.67	64990AFX8	2040	53,690,000	5.00	2.81*	64990AGN9
2026	39,870,000	5.00	1.84	64990AFY6	2041	56,380,000	5.00	2.83*	64990AGP4
2027	41,860,000	5.00	2.03	64990AFZ3	2042	59,190,000	5.00	2.84*	64990AGQ2
2028	43,960,000	5.00	2.15*	64990AGA7	2043	62,150,000	5.00	2.85*	64990AGR0
2029	46,150,000	5.00	2.25*	64990AGB5	2044	65,255,000	5.00	2.86*	64990AGS8
2030	48,460,000	5.00	2.37*	64990AGC3	2045	68,520,000	4.00	3.17*	64990AGT6
2031	50,880,000	5.00	2.46*	64990AGD1	2046	71,260,000	4.00	3.18*	64990AGU3
2032	53,430,000	5.00	2.53*	64990AGE9	2047	74,110,000	4.00	3.19*	64990AGV1
2033	38,155,000	5.00	2.59*	64990AGF6					

\$72,485,000
State Sales Tax Revenue Bonds, Series 2017B (Federally Taxable)

Due March 15	Amount	Interest Rate	Price	CUSIP Numbers[†]	Due March 15	Amount	Interest Rate	Price	CUSIP Numbers[†]
2019	\$29,395,000	1.40%	100%	64990AGW9	2021	\$13,275,000	1.86%	100%	64990AGY5
2020	29,815,000	1.70	100	64990AGX7					

† 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 2017 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 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2017 Bonds.

* Priced at the stated yield to the March 15, 2027 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 2017 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 2017 Bonds, no action has been taken by DASNY that would permit a public offering of the Series 2017 Bonds, or possession or distribution of any information relating to the pricing of the Series 2017 Bonds, this Official Statement or any other offering or publicity material relating to the Series 2017 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 2017 Bonds or possesses or distributes this Official Statement or any other offering or publicity material relating to the Series 2017 Bonds and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Series 2017 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 2017 BONDS, THE PURCHASERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE "FORWARD-LOOKING STATEMENTS." IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. A NUMBER OF IMPORTANT FACTORS AFFECTING THE STATE'S FINANCIAL RESULTS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN FORWARD-LOOKING STATEMENTS.

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PART 1 — SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2017 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 (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 2017 Bonds are being issued for the purpose of financing Authorized Purposes, including financing or reimbursing all or a portion of the costs of certain programs and projects within the State. In addition, proceeds of the Series 2017 Bonds will be used to pay all or a portion of the cost of issuance of the Series 2017 Bonds. See “PART 2 — INTRODUCTION” and “PART 6 — THE PROJECTS” for a more complete description of the expected application of proceeds of the Series 2017 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 2017-18 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

* As estimated in the FY 2018 Enacted Budget Financial Plan.

The Series 2017 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 2017 Bonds are issued on a parity with all other Bonds 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 2017 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2017 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 2017 Bonds. DASNY has no taxing power.</p> <p>The Series 2017 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 2017 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 Director of the Budget has prepared such certificate for State Fiscal Year 2017-18.</p>

<p>Set Aside for Purpose of Making Financing Agreement Payments <i>(continued)</i></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 \$3.2 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 4.8 times the maximum annual debt service on all outstanding State Sales Tax Revenue Bonds, including the debt service on the Series 2017 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 June 30, 2017, approximately \$5.0 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 2017-18.</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 2017 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 18 — CONTINUING DISCLOSURE” and “APPENDIX E — FORM OF MASTER CONTINUING DISCLOSURE AGREEMENT.”</p>

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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

\$1,380,550,000

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

\$1,308,065,000
Series 2017A
(Tax-Exempt)

\$72,485,000
Series 2017B
(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 \$1,308,065,000 State Sales Tax Revenue Bonds, Series 2017A (Tax-Exempt) (the “Series 2017A Bonds”) and its \$72,485,000 State Sales Tax Revenue Bonds, Series 2017B (Federally Taxable) (the “Series 2017B Bonds”) and together with the Series 2017A Bonds, the “Series 2017 Bonds”). The interest rates, maturity dates, and prices or yields of the Series 2017 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 2017 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 2017 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 2017 Bonds are additionally authorized under the General Resolution, as supplemented by DASNY’s Supplemental Resolution 2017-1 Authorizing State Sales Tax Revenue Bonds, adopted on April 12, 2017 and Supplemental Resolution 2017-2 Authorizing State Sales Tax Revenue Bonds, adopted on May 10, 2017 (collectively, the “Series 2017 Supplemental Resolutions”) (the General Resolution, together with the Series 2017 Supplemental Resolutions, being herein, except as the context otherwise indicates, collectively referred to as the “Resolution,” and any bonds issued pursuant to the General Resolution, including the Series 2017 Bonds, being herein referred to as the “Bonds”).

The Series 2017 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 2017 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 June 30, 2017, approximately \$5.0 billion of State Sales Tax Revenue Bonds were outstanding. See “PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS — Series 2017 Bonds” and “— Additional Bonds.”

The Series 2017 Bonds are being issued for the purpose of financing Authorized Purposes, including financing or reimbursing all or a portion of the costs of certain programs and projects within the State. In addition, proceeds of the Series 2017 Bonds will be used to pay all or a portion of the cost of issuance of the Series 2017 Bonds. For a more complete description of the expected application of proceeds of the Series 2017 Bonds, see “PART 6 — THE PROJECTS” herein. **The Series 2017 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 2017 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 10 — DASNY” for a further description of DASNY.

The Series 2017 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2017 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 2017 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 2017 Bonds

The Series 2017 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 2017 Bonds is included as APPENDIX C hereto. The Series 2017 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 \$3.2 billion are available to pay Financing Agreement Payments, which amount represents approximately 4.8 times the maximum annual Debt Service for all outstanding State Sales Tax Revenue Bonds, including the debt service on the Series 2017 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.

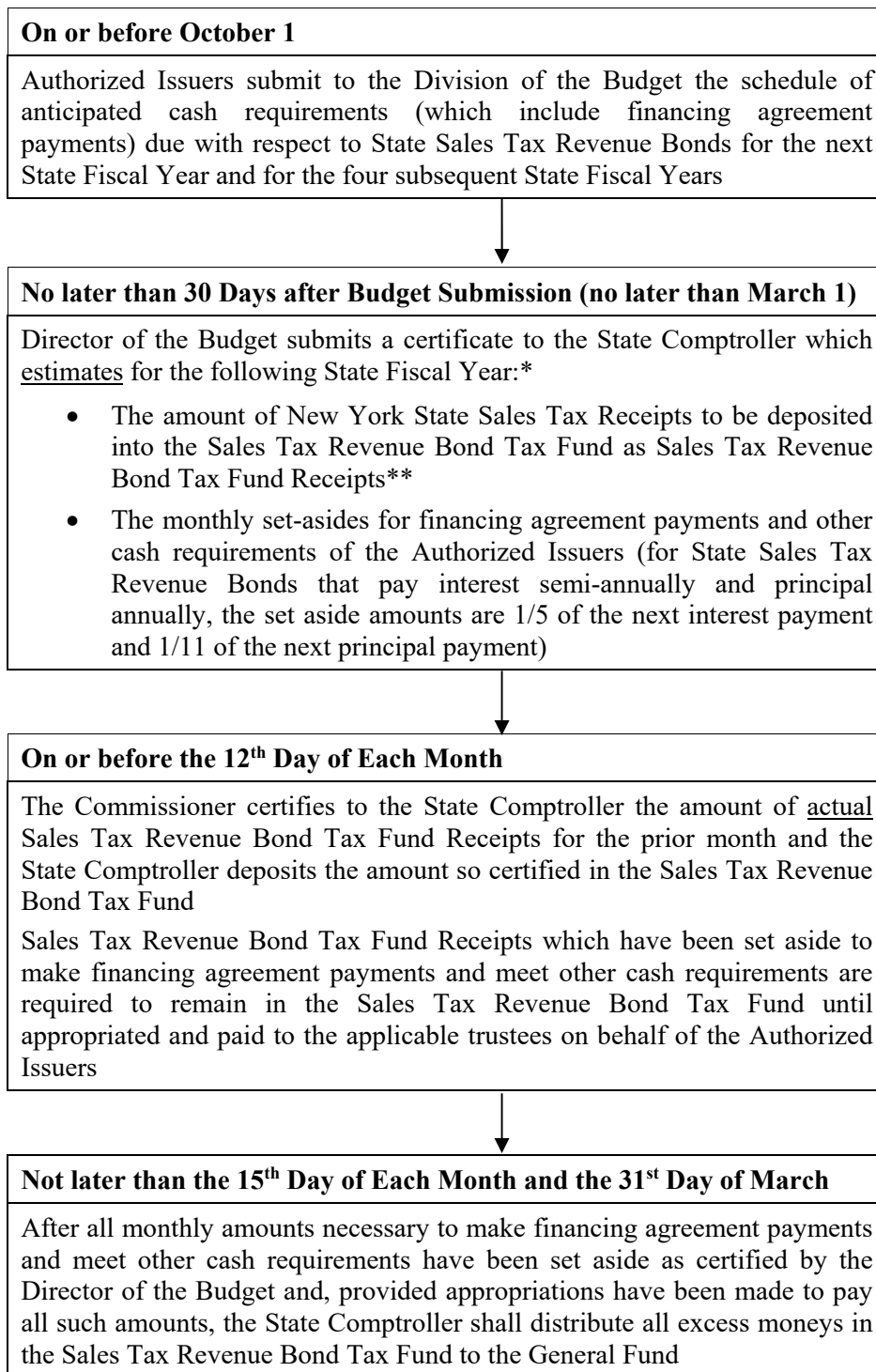
Subject to appropriation by the State Legislature, upon receipt of a request for payment from any Authorized Issuer pursuant to a financing agreement, the State Comptroller shall pay over to the trustee, on behalf of such Authorized Issuer, such amount. In the event that Sales Tax Revenue Bond Tax Fund 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.

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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.

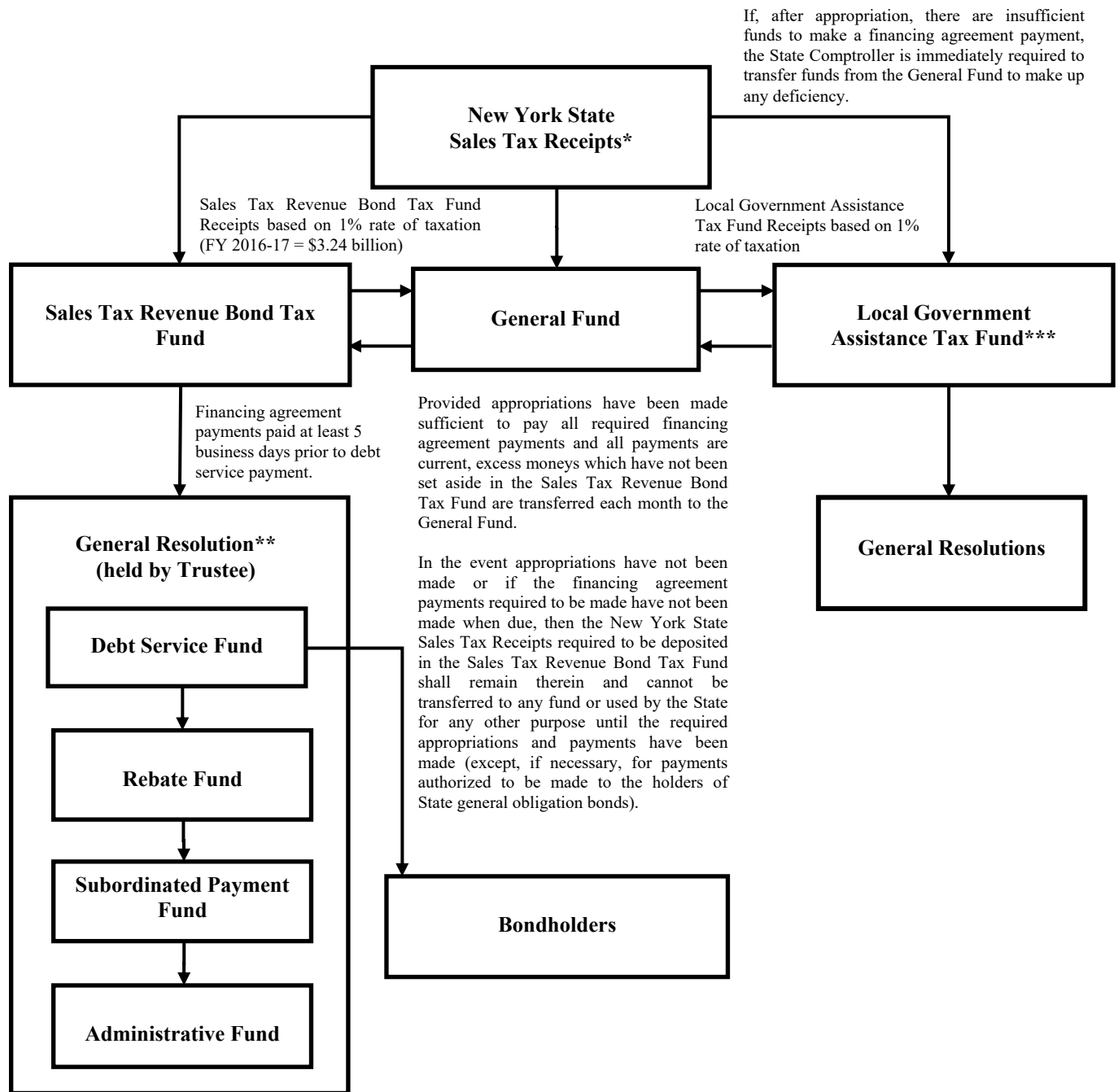
If such appropriations have been made to pay all annual amounts specified in the certificate of the Director of the Budget as being required by DASNY and all other Authorized Issuers for a State Fiscal Year and all such payments to the applicable trustees on behalf of DASNY and all other Authorized Issuers 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.

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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."

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**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, excluding Long Island, 21 cents in Nassau and Suffolk counties, and 16 cents per gallon for the rest of the State. Effective September 1, 2017, the prepayment will be 16 cents per gallon in the MCTD region and 15 cents per gallon in 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 18.6 percent of State tax receipts in all State Funds in State Fiscal Year 2016-17. 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 2007-08 through 2016-17, and estimated amounts for the State Fiscal Year 2017-18. The information reflects State Tax Law changes described below.

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

<u>State Fiscal Year</u>	<u>New York State Sales Tax Receipts</u>	<u>Sales Tax Revenue Bond Tax Fund Receipts⁽²⁾</u>	<u>% Change⁽³⁾</u>
2007-08	\$10.590	\$2.646	5.4%
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 ⁽⁴⁾	13.641	3.410	5.2

Source: Division of the Budget.

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- (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 2018 Enacted Budget Financial Plan.

Actual 2007-08 receipts of \$10.590 billion reflect an increase of 2.7 percent in the continuing New York State Sales Tax base.

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 4.0 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 3.3 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 3.8 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 4.2 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 are estimated to be \$13.641 billion, reflecting 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.

(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 May 30, 2017 and reflects the State Tax Law changes described above.

Monthly Sales Tax Revenue Bond Tax Fund Receipts⁽¹⁾
April 1, 2013 Through May 30, 2017
(Millions of Dollars)

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

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.

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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

<u>Year</u> ⁽¹⁾	<u>Retail Trade</u>	<u>Services</u>	<u>Wholesale Trade</u>	<u>Information</u>	<u>Other</u> ⁽²⁾	<u>Utilities</u>	<u>Manufacturing</u>	<u>Construction</u>	<u>Unclassified</u>
2006	50.0%	21.0%	8.6%	7.1%	4.2%	3.5%	2.4%	2.1%	1.2%
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 ⁽³⁾	45.5	27.7	5.5	6.8	4.6	3.1	4.0	2.6	0.2

Source: New York State Department of Taxation and Finance.

⁽¹⁾ March to February.

⁽²⁾ Includes Agriculture, Mining, Transportation, FIRE (Finance, Insurance and Real Estate), Education, and Government.

⁽³⁾ 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 2017 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	\$3,241,637
Maximum Annual Debt Service	\$681,322
Debt Service Coverage	4.8x

Projected Debt Service Coverage

Based upon the assumptions used in preparing the following table (also included in the Annual Information Statement of the State of New York dated June 20, 2017), including assumed average State Sales Tax Revenue Bond issuances of approximately \$1.3 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 4.9 times in State Fiscal Year 2017-18 to 3.6 times in State Fiscal Year 2020-21.

Projected Debt Service Coverage on State Sales Tax Revenue Bonds
State Fiscal Years 2017-18 Through 2020-21
(Dollars in Thousands)

	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>
Projected Sales Tax Revenue Bond Tax Fund Receipts	\$3,410,250	\$3,550,500	\$3,688,500	\$3,830,500
Projected New State Sales Tax Revenue Bonds Issuances	1,288,078	1,326,720	1,366,521	1,407,517
Projected Total State Sales Tax Revenue Bonds Outstanding	5,932,147	6,834,052	7,873,793	8,723,774
Projected Maximum Annual Debt Service	697,762	810,282	934,303	1,065,221
Projected Debt Service Coverage	4.9x	4.4x	3.9x	3.6x

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 2017 BONDS

General

The Series 2017 Bonds will bear interest, computed on the basis of a 360-day year and 30-day month, from their date of delivery payable on March 15, 2018, and on each September 15 and March 15 thereafter at the rates set forth on the inside cover page of this Official Statement. The Series 2017 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

The Series 2017 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 2017 Bonds. Principal or redemption price of and interest on the Series 2017 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 2017 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 7 — BOOK-ENTRY ONLY SYSTEM” below).

Optional Redemption

Series 2017A Bonds

The Series 2017A Bonds maturing on and before March 15, 2027 are not subject to optional redemption prior to maturity. The Series 2017A Bonds maturing after March 15, 2027 are subject to optional redemption prior to maturity on or after March 15, 2027, 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 2017B Bonds

The Series 2017B Bonds are subject to optional redemption prior to maturity as a whole or in part, at the option of DASNY, on any Business Day, at the Make-Whole Redemption Price.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Series 2017B 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 2017B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2017B Bonds are to be redeemed, discounted to the date on which the Series 2017B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate (as defined below) plus 15 basis points, plus, in each case, accrued and unpaid interest on the Series 2017B 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 2017B 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 2017 Bonds at the option of DASNY, DASNY will select the maturities of the Series 2017 Bonds to be redeemed.

If less than all of the Series 2017A Bonds of a maturity are to be redeemed, the Trustee shall assign to each Outstanding Series 2017A Bond of such maturity to be redeemed a distinctive number for each unit of the principal amount of such Series 2017A Bonds, equal to the lowest denomination in which such Series 2017A 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 2017A Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which such Series 2017A Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2017A Bonds to be redeemed.

In the case of optional redemption of the Series 2017B Bonds, if less than all of the Series 2017B Bonds are to be redeemed, the particular Series 2017B 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 2017B 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 2017B 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 2017B Bonds on a “Pro Rata Pass-Through Distribution of Principal” basis, the Series 2017B Bonds will be selected for redemption by lot.

Any notice of redemption of the Series 2017 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2017 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 2017 Bonds are to be redeemed, the Trustee shall give notice, in the name of DASNY, of the redemption of such Series 2017 Bonds, which notice shall specify the Series 2017 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 2017 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2017 Bonds to be redeemed, if applicable, that such notice is conditional and the conditions that must be satisfied, and in the case of Series 2017 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 2017 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 2017 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 2017 Bonds or portions of Series 2017 Bonds, which are to be redeemed, at their last address, if any, appearing upon the registry books.

PART 6 — THE PROJECTS

The Series 2017 Bonds are being issued for the purposes of financing Authorized Purposes.

It is expected that proceeds of the Series 2017 Bonds will be used to finance or reimburse all or a portion of the costs of programs and projects within the State, including capital projects for educational facilities, highway and bridge capital projects, environmental facilities projects and grants for economic development programs. Additionally, all or a portion of the cost of issuance of the Series 2017 Bonds will be financed with the proceeds thereof. **The Series 2017 Bonds are not secured by the Projects or any interest therein.**

PART 7 — 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 2017 Bonds. References to the Series 2017 Bonds under this caption "— Book-Entry Only System" shall mean all Series 2017 Bonds, the beneficial interests in which are owned in the United States. The Series 2017 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 2017 Bond certificate will be issued for each maturity of each series of the Series 2017 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 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the related Series 2017 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2017 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 2017 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 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 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 2017 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2017 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 2017 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 2017 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 2017 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 2017 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 2017 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2017 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2017 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 2017 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 2017 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 2017 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 2017 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 2017 Bonds. In that event, Series 2017 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 2017 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 2017 BONDS.

So long as Cede & Co. is the registered owner of the Series 2017 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2017 Bonds (other than under the caption "PART 12 — TAX MATTERS" and "PART 18 — CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2017 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 2017 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 2017 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2017 BONDHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2017 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 2017 BONDS; OR (6) ANY OTHER MATTER.

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PART 8 — 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 2017 Bonds, for the payment of debt service on other outstanding State Sales Tax Revenue Bonds and the aggregate total during each such period.

Series 2017 Bonds					
12-Month Period Ending March 31	Principal Payments	Interest Payments	Total Debt Service	Other Outstanding State Sales Tax Revenue Bonds Debt Service ⁽¹⁾⁽²⁾	Aggregate Debt Service ⁽²⁾
2018		\$ 40,805,445	\$ 40,805,445	\$ 589,096,394	\$ 629,901,839
2019	\$ 30,595,000	64,429,650	95,024,650	586,297,344	681,321,994
2020	31,075,000	63,958,120	95,033,120	420,838,494	515,871,614
2021	31,640,000	63,388,265	95,028,265	586,291,344	681,319,609
2022	32,800,000	62,223,100	95,023,100	397,134,144	492,157,244
2023	34,445,000	60,583,100	95,028,100	397,115,144	492,143,244
2024	36,185,000	58,860,850	95,045,850	382,687,644	477,733,494
2025	37,970,000	57,051,600	95,021,600	383,375,725	478,397,325
2026	39,870,000	55,153,100	95,023,100	354,190,063	449,213,163
2027	41,860,000	53,159,600	95,019,600	325,274,563	420,294,163
2028	43,960,000	51,066,600	95,026,600	296,950,313	391,976,913
2029	46,150,000	48,868,600	95,018,600	296,948,313	391,966,913
2030	48,460,000	46,561,100	95,021,100	296,960,963	391,982,063
2031	50,880,000	44,138,100	95,018,100	296,949,113	391,967,213
2032	53,430,000	41,594,100	95,024,100	296,943,613	391,967,713
2033	38,155,000	38,922,600	77,077,600	296,952,363	374,029,963
2034	40,065,000	37,014,850	77,079,850	296,948,700	374,028,550
2035	42,075,000	35,011,600	77,086,600	243,352,450	320,439,050
2036	44,170,000	32,907,850	77,077,850	191,426,200	268,504,050
2037	46,375,000	30,699,350	77,074,350	102,115,950	179,190,300
2038	48,695,000	28,380,600	77,075,600	102,111,450	179,187,050
2039	51,140,000	25,945,850	77,085,850	102,111,700	179,197,550
2040	53,690,000	23,388,850	77,078,850	102,119,825	179,198,675
2041	56,380,000	20,704,350	77,084,350	102,124,788	179,209,138
2042	59,190,000	17,885,350	77,075,350	102,122,125	179,197,475
2043	62,150,000	14,925,850	77,075,850	102,112,106	179,187,956
2044	65,255,000	11,818,350	77,073,350	52,589,500	129,662,850
2045	68,520,000	8,555,600	77,075,600	19,629,750	96,705,350
2046	71,260,000	5,814,800	77,074,800		77,074,800
2047	74,110,000	2,964,400	77,074,400		77,074,400
Total	\$1,380,550,000	\$1,146,781,580	\$2,527,331,580	\$7,722,770,076	\$10,250,101,656

(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 9 — ESTIMATED SOURCES AND USES OF FUNDS

Series 2017A Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2017A Bonds:

Sources of Funds	
Principal Amount of Series 2017A Bonds.....	\$1,308,065,000.00
Original Issue Premium	<u>235,747,451.60</u>
Total Sources.....	<u>\$1,543,812,451.60</u>
Uses of Funds	
Deposit to Bond Proceeds Fund.....	\$1,530,376,630.92
Costs of Issuance*.....	11,478,897.68
Underwriters' Discount.....	<u>1,956,923.00</u>
Total Uses.....	<u>\$1,543,812,451.60</u>

*Includes New York State Bond Issuance Charge.

Series 2017B Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2017B Bonds:

Sources of Funds	
Principal Amount of Series 2017 Bonds.....	\$72,485,000.00
Total Sources.....	<u>\$72,485,000.00</u>
Uses of Funds	
Deposit to Bond Proceeds Fund.....	\$71,767,205.49
Costs of Issuance*.....	645,309.51
Underwriters' Discount.....	<u>72,485.00</u>
Total Uses.....	<u>\$72,485,000.00</u>

*Includes New York State Bond Issuance Charge.

PART 10 — 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, 2017, DASNY had approximately \$47.9 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, 2017. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 11 — 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 12 — TAX MATTERS

The Series 2017A 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 2017A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2017A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering such 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 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 Environmental Conservation (“DEC”), the New York State Office of Parks, Recreation and Historic Preservation (“OPRHP”), the New York State Department of Health (“DOH”), the New York State Environmental Facilities Corporation (“EFC”), the New York State Olympic Regional Development Authority (“ORDA”) and others, and Hawkins Delafield & Wood LLP has assumed compliance by, as applicable, DASNY, DOT, SUNY, SUCF, CUNY, CUCF, DEC, OPRHP, DOH, EFC and ORDA with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2017A 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 2017A 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 regarding any other Federal, state or local tax consequences with respect to the Series 2017A Bonds. 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 hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Hawkins Delafield & Wood LLP expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2017A Bonds, or under state or local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2017A Bonds in order that interest on the Series 2017A 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 2017A 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 2017A 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, SUNY, SUCF, CUNY, CUNF, DEC, OPRHP, DOH, EFC and ORDA, as applicable, have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2017A 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 2017A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2017A 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 2017A Bonds.

Prospective owners of the Series 2017A 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 2017A 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 2017A 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 2017A 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 2017A 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 2017A 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 2017A 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 2017A Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2017A 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 2017A Bonds.

Prospective purchasers of the Series 2017A 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 2017A Bonds is set forth in Appendix D hereto.

The Series 2017B Bonds

General

In the opinion of Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, interest on the Series 2017B 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 2017B Bonds is set forth in Appendix D hereto.

PART 13 — 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 2017 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2017 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 2017 Bonds, the General Resolution or the Financing Agreement.

PART 14 — CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2017 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 2017 Bonds. The proposed forms of such opinions are included in this Official Statement as Appendix D.

PART 15 — SALE BY COMPETITIVE BIDDING

The Series 2017A Bonds were awarded pursuant to three separate competitive bidding processes on July 18, 2017. The Series 2017A Group A Bonds, comprised of Series 2017A Bonds maturing in the years 2019 through 2029, inclusive, were sold to RBC Capital Markets, LLC. The Series 2017A Group B Bonds, comprised of Series 2017A Bonds maturing in the years 2030 through 2039, inclusive, were sold to Jefferies LLC. The Series 2017A Group C Bonds, comprised of Series 2017A Bonds maturing in the years 2040 through 2047, inclusive, were sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated. The Series 2017A Bonds will be purchased by the respective purchasers at an aggregate price of

\$1,541,855,528.60, which reflects original issue premium of \$235,747,451.60 and an underwriters' discount of \$1,956,923.00.

The Series 2017B Bonds also were awarded, pursuant to a competitive bidding process, on July 18, 2017 to Citigroup Global Markets Inc. The Series 2017B Bonds will be purchased at a price of \$72,412,515.00, which reflects an underwriter's discount of \$72,485.00.

The respective purchasers have supplied the information as to the initial public offering prices of the Series 2017 Bonds as set forth on the inside cover of this Official Statement. The Series 2017 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 16 — LEGALITY OF INVESTMENT

Under New York State law, the Series 2017 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 2017 Bonds.

PART 17— RATINGS

The Series 2017 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 2017 Bonds. A securities rating is not a recommendation to buy, sell or hold securities.

PART 18 — CONTINUING DISCLOSURE

In order to assist the initial purchasers of the Series 2017 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 2017 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 2017 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 2017 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 2017 Bonds, may recover monetary damages thereunder under any circumstances. Any holder of State Sales Tax Revenue Bonds, including the holders of Series 2017 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 19 — 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 8 — DEBT SERVICE REQUIREMENTS” as to the column “Other Outstanding State Sales Tax Revenue Bonds Debt Service” and (vi) “PART 18 — 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 2017 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 2017 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 2017 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2017 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2017 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

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APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix A is dated June 20, 2017. 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, 2016 were prepared by the State Comptroller in accordance with accounting principles generally accepted in the United States of America and independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 29, 2016 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

June 20, 2017

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Introduction

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This Annual Information Statement (AIS) is dated June 20, 2017 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 29, 2016 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 2018 (FY 2018)¹ Enacted Budget Financial Plan (the “Enacted Budget Financial Plan”), issued by the Division of the Budget (DOB) in May 2017. The Enacted Budget Financial Plan sets forth the State’s official financial projections for FY 2018 through FY 2021. It includes, among other things, information on the major components of the FY 2018 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. Note that the Enacted Budget Financial Plan does not reflect the May 24, 2017 consent order between the State Department of Financial Services (DFS) and BNP Paribas S.A. and BNP Paribas S.A. New York Branch (together “BNPP”), pursuant to which BNPP has paid a \$350 million civil monetary penalty to DFS pursuant to Banking Law Section 44 for engaging in improper, unsafe and unsound conduct, in violation of New York State laws and regulations, that included collusive conduct, improper exchange of information, manipulation of the price at which daily benchmark rates were set, and misleading customers. DOB next expects to update the State’s multi-year financial projections in July 2017 with the First Quarterly Update to the Financial Plan.
2. A discussion of issues and risks that may affect the State’s financial projections during the State’s current fiscal year or in future years (under the heading “Financial Plan Overview — Other Matters Affecting the Financial Plan”).
3. Information on other subjects relevant to the State’s finances, including summaries of: (a) operating results for the three prior fiscal years (presented on a cash basis of accounting), (b) the State’s revised economic forecast and a profile of the State economy, (c) the State’s debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.
4. The status of significant litigation that has the potential to adversely affect the State’s finances.

DOB is responsible for preparing the State’s Financial Plan and presenting the information that appears in this AIS on behalf of the State. In preparing this AIS, DOB has also relied on information drawn from other sources, including the Office of the State Comptroller (OSC). In particular, information contained in the section entitled “State Retirement System” has been furnished by

¹ The State fiscal year is identified by the calendar year in which it ends. For example, FY 2018 is the FY that began on April 1, 2017 and ends on March 31, 2018.

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, as updated or supplemented. Investors and other market participants should, however, refer to this AIS, as updated or supplemented, for the most current official information regarding the financial position of the State.

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

Note that all FY 2017 financial results contained within this AIS are unaudited and preliminary.

The annual independent audit of the State's Basic Financial Statements is expected to be completed by July 29, 2017. 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, 2017. These reports will contain the final FY 2017 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 2016 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 series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS or any portion thereof in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing without such consent and agreement by DOB is unauthorized and the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of this AIS if so misused.

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Budgetary and Accounting Practices

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Significant Budgetary/Accounting Practices

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

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

The General Fund is the sole financing source for the School Tax Relief (STAR) fund, and is typically the financing source of last resort for the State's other major funds which include the Health Care Reform Act (HCRA) funds, the Dedicated Highway and Bridge Trust Fund (DHBTF), the Lottery Fund, and the mental hygiene program and patient income accounts. Therefore, the General Fund projections account for any estimated funding shortfalls in these funds. Since the General Fund is the fund that 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 purposes (e.g., the payment of costs related to potential labor contracts covering prior contract periods). These amounts are typically identified with the phrase "reserved for" and are not held in distinct accounts within the General Fund and may be used for other purposes.

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

the State Operating Funds perspective. The State's adherence to a 2 percent annual spending growth limitation is calculated on the State Operating Funds basis.

As described later in this AIS, the Enacted Budget Financial Plan reflects some actions that are expected to reduce the amount of annual spending that is accounted for in the State Operating Funds basis of reporting, including (i) 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 such that the spending for certain benefits is instead provided in the form of a tax credit for consistency with how other State tax credits are reported. If these and other transactions are not implemented as planned, it would add upward pressure to annual spending growth in State Operating Funds.

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

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 a number of 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, taking into account the current and projected fiscal position of the State.

The Enacted Budget Financial Plan projections for FY 2019 and thereafter, set forth in this AIS, reflect the 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.² Total disbursements in the Enacted Budget Financial Plan tables and narrative, contained in this AIS, do not reflect these assumed savings, which are instead reflected on a distinct line and labeled as “Adherence to 2 Percent Spending Benchmark.” Enacted Budget Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors not known at this time. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

² 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. If such differences in reporting between DOB and OSC occur, this 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 State Operating Funds and total All Governmental Funds.

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Financial Plan Overview

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The following table provides certain Financial Plan information for FY 2017 and FY 2018.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)				
	FY 2017		FY 2018	
	Revised ¹	Results	Executive Amended ²	Enacted
State Operating Funds Disbursements				
Size of Budget	\$96,200	\$96,199	\$98,062	\$98,134
Annual Growth	2.0%	2.0%	1.9%	2.0%
Other Disbursement Measures				
General Fund (Excluding Transfers)	\$58,570	\$57,988	\$61,293	\$61,035
Annual Growth	3.4%	2.3%	5.7%	5.3%
General Fund (Including Transfers) ³	\$69,692	\$68,080	\$72,398	\$71,199
Annual Growth	2.4%	0.1%	6.3%	4.6%
State Funds (Including Capital)	\$105,306	\$104,029	\$110,200	\$109,396
Annual Growth	4.0%	2.8%	5.9%	5.2%
Capital Budget (Federal and State)	\$10,903	\$10,156	\$13,845	\$13,111
Annual Growth	21.4%	13.1%	36.3%	29.1%
Federal Operating Aid ⁴	\$40,178	\$41,397	\$40,458	\$41,625
Annual Growth	-1.0%	2.0%	-2.3%	0.6%
All Funds ^{4,5}	\$147,281	\$147,752	\$152,365	\$152,870
Annual Growth	2.4%	2.7%	3.1%	3.5%
Capital Budget (Including "Off-Budget" Capital ⁶)	\$11,615	\$10,737	\$14,602	\$13,794
Annual Growth	21.6%	12.4%	36.0%	28.5%
All Funds (Including "Off-Budget" Capital ^{4,6})	\$147,993	\$148,333	\$153,122	\$153,553
Annual Growth	2.5%	2.7%	3.2%	3.5%
Inflation (CPI)	1.7%	1.6%	2.6%	2.2%
All Funds Receipts				
Taxes	\$74,973	\$74,372	\$79,534	\$77,926
Annual Growth	0.4%	-0.4%	6.9%	4.8%
Miscellaneous Receipts	\$26,175	\$26,594	\$26,611	\$26,509
Annual Growth	-4.0%	-2.5%	0.1%	-0.3%
Federal Grants ⁴	\$44,001	\$46,144	\$44,370	\$45,884
Annual Growth	-1.1%	3.7%	-3.8%	-0.6%
Total Receipts ^{4,5}	\$145,149	\$147,110	\$150,515	\$150,319
Annual Growth	-0.9%	0.5%	2.3%	2.2%
General Fund Cash Balance				
Tax Stabilization/Rainy Day Reserve	\$7,232	\$7,749	\$5,917	\$6,384
Extraordinary Monetary Settlements	\$1,798	\$1,798	\$1,948	\$1,798
All Other Reserves/Fund Balances	\$4,860	\$5,335	\$3,256	\$3,870
	\$574	\$616	\$713	\$716
Debt				
Debt Service as % All Funds Receipts	4.0%	4.1%	3.9%	3.8%
State-Related Debt Outstanding	\$50,759	\$50,709	\$53,468	\$52,337
Debt Outstanding as % Personal Income	4.2%	4.2%	4.2%	4.2%
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	118,809	117,909	118,673	118,481

¹ Updated as part of the FY 2018 Executive Budget, as amended.

² The annual percentage change calculations in the FY 2018 "Executive Amended" column have been updated for FY 2017 results.

³ Annual growth includes planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds.

⁴ All Funds and Federal Operating Funds receipts and disbursements exclude: (a) Federal disaster aid for Superstorm Sandy, and (b) additional Federal aid associated with Federal health care reform. Federal grants reimburse certain transactions accounted for as transfers, not shown in disbursement totals in this table.

⁵ All Funds disbursements are expected to exceed receipts by \$2.6 billion in FY 2018. The financing sources for the difference primarily include \$1.5 billion of monetary settlements and nearly \$1.0 billion in GO bond proceeds to reimburse planned first-instance capital spending.

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

General Fund Cash Basis Financial Plan

Summary of Preliminary Unaudited Results for FY 2017 (Ended March 31, 2017)

The receipt of extraordinary monetary settlements ("Extraordinary Monetary Settlements")³ continues to affect the State's receipts and cash position.⁴ The following table summarizes the variance between the revised FY 2017 estimate ("Revised FY 2017 Estimate"), as included with the FY 2018 Executive Budget Financial Plan, as amended (the "Executive Budget Financial Plan") (dated February 2017) and unaudited FY 2017 year-end results, with and without Extraordinary Monetary Settlements (beyond the Extraordinary Monetary Settlement amounts annually budgeted in the General Fund for operating purposes).

FY 2017 GENERAL FUND FINANCIAL PLAN			
SUMMARY OF CHANGES FROM EXECUTIVE BUDGET			
(millions of dollars)			
	Revised Plan	Results	Variance
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,634	2,634	0
Receipts	66,838	65,743	(1,095)
Tax Receipts	62,969	62,264	(705)
Miscellaneous Receipts/Other Non-Tax Revenue ¹	3,869	3,479	(390)
Disbursements	67,100	65,963	(1,137)
Local Assistance	44,826	44,439	(387)
Agency Operations	13,744	13,549	(195)
Transfers to Other Funds ¹	8,530	7,975	(555)
Net Change in Operations	(262)	(220)	42
Closing Fund Balance (Excluding Extraordinary Monetary Settlements)	2,372	2,414	42
Extraordinary Monetary Settlements ¹			
Settlements on Hand as of April 1, 2016	6,300	6,300	0
New Settlements Received in FY 2017	1,317	1,317	0
Transfers/Uses	(2,757)	(2,282)	475
Closing Balance	4,860	5,335	475
Closing Fund Balance (Including Extraordinary Monetary Settlements)	7,232	7,749	517

¹ Miscellaneous receipts include \$102 million in Extraordinary Monetary Settlement money budgeted for operating purposes. New settlements received reflect the gross value of monetary settlements paid to the State and the uses of such funds are accounted for by purpose. However, the General Fund miscellaneous receipts and transfers to other funds only exclude the amount that is received by the General Fund and transferred to other funds. Thus, it does not include any amounts retained and used for General Fund operations or Department of Law operations.

³ Extraordinary Monetary Settlements are as detailed in the table under the "Financial Plan Overview - Extraordinary Monetary Settlements" section later in this AIS.

⁴ The sources and uses of Extraordinary Monetary Settlements are described in more detail later in this AIS.

As shown in the preceding table, the State ended FY 2017 with a General Fund cash balance of \$7.7 billion, including the Extraordinary Monetary Settlements. The closing balance was \$517 million higher than the Revised FY 2017 Estimate. Most of the variance was due to the timing of transfers of Extraordinary Monetary Settlements from the General Fund to other funds. DOB intends to continue to process the transfers on an as-needed basis over the multi-year plan as spending from DIIF and other funds occurs.

FY 2017 Year-End Results, Excluding Extraordinary Monetary Settlements

The following discussion of balances, receipts, and disbursements exclude the receipts and use of Extraordinary Monetary Settlements, unless otherwise noted. The General Fund tables later in this AIS include Extraordinary Monetary Settlements.

Excluding Extraordinary Monetary Settlements, the State ended FY 2017 in balance on a General Fund basis. Disbursements exceeded receipts by \$220 million, which was funded by the planned use of reserves set aside for labor contracts (\$140 million), resources carried in from FY 2016 (\$73 million), and use of Community Projects Fund resources to support spending reappropriated from that subfund within the General Fund (\$7 million).

General Fund receipts, including transfers from other funds, totaled \$65.7 billion or \$1.1 billion lower than the Revised FY 2017 Estimate. The variance was mainly due to lower business tax collections (\$810 million) resulting from shortfalls in audit collections and cash payments associated with final tax year 2015 returns. PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, were \$115 million higher than the Revised FY 2017 Estimate, reflecting lower refunds and STAR deposits, partially offset by lower withholding and final returns.

General Fund non-tax receipts and transfers to the General Fund from other funding sources were \$390 million below the Revised FY 2017 Estimate. Several transfers from other funds, initially planned for the end of FY 2017, were not actually needed for operating purposes in FY 2017, and these transfers to the General Fund are now scheduled for FY 2018.

General Fund disbursements, including transfers to other funds, totaled \$66 billion in FY 2017, a decrease of \$1.1 billion from the Revised FY 2017 Estimate. The lower spending in both local assistance and agency operations was due in large part to the cautious estimation of General Fund expenses. In local assistance, disbursements for higher education, community school grant programs, and a range of other programs fell below planned levels.

In agency operations, including fringe benefits and fixed costs, lower spending occurred across many agencies with the most significant variance in DOH.

Transfers to capital projects funds were lower than estimated, reflecting both the pace of capital projects spending and the use of bond proceeds to reimburse first-instance capital spending.

In comparison to the AIS Update dated March 7, 2017, the State paid an additional \$210 million in debt service that was due in FY 2018. The pre-payments are reflected in the totals for tax receipts reported above. The payment of FY 2018 expenses during FY 2017 totaled \$490 million.

Excluding Extraordinary Monetary Settlements, the State ended FY 2017 with a General Fund closing balance of \$2.4 billion. The balance consists of \$1.8 billion in the State's Rainy Day Funds, \$56 million in the Community Projects Fund, and \$21 million in the Contingency Reserve Fund. In addition, the balance included \$500 million set aside for debt management, \$25 million for costs of retroactive labor agreements, and an undesignated balance of \$14 million.

The closing balance, excluding Extraordinary Monetary Settlements, was \$42 million higher than the Revised FY 2017 Estimate. This change reflects \$25 million for FY 2017 salary payments for Management/Confidential (M/C) employees that did not occur in FY 2017 but will now be paid in

the first quarter of FY 2018, \$14 million from delays of certain payments, and \$3 million more in the Community Projects Fund due to lower spending.

Budget Negotiations and Subsequent Events

In developing the Executive Budget proposal for FY 2018, DOB estimated that the State faced a budget gap of \$3.5 billion for FY 2018. 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 a number of assumptions and projections developed by the DOB in consultation with other State agencies.

The Governor submitted the FY 2018 Executive Budget proposal to the Legislature on January 17, 2017, and amendments to it on February 16, 2017 (the "Executive Budget"), as permitted by law. DOB estimated that, if enacted without modification, the Executive Budget proposal would have provided for balanced operations in the General Fund, as required by law, and limited annual spending growth in State Operating Funds to less than 2 percent, consistent with the spending benchmark established by the current administration.

Legislative Action on the Executive Budget

The Legislature completed action on the appropriations and accompanying legislation that comprise the FY 2018 Enacted Budget (the "Enacted Budget") on April 9, 2017. Consistent with past practice, the Legislature enacted the annual debt service appropriations in advance of the other appropriations (the debt service appropriations were passed on March 28, 2017). The Governor completed his review of all FY 2018 budget bills, including exercising his line-item veto of certain appropriations added by the Legislature, on April 20, 2017.

During budget negotiations, the Executive and Legislature agreed to \$718 million in General Fund additions, spending restorations, and tax law changes to the Executive Budget proposal. The Enacted Budget agreement added \$272 million in Foundation Aid funding for School Aid above the Executive proposal (a net increase of \$86 million on a State Fiscal Year basis)⁵, bringing the annual Foundation Aid increase to \$700 million. Other spending additions of \$304 million were approved to fund a range of purposes, including education, higher education, and human services, as well as a wage increase for direct care and clinical care workers. Executive cost containment proposals that were not approved added \$157 million in costs in FY 2018. Lastly, several tax and revenue proposals were not approved or were modified in a manner that will yield less revenue than proposed, reducing the available resources by \$171 million in FY 2018.

The Enacted Budget includes, among others, the following Executive initiatives: a new scholarship program to allow families and individuals earning up to \$125,000 per year to attend college tuition-free at all public universities in New York State (Excelsior Scholarship); juvenile justice reform,

⁵ The Legislature added \$122 million on a school year basis. In addition, the Executive Budget Financial Plan included \$150 million in School Aid on a school year basis for allocation by the Legislature. The \$150 million was also added to Foundation Aid as part of the Enacted Budget Financial Plan.

which raises, over a period of time, the age of criminal responsibility for juveniles from 16 to 18; and reforms to the State's indigent criminal defense system. In addition, both the current top income tax rate (proposed to be extended for three years in the Executive Budget), and the cap on charitable deductions made by high-income taxpayers (proposed to be made permanent in the Executive Budget), were extended for two years as part of the Enacted Budget.

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, consistent with the spending benchmark. The Enacted Budget projections reflect the changes to the Executive Budget proposal made during negotiations, updated data on economic activity and tax receipts, and operating results for FY 2017.

New Costs and Resource Reductions

Based on its review of March and April 2017 tax collections, DOB has lowered its estimates for tax receipts in each fiscal year of the multi-year financial plan by approximately \$1.5 billion compared to the Executive Budget Financial Plan. The downward revisions, which are concentrated in PIT and business tax receipts, appear to be due in large part to taxpayer behavior in response to real and potential changes in State and Federal tax law. For PIT collections, which have been reduced by \$1.3 billion⁶ in FY 2018, taxpayers and employers appear to have been anticipating that the Federal government will lower personal income tax rates in 2017, prompting a shift of capital gains from 2016 to 2017. It now appears that the extent of that shift likely exceeded DOB's estimates in the Executive Budget Financial Plan. For business tax collections, which have been reduced by \$237 million in FY 2018, it appears that taxpayers responded to the State corporate tax reforms enacted in 2014 by overpaying their tax liability in calendar year 2015 to avoid future penalties, and are now reconciling the amounts owed by reducing payments in calendar years 2016 and 2017. As described later in this AIS, the potential for major changes in Federal tax and expenditure policy will continue to present risks to the State's economic and receipts forecasts.

In addition to tax receipts, DOB has updated its calculation of the amounts due to the General Fund from other funds for fringe benefit costs. This recalculation, which is based on FY 2017 experience, results in higher General Fund fringe benefit costs of \$34 million in FY 2018 and roughly \$60 million in each fiscal year thereafter.

New Savings and Resources

The Enacted Budget Financial Plan includes savings and resources in FY 2018 that DOB estimates will be sufficient both to fund the negotiated additions and restorations to the budget, and fully cover the new costs described above. Savings (as compared to the Executive Budget Financial Plan) include downward re-estimates to FY 2018 disbursements in most Enacted Budget Financial Plan categories based on a review of FY 2017 operating results, and the use of available resources accumulated in, and carried forward from, prior years. Specifically, local assistance aid claims for STAR, TAP and various other programs in FY 2017 were lower than expected, and this trend is expected to continue in FY 2018; debt service costs are expected to be reduced from refundings

⁶ Excludes the impact of debt service changes on transfers of PIT collections to the General Fund.

and other portfolio management; transfers to other funds will be reduced, reflecting the use of available bond proceeds to reimburse first-instance capital spending from prior years; and transfers from other funds will be increased, reflecting the use of balances programmed but not needed for General Fund purposes in prior years. In addition, General Fund disbursements, which are calculated using conservative estimates to create an informal reserve against risks, have been adjusted downward across Enacted Budget Financial Plan categories.

Other resources for FY 2018 include the General Fund use of \$461 million in cash from Extraordinary Monetary Settlements that had not been appropriated for new commitments in the Enacted Budget and savings from the payment of FY 2018 expenses in FY 2017 beyond the level assumed in the Executive Budget Financial Plan (\$210 million).

FY 2018 Closing Balance

DOB expects the State to end FY 2018 with a General Fund balance of \$6.4 billion, including Extraordinary Monetary Settlement funds, a decrease of \$1.4 billion from FY 2017 results. The planned transfer of Extraordinary Monetary Settlements to capital projects funds is the main cause for the expected decrease in fund balance. DOB intends to transfer Extraordinary Monetary Settlements on an as-needed basis over the next five years as spending occurs from the capital projects funds where the activity funded from Extraordinary Monetary Settlements is appropriated.⁷ In addition, the Enacted Budget Financial Plan reflects the use of \$461 million in cash from Extraordinary Monetary Settlements that was not appropriated in the Enacted Budget to address the shortfall in current-year tax receipts. This amount includes \$150 million that the Executive Budget Financial Plan had earmarked for a possible deposit to the rainy day reserves, fiscal conditions permitting.

The State's general reserves (consisting of the State's rainy day reserves, the contingency reserve, and the fund balances set aside for debt management and labor costs) are expected to total \$2.5 billion at the end of FY 2018.

DOB expects the State will have sufficient liquidity in FY 2018 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.

Other Significant Legislation

The Federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation approved with the Enacted Budget sets forth a process by which the State would manage significant reductions in Federal aid in the event that they should occur during FY 2018. Specifically, the legislation directs the Budget Director to prepare a corrective action plan for consideration by the Legislature in the event that (a) Federal aid for Medicaid is

⁷ Legislation enacted with the FY 2017 Budget provides transfer authority from the General Fund to the Dedicated Infrastructure Investment Fund (DIIF) through FY 2021.

reduced by \$850 million or more or (b) Federal aid for all other programs is reduced by \$850 million or more. Each limit is triggered separately and is not additive. The legislation requires that the corrective action plan uniformly 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 adopt a corrective action plan by concurrent resolution, or the plan submitted by the Budget Director would take effect automatically.

In addition, the Enacted Budget includes 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 cash in an amount not to exceed 0.5 percent of the total Other Post-Employment Benefits (OPEB) liability, as updated (the OPEB liability as of FY 2016 year-end is calculated at \$63.4 billion for the State and \$14.4 billion for the State University of New York (SUNY)). The Enacted Budget Financial Plan does not include any deposits to the Trust Fund.

FY 2018 Financial Plan

DOB estimates that the Enacted Budget Financial Plan provides for balanced operations in the General Fund in FY 2018. Excluding Extraordinary Monetary Settlement funds, estimated General Fund disbursements exceed receipts by \$516 million. The difference is financed by the use of Extraordinary Monetary Settlements that were not appropriated in the Enacted Budget (\$461 million), reserves set aside in FY 2017 to fund new labor contracts (\$25 million), resources carried in from FY 2016 (\$14 million), and Community Projects Fund resources (\$16 million).

The following table summarizes the projected annual change from FY 2017 to FY 2018 in General Fund receipts, disbursements, and fund balances, with and without the impact of Extraordinary Monetary Settlement activity.

GENERAL FUND FINANCIAL PLAN (millions of dollars)				
	FY 2017 Results	FY 2018 Enacted	Annual Change	
			Dollar	Percent
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,634	2,414	(220)	-8.4%
Total Receipts	<u>65,743</u>	<u>69,801</u>	<u>4,058</u>	<u>6.2%</u>
Taxes	62,264	66,466	4,202	6.7%
Miscellaneous Receipts/Federal Grants ¹	2,661	2,119	(542)	-20.4%
Transfers from Other Funds	818	1,216	398	48.7%
Total Disbursements	<u>65,963</u>	<u>70,317</u>	<u>4,354</u>	<u>6.6%</u>
Local Assistance Grants	44,439	47,069	2,630	5.9%
Agency Operations	13,549	13,966	417	3.1%
Transfers to Other Funds ¹	7,975	9,282	1,307	16.4%
Net Change in Operations	(220)	(516)	(296)	-134.5%
Deposit to/ Use Of Reserves ²	0	616	616	-
Closing Fund Balance (Excluding Extraordinary Monetary Settlements) ²	<u>2,414</u>	<u>2,514</u>	<u>100</u>	<u>4.1%</u>
Extraordinary Monetary Settlements ¹				
Settlements on Hand as of April 1	6,300	5,335	(965)	-15.3%
New Settlements Received	1,317	33	(1,284)	-97.5%
Transfers/Uses ²	(2,282)	(1,498)	784	34.4%
Closing Balance (Extraordinary Monetary Settlements)	<u>5,335</u>	<u>3,870</u>	<u>(1,465)</u>	<u>-27.5%</u>
Closing Fund Balance (Including Extraordinary Monetary Settlements)	<u>7,749</u>	<u>6,384</u>	<u>(1,365)</u>	<u>-17.6%</u>
¹ New settlements received reflect the gross value of Extraordinary Monetary Settlements paid to the State and the uses of such funds are accounted for by purpose. However, the General Fund miscellaneous receipts and transfers to other funds only exclude the amount that is received by the General Fund and transferred to other funds. Thus, it does not include any amounts retained and used for General Fund operations or Department of Law operations.				
² In FY 2018, \$461 million in Extraordinary Monetary Settlements will be utilized to support ongoing operations. \$155 million will be retained in the General Fund to fund potential retroactive salary increases and is thus included in the General Fund closing balance.				

As shown in the preceding table, the State expects to end FY 2018 with a General Fund cash balance of \$6.4 billion, a decrease of \$1.4 billion from FY 2017 results. DOB intends to make transfers of Extraordinary Monetary Settlements on an as-needed basis each year as spending occurs from appropriations funded with the Extraordinary Monetary Settlements. Legislation approved in the FY 2017 Enacted Budget provides transfer authority from the General Fund to the DIF through FY 2021.

Receipts (Excluding Extraordinary Monetary Settlements)

General Fund receipts estimates, including transfers from other funds, total \$69.8 billion in FY 2018, an increase of \$4.1 billion (6.2 percent) from FY 2017 results. Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, total \$66.5 billion in FY 2018, an increase of \$4.2 billion (6.7 percent) from FY 2017 results.

Estimated PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, total \$45.3 billion, an increase of \$2.5 billion (5.9 percent) from FY 2017. This primarily reflects growth in withholding and estimated payments attributable to the net effect of the first year of middle income tax cuts enacted in FY 2017 and a decline in STAR Fund deposits associated with legislation included in the Enacted Budget.

Consumption/use tax receipts, including transfers after payment of debt service on the Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total \$13.3 billion in FY 2018, an increase of \$681 million (5.4 percent) from FY 2017, which mainly reflects projected growth in employment and taxable consumption.

Business tax receipts are estimated at \$5.7 billion in FY 2018, an increase of \$957 million (20.1 percent) from FY 2017. The significant growth is primarily attributable to the absence of one-time factors that affected FY 2017 receipts. Prior fiscal year collections were lower than planned due to lower audit receipts from corporate franchise taxpayers and a shortfall in cash payments associated with tax year 2015 final returns. These issues are not expected to recur.

Other tax receipts, including transfers after payment of debt service on Clean Water/Clean Air Bonds, are expected to total \$2.1 billion in FY 2018, an increase of \$45 million (2.2 percent) from FY 2017. This increase is mainly attributable to projected growth in the real estate transfer tax receipts due to an anticipated increase in housing starts and appreciation of home prices, partly offset by the continued phase-in of estate tax cuts.

Non-tax receipts and transfers are estimated at \$3.3 billion in FY 2018, a decrease of \$144 million (-4.1 percent) from FY 2017. The decrease includes \$250 million in State Insurance Fund (SIF) reserves released in FY 2017 that is not included in FY 2018, and the accounting of the Sales Tax Asset Receivable Corporation (STARAC) debt refunding savings as an offset of the State's payment of New York City debt rather than a miscellaneous receipt. These declines are partly offset by an increase in the transfer of resources from other funds due to the accumulation of cash balances in prior years.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances among 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 2021" herein.

Disbursements (Excluding Extraordinary Monetary Settlements)

General Fund disbursements, including transfers to other funds, are expected to total \$70.3 billion in FY 2018, an increase of \$4.4 billion (6.6 percent) from FY 2017. General Fund disbursements reflect the cautious estimation of disbursements in each financial category, a practice that provides a cushion for potential receipts shortfalls and other unanticipated costs.

Projected local assistance spending is \$47.1 billion in FY 2018, an increase of \$2.6 billion (5.9 percent) from FY 2017. The increase includes \$1.4 billion for School Aid (on a State fiscal year basis) and \$914 million for Medicaid and the Essential Plan (EP). Additional annual changes reflect anticipated growth in payments for social services, higher education, and other programs, as well as accounting reclassifications that have the effect of moving spending between financial categories and across fund types.

On a State Operating Funds basis, most executive agencies are expected to hold operations spending at FY 2017 levels (limited exceptions include DOH costs attributable to the New York State of Health (NYSOH) marketplace and the EP program). The Enacted Budget Financial Plan estimates for State Operations are affected by the reclassification to capital projects funds of certain personnel expenses related to maintenance and preservation of State assets; potential costs of unsettled labor agreements with State unions patterned on the labor contract ratified by The New York State Public Employees Federation (PEF) in December 2016; and expected savings from agency management plans. General Fund personal and non-personal service costs are expected to total \$8.2 billion in FY 2018, an increase of \$90 million (1.1 percent) from FY 2017. Operating costs for many agencies are charged to several funds outside the General Fund, and are thus affected by varying levels of offsets and accounting reclassifications.

General State Charges (GSCs), which account for fringe benefits and certain fixed costs, are expected to increase by \$327 million (6.0 percent) over FY 2017. Health insurance costs for State employees and retirees increase by \$275 million (7.4 percent), mainly due to increases in premiums. The State's annual pension payment grows by \$95 million (3.9 percent). General Fund transfers to other funds total \$9.3 billion in FY 2018, an increase of \$1.3 billion from FY 2017. Transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements) increase by \$1.3 billion, reflecting the timing of reimbursement from bond proceeds and planned disbursements from the DHBTF.

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 disbursement projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Projections Fiscal Years 2018 through 2021" herein.

Closing Balance for FY 2018

DOB projects that the State will end FY 2018 with a General Fund cash balance of \$6.4 billion, a decrease of \$1.4 billion from FY 2017. The estimated balance of Extraordinary Monetary Settlements at the close of FY 2018 is \$3.9 billion, a decrease of \$1.5 billion from FY 2017. The decrease is due to the expected transfer of \$882 million in Extraordinary Monetary Settlements to capital projects funds to support initiatives funded with Extraordinary Monetary Settlements and the use of \$461 million for operating purposes from Extraordinary Monetary Settlements not appropriated in the Enacted Budget (including \$33 million expected in June 2017 pursuant to a pending Extraordinary Monetary Settlement with Volkswagen AG, Audi AG, Porsche AG and their American subsidiaries). In addition, \$155 million in Extraordinary Monetary Settlements is set aside for labor contracts and displayed in the Financial Plan tables as "Reserved for Potential Labor Agreements." (See "Uses of Extraordinary Monetary Settlements" herein.)

The estimated General Fund cash balance, excluding Extraordinary Monetary Settlements, is \$2.5 billion at the close of FY 2018, or \$100 million higher than at the close of FY 2017. The change in the balance includes \$155 million of Extraordinary Monetary Settlements in the General Fund that DOB has informally earmarked to fund retroactive salary increases for FY 2017 that may occur in FY 2018 or later. During the fiscal year, DOB may change the purposes for which the money is currently earmarked, depending on the fiscal environment. Other changes include the planned use of reserves for the payment of retroactive salary increases for M/C employees (\$25 million), resources carried in the Community Projects Fund (\$16 million), and the undesignated fund balance carried in from FY 2017 (\$14 million).

The Enacted Budget Financial Plan maintains a reserve of \$500 million for debt management purposes in FY 2018, unchanged from the level held at the end of FY 2017. DOB will decide on the use of these funds based on market conditions, financial needs, and other factors.

TOTAL BALANCES (millions of dollars)			
	FY 2017	FY 2018	Annual
	Results	Enacted	Change
TOTAL GENERAL FUND BALANCE	7,749	6,384	(1,365)
General Fund Total (Excluding Extraordinary Monetary Settlements)	2,414	2,514	100
Statutory Reserves:			
"Rainy Day" Reserves	1,798	1,798	0
Community Projects	56	40	(16)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	25	155	130
Undesignated Fund Balance	14	0	(14)
Extraordinary Monetary Settlements Fund Balance	5,335	3,870	(1,465)

FY 2018 Detailed Gap-Closing Plan

The following table and narrative provide a summary of the enacted General Fund gap-closing plan, consisting of specific budgetary actions and revised estimates to projected General Fund receipts and disbursements. To the extent the State adheres to the 2 percent spending growth benchmark, the level of savings required in each subsequent year to hold spending to 2 percent would be lower.

FY 2018 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN (millions of dollars)				
	FY 2018	FY 2019	FY 2020	FY 2021
INITIAL BUDGET SURPLUS/(GAP) ESTIMATE¹	(3,533)	(7,122)	(8,935)	(6,816)
SPENDING CHANGES	3,571	1,799	1,609	1,387
Agency Operations	735	(9)	(105)	(295)
Executive Agency Operations	391	103	78	3
Agency Financial Management Plans	500	500	500	500
NYPA Repayment	193	(21)	(43)	(43)
Fringe Benefits/Fixed Costs	213	56	56	49
Elected Officials	(43)	(44)	(43)	(101)
Potential Labor Agreements	(519)	(603)	(653)	(703)
Local Assistance	1,986	2,147	2,507	2,686
Health Care	697	919	951	929
Education	212	545	864	1,044
Higher Education	308	96	96	96
Human Services/Housing	117	85	82	84
Mental Hygiene	83	58	55	55
STAR - Program Conversion ²	277	352	367	382
STAR - Other	70	50	50	50
All Other	222	42	42	46
Capital Projects/Debt Management	1,354	374	330	392
Initiatives/Investments³	(504)	(713)	(1,123)	(1,396)
School Aid	(86)	(195)	(233)	(244)
Education/Higher Education	(127)	(103)	(112)	(128)
Excelsior Scholarship	(71)	(133)	(152)	(163)
Human Services/Labor	(65)	0	0	0
Juvenile Justice Reform ("Raise the Age")	0	(78)	(276)	(378)
Debt Service Cost for Capital Adds	(33)	(148)	(272)	(380)
Direct Care & Clinical Care Worker Wage Increase/COLA Deferral	(14)	(39)	(39)	(39)
Indigent Legal Services	0	0	(23)	(47)
All Other	(108)	(17)	(16)	(17)
RESOURCE CHANGES	(779)	(2,225)	(2,304)	(2,967)
Tax Revisions	(1,915)	(1,811)	(1,911)	(2,310)
STAR Conversion ²	0	(340)	(354)	(369)
Use of Monetary Settlement Funds	461	0	0	0
Miscellaneous Receipts/Transfers	675	(74)	(39)	(288)
TAX ACTIONS	741	3,527	3,777	884
PIT Top Rate Extension	683	3,375	3,695	902
Other Tax Actions/Extenders	58	152	82	(18)
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE (Before)¹	0	(4,021)	(5,853)	(7,512)
ADHERENCE TO 2% SPENDING BENCHMARK⁴	n/a	3,230	5,855	7,955
ENACTED BUDGET SURPLUS/(GAP)	0	(791)	2	443

¹ FY 2017 Mid-Year Update, dated November 2016.

² The FY 2018 Enacted Budget converts the NYC PIT rate reduction to a nonrefundable State PIT credit. This change has no impact on the STAR benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "School Tax Relief Program" in "State Financial Plan Projections Fiscal Years 2018 through 2021" herein.

³ Reflects Executive initiatives and 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 "Tax Actions" categories.

⁴ Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. The "Surplus/(Gap)" estimate 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 benchmark is not adhered to, the projected operating position would decline.

As shown in the table on the previous page, the Enacted Budget Financial Plan is projected to require additional gap-closing measures in FYs 2019, 2020 and 2021 in order to adhere to the 2 percent spending growth benchmark for each of those fiscal years, and to reduce or eliminate General Fund gaps in each of those fiscal years. Such gap-closing measures may include, but are not limited to, reduced appropriations, changes regarding the timing of certain payments, as well as changes in law regarding the requirements of various State programs, or the conversion of disbursements into tax expenditures.

Spending Changes

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities). Reductions from current-services projections for agency operations contribute \$735 million to the General Fund gap-closing plan for FY 2018. Specifically:

- **Executive Agencies:** The Enacted Budget Financial Plan holds agency spending flat on a State Operating Funds basis with limited exceptions, such as DOH costs attributable to the NYSOH marketplace and the EP program. Agencies are expected to continue to use less costly forms of service deliveries, improve administrative practices, and pursue statewide solutions, including using Lean management initiatives to streamline operations and management.

The Enacted Budget Financial Plan includes savings from the continued transition of individuals from mental hygiene institutions to appropriate community settings. In addition, the Enacted Budget Financial Plan provides a more consistent approach for funding the costs of employees who maintain and preserve State assets in the capital budget. Agencies have been accounting for these costs differently for years, with some capturing the expenses in their capital budget, while others reflect them in their operating budgets. Beginning in FY 2018, approximately 3,173 FTEs whose job duties are related to the maintenance, protection, preservation, and operation of facilities (e.g., Plant Utilities Engineers, General Mechanics, Electricians, etc.) will be paid from capital projects funds.

Spending increases in the later years of the Enacted Budget Financial Plan are driven mainly by revised spending assumptions across multiple agencies to account for inflationary cost increases, an additional administrative payroll in FY 2021, and higher Medicaid administration expenses expected to support the NYSOH insurance exchange as available Federal funding expires.

- **Agency Financial Management Plans:** The Enacted Budget Financial Plan includes \$500 million in annual savings that will be allocated to agencies as agency management plans are completed. All Executive agencies have been directed to implement cost-control measures on a recurring basis, starting in FY 2018. Agency management plans identifying cost reductions and efficiencies to achieve the targeted savings are expected to be reviewed and approved by DOB prior to implementation, and must preserve funding for core services and strategic initiatives.
- **New York Power Authority (NYPA) Repayment Agreement:** The Enacted Budget Financial Plan assumes that the terms of the annual payment schedule to NYPA would be extended through 2023, resulting in \$193 million in expected savings in FY 2018.
- **Fringe Benefits/Fixed Costs:** Savings reflect the payment of the majority of the FY 2018 Employees' Retirement System (ERS)/Police and Fire Retirement System (PFRS) pension bill in April 2017, rather than in monthly increments, thereby avoiding interest expense charged by the System. The Enacted Budget Financial Plan also reflects the continued use of available SIF resources to offset the cost of Workers' Compensation claims. These resources will reduce reported spending in State Operating Funds by \$210 million in FY 2017 and \$205 million in FY 2018.
- **Judiciary:** The Enacted Budget Financial Plan reflects the Judiciary's request to increase operating support, including an additional 200 non-judicial positions in support of trial court operations, and temporary service funding for acting city, town and village justices.
- **Legislature:** The Enacted Budget Financial Plan reflects the Legislature's request to increase operating funding by 3 percent, including increased costs for personal service and equipment.
- **Labor Agreements (Executive Agencies):** The New York State PEF ratified a three-year labor contract, which provides for a 2 percent annual increase in general salary for FY 2017, FY 2018, and FY 2019. Legislation to implement the agreement, including a comparable increase for M/C employees, has been approved. The FY 2017 PEF increase was paid in FY 2017. The FY 2017 M/C increase will be paid in FY 2018. The Enacted Budget Financial Plan includes a reserve of \$155 million for retroactive salary increases for remaining unions that have not yet reached final agreements. Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

For planning purposes, the Enacted Budget Financial Plan includes an estimate of Executive agency costs assuming the PEF contract terms were applied to all remaining unions. DOB estimates this would result in General Fund costs of roughly \$200 million for the first year of the contract, \$385 million for the second year, and \$600 million for the third year and each year thereafter. These estimated costs include the cost of the PEF and M/C salary increases discussed above.

The Enacted Budget Financial Plan projections assume that all unsettled unions will reach agreements with the State in FY 2018, and that associated cost increases for the first and second contract years will be paid in FY 2018. The following table summarizes costs of potential labor agreements for Executive agencies included in the Enacted Budget Financial Plan.

GENERAL FUND POSSIBLE COSTS OF LABOR AGREEMENTS FOR EXECUTIVE AGENCIES ¹ (millions of dollars)				
	Potential Contract Cost	Financial Plan		
		PEF/MC	Other	Total
Year 1 (FY 2017)	201	67	0	67
Year 2 (FY 2018)	385	203	316	519
Year 3 (FY 2019)	603	275	328	603
Total	1,189	545	644	1,189

¹ Assumes the PEF contract is extended to other unions and the Year 1 and 2 cost for M/C and all remaining unions are paid out 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 prior projections for local assistance spending are expected to generate \$2.0 billion in General Fund savings.⁸ Savings are expected from targeted actions, reestimates based on updated information, and continuation of prior-year cost containment. Specifically:

- Health Care:** An additional \$382 million in non-DOH Medicaid expenses will be funded within the Medicaid Global Cap. To achieve savings within the Global Cap, DOH will continue to implement various Medicaid Redesign Team (MRT) actions to improve the efficiency and effectiveness in delivery of the statewide Medicaid program, including proposals to collaborate with New York City for achieving efficiencies; establish a Medicaid pharmacy drug spending cap, which includes a process to mitigate excessive pricing; and to use Balancing Incentive Program (BIP) funds to support wage requirements under the Fair Labor Standards Act (FLSA).

In FY 2018, bonds issued in 2003 that were secured by annual payments under the Master Settlement Agreement (MSA) with tobacco manufacturers will be fully retired. DOB expects that MSA payments of approximately \$97 million in FY 2018 and roughly \$300 million annually thereafter will be available for State purposes. The Enacted Budget Financial Plan reflects the proposed use of the payments, outside the State Operating Funds basis of reporting, to defray a portion of the State's takeover of Medicaid costs borne by counties and New York City. The State takeover, in which local Medicaid costs are capped

⁸ Local assistance includes payments for School Aid, STAR, Medicaid, public assistance, child welfare, local government assistance and a range of other purposes.

permanently at 2015 calendar year levels, is expected to cost the State \$735 million in FY 2018, growing to \$917 million in FY 2019. The use of the MSA payments to fund a portion of these costs will have no impact on total funding for the Medicaid program, but will reduce reported Medicaid spending on a State Operating Funds basis of reporting.

Other health care savings include a 20 percent reduction to certain public health programs (\$25 million annually), and a shift of \$21 million in operating to capital support for Roswell Park Cancer Institute (RPCI) in FY 2018. The availability of additional Federal funds for the NYSOH Qualified Health Plan (QHP) is expected to offset State costs by \$17 million in FY 2018.

The Enacted Budget Financial Plan also includes an upward revision of \$168 million to estimated HCRA resources, including additional revenues from hospital surcharges and covered lives assessments. It also includes a three-year extension of funding for the Statewide Health Information Network for New York (SHIN-NY)/All-Payer Claims Databases (APCD) infrastructure development initiative.

- **Education:** The School Year (SY) 2018 Personal Income Growth Index (PIGI) is 3.9 percent, compared to the baseline estimate of 4.5 percent, which resulted in an updated growth calculation included in the Executive Budget. In addition, updates to the School Aid database indicate a decline in SY 2017 aid compared with FY 2017 Enacted Budget estimates. Similarly, spending related to special education programs and grant-based awards for School Aid is occurring more slowly than anticipated, and estimated spending has been reduced accordingly.
- **Higher Education:** The sale of certain City University of New York (CUNY) capital assets is expected to result in available resources to partially support CUNY operations. In addition, the reconciliation of prior year payment advances to higher education institutions for TAP financial awards is expected to reduce FY 2018 spending by \$166 million.
- **Human Services:** Savings are expected to result from restructuring of the financing approach for foster care tuition and residential school placements of children with special needs in New York City, and reducing the State's Foster Care Block Grant reimbursement to an estimated 50 percent share, net of Federal Funding. Funding is included for increased public assistance costs, which include providing safety net benefits for immigrants with Temporary Protected Status, pursuant to litigation filed against the State. This status is given to noncitizens residing in the United States whose home countries have experienced natural disasters or are involved in armed conflict.
- **Mental Hygiene:** Spending revisions reflect updated assumptions and revised timelines for ongoing transformation efforts in the mental hygiene service delivery system, and the Federal government's extension of the BIP. The Office for People with Developmental Disabilities (OPWDD) will maximize Federal reimbursement by aligning services such as Family Support Services to meet Medicaid eligibility and only provide supplemental support for other Medicaid-eligible programs.

- **STAR:** The Enacted Budget Financial Plan includes a conversion of the rate reduction benefit to a nonrefundable New York State PIT credit for New York City taxpayers which, due to the timing of its implementation, results in short-term savings to the Enacted Budget Financial Plan (\$277 million in FY 2018; \$12 million in each of FYs 2019 and 2020). This change has no effect on the value of the STAR benefit, but eliminates the need for New York City to make payments in the first instance and to be reimbursed by the State.
- **All Other:** Savings are expected as a result of updated program and grant spending across a number of areas, including use of available Mortgage Insurance Fund (MIF) resources to fund housing and homelessness programs and spending revisions based on utilization trends in other local assistance programs.

Capital Projects/Debt Management

- The Enacted Budget Financial Plan reflects reduced debt service costs from refundings and other portfolio management; and lower capital transfers reflecting the use of available bond proceeds to reimburse first-instance capital spending from prior years.
- FY 2018 debt service savings reflect the payment of \$490 million (\$280 million previously planned plus an additional \$210 million) of FY 2018 expenses in FY 2017.

Initiatives/Investments/New Costs

- **School Aid:** The Enacted Budget Financial Plan reflects the increase to School Aid by \$1.0 billion (4.2 percent), including \$700 million in Foundation Aid, bringing the new School Aid SY total to \$25.7 billion. In comparison to the base forecast, which already included a school aid increase of 3.9 percent, the Enacted Budget Financial Plan includes an added \$122 million (\$86 million on a State fiscal year basis).
- **Educational/Higher Education:** The Budget provides additional funding for charter schools, a new Enhanced Tuition Award for students attending private not-for-profit colleges, and open educational resources, a low cost alternative to traditional textbooks for students. At the State's direction, both SUNY and CUNY will use this funding to target high-enrollment courses, including general education, to maximize student savings.
- **Excelsior Scholarship:** The scholarship program will allow students of working and middle-class families to attend college tuition-free at all public universities in New York State. The program will be phased in over three years, beginning in the fall of 2017 for New Yorkers making up to \$100,000 annually, increasing to \$110,000 in 2018, and reaching \$125,000 in 2019. The Excelsior Scholarship is a "last mile" program, which extends the state's existing aid programs, including the nearly \$1 billion Tuition Assistance Program and any applicable Federal grants, and fills in any remaining gaps to cover the full cost of tuition. The estimates reported in the Enacted Budget Financial Plan are on a State fiscal year basis.

- **Human Services/Labor:** The Enacted Budget Financial Plan includes additional funding for several program areas supporting children, families, and communities. During the negotiation process, funding was committed for eligible families with child care costs, and services for sexually exploited children, disabled New Yorkers and job seekers and the working community.
- **Juvenile Justice Reform (“Raise the Age”):** The Enacted Budget includes legislation that raises the age of criminal responsibility to 18 years. The new measures will be phased in over time, raising the age of juvenile jurisdiction from age 16 to 17 years, beginning on October 1, 2018, then raising the age of juvenile jurisdiction to 18 years on October 1, 2019. Added funding is planned in support of the housing, treatment and services provided for youth.

Under the legislation, those under the age of 18 will no longer be housed in adult facilities or jails. Those under the age of 18 will not be placed or held at Rikers Island in New York City beyond October 1, 2018. They will be placed in specialized juvenile detention facilities certified by the New York City Administration for Children’s Services and the State’s Office of Children and Family Services (OCFS), and in conjunction with the State’s Commission of Correction and the New York City Department of Corrections. The State will also create a Raise the Age implementation task force, with committee members designated by the Governor. Additionally, individuals who have been crime-free for ten years after serving a sentence will be able to apply for the sealing of previous criminal convictions depending on their offence.

- **Direct Care and Clinical Care Worker Wage Increase:** The Enacted Budget Financial Plan also provides funding to support a 6.5 percent raise over the next two years for direct care workers, and a 3.25 percent raise for clinical workers in FY 2019, serving the mental hygiene community, aimed at assisting non-profits in the recruitment and retention of employees. Partly offsetting the outyear cost of these increases is a deferral of the statutory Cost-of-Living Adjustment (COLA) in FY 2018 and FY 2019.
- **Indigent Legal Services:** To help ensure fair and equal representation for individuals who cannot afford counsel, the Enacted Budget Financial Plan includes resources to develop the framework through which the State will fund 100 percent of costs necessary to extend to all 62 counties in New York the 2014 indigent defense service reforms provided for in the Hurrell-Harring settlement.
- **All Other:** The Enacted Budget Financial Plan provides additional funding for various purposes agreed to during budget negotiations, including a legal defense fund for immigrants, local gaming aid of \$2.25 million for Madison County, as well as additional funding to support Taste NY; water quality aid for the City of Newburgh; and debt service costs for new bond-financed capital initiatives. In addition, funding has been added to provide for faster processing of sexual offense evidence kits⁹ submitted by New York State

⁹ Sexual Offense Evidence Kit Bill (Chapter 500 of the Laws of 2016) was signed by the Governor on November 28, 2016.

law enforcement agencies to the State Police forensic lab. The Enacted Budget Financial Plan also includes funding to support a new Cyber Incident Response Team to provide cybersecurity support to State entities, local governments, and entities managing infrastructure assets.

Resource Changes

- **Tax Revisions:** The multi-year tax receipts forecast reflects downward revisions based on recent collection experience and an updated economic forecast.
- **NYC STAR PIT Rate Reduction Benefit Conversion:** The conversion of the rate reduction benefit to a nonrefundable New York State PIT credit for New York City taxpayers with incomes below \$500,000 will not affect STAR benefits, but will result in lower General Fund tax collections. This action is consistent with the conversion of the NYC STAR PIT credit to a State credit in the FY 2017 Enacted Budget.
- **Use of Extraordinary Monetary Settlement Funds:** The Enacted Budget Financial Plan includes the use of Extraordinary Monetary Settlement funds for General Fund operations in FY 2018. This includes \$311 million in unallocated funds (including \$33 million expected from a settlement with Volkswagen AG, Audi AG, Porsche AG and their American subsidiaries) and \$150 million that was previously planned for deposit into the Rainy Day Fund if fiscal conditions permitted.
- **Public Safety Communications Surcharge:** The Public Safety Communications Surcharge is expanded to prepaid purchases of mobile communication services, with purchases subject to a 90-cent surcharge. The surcharge will be imposed at the point of purchase for a prepaid device or data. Currently, mobile plan subscribers pay \$1.20 per month, while purchasers of prepaid mobile services pay no surcharge. Local governments, including those that don't currently impose the surcharge on mobile plan contracts, can also opt in for a 30 cent surcharge on prepaid purchases of mobile communication services. This surcharge supports the State's public safety activities and funds the Statewide Interoperable Communications Grant (SICG) program.
- **Other Resource Changes:** Other changes include (i) updated estimates of various miscellaneous receipts and transfers from other funds, (ii) reimbursement for Mental Hygiene services in excess of debt service spending, and (iii) reductions reflecting the refinement of cautious estimates included in the Enacted Budget Financial Plan. In addition, the Enacted Budget includes the establishment of a special license to sell craft beverages along with food and souvenir items at certain Taste-NY stores.

Tax Actions

- **Extend the PIT Top Bracket:** The Enacted Budget Financial Plan reflects a two-year extension, through the end of tax year 2019, of the current income tax rate for high-income earners. The current top-bracket rate has been in place since January 1, 2012, when the top-bracket rate was reduced from 8.97 percent to 8.82 percent.
- **High Income Charitable Contribution Deduction:** The Enacted Budget extends to the end of tax year 2019, the charitable contribution deduction limitation of 25 percent.
- **Ride Sharing for Upstate New York:** The Enacted Budget authorizes Transportation Network Companies (TNCs) to operate across New York and creates uniform licensing standards. The Department of Motor Vehicles (DMV) will have oversight of rideshare companies to help ensure compliance with all laws, rules, and regulations required as part of a TNC's operational license. TNC companies will be required to maintain minimum insurance coverage levels of \$1.25 million while a TNC driver is traveling to pick up a passenger and until the drop-off is completed. The State will also establish minimum standards to ensure passenger safety. TNCs will be charged a 4 percent per fare State assessment fee.
- **Child and Dependent Care Credit:** The Enacted Budget increases benefits under the New York State Child and Dependent Care Credit. This credit provides households who qualified for the Federal Child and Dependent Care Credit the ability to claim a percentage of the Federal credit on their State income taxes. The Enacted Budget increases the percentage of the Federal credit for tax filers with New York Adjusted Gross Income (AGI) between \$50,000 and \$150,000, resulting in an increase in the benefit by an average of 123 percent.
- **Warrantless Wage Garnishment:** The Enacted Budget extends the authorization for the Department of Taxation and Finance (DTF) to garnish wages of delinquent taxpayers without filing a warrant with the Department of State (DOS) or County Clerks. The current program, extended for three years, has been successful in eliminating the unfunded mandate on counties to receive warrants from DTF.
- **Other Actions:** The Enacted Budget includes other tax credits/extensions, enforcement initiatives and tax code reforms. These include extending the Empire State Film and Post-Production Tax Credits for three years; renaming the Urban Youth Jobs Program to the New York Youth Jobs Program and extending the associated tax credit for five years to 2022; and adding a carve-out for the new Empire State Apprenticeship Tax Credit Program; providing farmers a credit for food bank donations; and closing tax loopholes associated with non-resident activities related to co-ops and asset sales.

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 2018	FY 2019	FY 2020	FY 2021
TOTAL NEGOTIATED CHANGES TO EXECUTIVE PLAN	(718)	(891)	(1,917)	(4,546)
SPENDING RESTORATIONS/ADDITIONS	(547)	(620)	(775)	(989)
<u>New Spending Adds:</u>	<u>(390)</u>	<u>(374)</u>	<u>(445)</u>	<u>(491)</u>
School Aid - Foundation Aid Increase	(86)	(195)	(233)	(244)
Charter Schools	0	(26)	(46)	(61)
Other Education Aid	(65)	(21)	(16)	(16)
Direct Care & Clinical Care Worker Wage Increase	(14)	(146)	(146)	(146)
FY 2019 COLA Deferral	0	107	107	107
Human Services/Labor	(65)	0	0	0
Higher Education	(63)	(57)	(49)	(52)
All Other	(97)	(36)	(62)	(79)
<u>Restorations/Modifications:</u>	<u>(157)</u>	<u>(246)</u>	<u>(330)</u>	<u>(498)</u>
STAR Exemption Cap/Mandatory Income Verification	(74)	(122)	(167)	(209)
Child Care Title XX	(20)	(20)	(20)	(20)
Bundy Aid Reduction	(16)	(27)	(27)	(27)
GPHW Reimbursement Reduction	(11)	(22)	(22)	(22)
Raise the Age Modification	0	19	(71)	(184)
SUNY Hospital Subsidy	(9)	(9)	(9)	(9)
Retiree Health Insurance	(9)	(32)	(39)	(51)
Modify Interest on Court of Claims Judgements	(6)	(6)	(6)	(6)
Other Restorations/Modifications/Rejected Initiatives	(12)	(27)	31	30
TAX LAW/REVENUE CHANGES	(171)	(271)	(1,142)	(3,557)
<u>Not Accepted:</u>	<u>(170)</u>	<u>(270)</u>	<u>(266)</u>	<u>(264)</u>
Marketplace Sales Tax Collection	(64)	(128)	(128)	(128)
Reform Taxation of Cigars	(12)	(23)	(23)	(23)
DMV REAL ID and Title Fee Increases	(81)	(97)	(98)	(97)
All Other	(13)	(22)	(17)	(16)
<u>Modified/New:</u>	<u>(1)</u>	<u>(1)</u>	<u>(876)</u>	<u>(3,293)</u>
PIT Top Bracket Extension	0	0	(810)	(3,127)
High Income Charitable Deduction	0	0	0	(70)
Food Donation Tax Credit	0	0	(10)	(10)
Union Dues Tax Deduction	0	0	(35)	(35)
All Other	(1)	(1)	(21)	(51)
NEW COSTS AND RESOURCE REDUCTIONS	(1,534)	(1,395)	(1,290)	(1,339)
Tax Receipt Revisions	(1,500)	(1,336)	(1,232)	(1,271)
Fringe Benefits	(34)	(59)	(58)	(68)
NEW SAVINGS AND RESOURCES	2,252	38	15	154
Use of Monetary Settlement Funds	461	0	0	0
FY 2017 Prepayments/Advances	210	0	0	0
Accumulated Transfers From Other Funds	264	0	0	0
Capital Transfers (Excluding Monetary Settlements)	545	6	(5)	(1)
Local Assistance	405	59	69	143
Agency Operations	194	(48)	(73)	(86)
Debt Service	39	(10)	23	76
All Other Resources/Transfers	134	31	1	22
NET SAVINGS/(COSTS)¹	0	(2,248)	(3,192)	(5,731)

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

Annual Spending Growth

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

STATE SPENDING MEASURES (millions of dollars)				
	FY 2017 Results	FY 2018 Enacted	Annual Change	
			\$	%
LOCAL ASSISTANCE	64,369	66,058	1,689	2.6%
School Aid (School Year Basis)	24,689	25,727	1,038	4.2%
DOH Medicaid ¹	18,243	19,093	850	4.7%
Transportation	4,977	5,027	50	1.0%
STAR ²	3,139	2,630	(509)	-16.2%
Social Services	2,935	2,968	33	1.1%
Higher Education	2,874	2,800	(74)	-2.6%
Mental Hygiene	2,461	2,485	24	1.0%
All Other ³	5,051	5,328	277	5.5%
STATE OPERATIONS/FRINGE BENEFITS	26,314	26,755	441	1.7%
Agency Operations	18,680	18,692	12	0.1%
Personal Service:	<u>13,093</u>	<u>12,910</u>	<u>(183)</u>	<u>-1.4%</u>
Executive Agencies	7,302	7,138	(164)	-2.2%
University Systems	3,816	3,770	(46)	-1.2%
Elected Officials	1,975	2,002	27	1.4%
Non-Personal Service:	<u>5,587</u>	<u>5,782</u>	<u>195</u>	<u>3.5%</u>
Executive Agencies	2,717	2,859	142	5.2%
University Systems	2,281	2,309	28	1.2%
Elected Officials	589	614	25	4.2%
Fringe Benefits/Fixed Costs	7,634	8,063	429	5.6%
Pension Contribution	2,446	2,540	94	3.8%
Health Insurance	3,708	3,983	275	7.4%
Other Fringe Benefits/Fixed Costs	1,480	1,540	60	4.1%
DEBT SERVICE	5,514	5,319	(195)	-3.5%
CAPITAL PROJECTS	2	2	0	0.0%
TOTAL STATE OPERATING FUNDS	96,199	98,134	1,935	2.0%
Capital Projects (State and Federal Funds)	10,156	13,111	2,955	29.1%
Federal Operating Aid⁴	41,397	41,625	228	0.6%
TOTAL ALL GOVERNMENTAL FUNDS⁵	147,752	152,870	5,118	3.5%

¹ Includes the Essential Plan (EP), which is an insurance plan for individuals who are not eligible for Medicaid and who meet certain income threshold standards. The EP is not a Medicaid program; but State-funded support is managed within total DOH Medicaid Global Cap resources. In addition, total State share Medicaid funding excludes MSA payments to the State that will be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund to defray the State cost of the local MA takeover.

² The FY 2018 Enacted Budget converts the NYC PIT rate reduction to a nonrefundable State PIT credit. This change has no impact on the 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 2021" herein.

³ "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 \$25.8 billion in FY 2018, an increase of \$1.4 billion from FY 2017. It also includes the portion of the MA takeover that will be funded from MSA payments deposited directly to the MMIS escrow fund (\$97 million in FY 2018). Lastly, it includes spending for public health, other education, local government assistance, parks, environment, economic development, and public safety.

^{4,5} Federal Operating Funds and All Funds disbursements exclude extraordinary aid for Federal health care reform and Superstorm Sandy.

State Operating Funds -- Summary of Annual Spending Change

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 2018, School Aid is expected to total \$25.7 billion, an increase of \$1.0 billion (4.2 percent), including a \$700 million increase in Foundation Aid.¹⁰ Medicaid subject to the Global Cap will grow at the indexed rate of 3.2 percent¹¹ to \$18.3 billion. In total, Medicaid funded from State resources will increase to \$19.5 billion, including the Essential Plan (EP),¹² the takeover of local Medicaid costs, and other spending outside the Global Cap.
- In FY 2018, the bonds secured by annual payments under the MSA with tobacco manufacturers were fully retired. DOB expects MSA payments of approximately \$97 million in FY 2018, \$329 million in FY 2019, \$327 million in 2020, and \$371 million in FY 2021 will be available for State purposes. The Enacted Budget authorizes using the payments to help defray the costs of the State's takeover of Medicaid costs borne by counties and New York City. The State takeover, in which local Medicaid costs are capped permanently at 2015 calendar year levels, began in FY 2016 and is expected to cost the State \$735 million in FY 2018 and \$917 million in FY 2019. As authorized in State law, MSA payments will be directly deposited to the Medicaid Management Information System (MMIS) Escrow Fund. The deposit mechanism has no impact on overall Medicaid spending funded with State resources, but does decrease reported State-supported Medicaid spending accounted for in State Operating Funds.
- STAR spending is affected by the conversion of STAR benefits to State PIT credits, in addition to other program reestimates. The conversion of STAR benefits to PIT credits has no impact on the value of the STAR benefits received by taxpayers, but does decrease reported disbursements for STAR on a State Operating Funds basis of reporting and decreases the level of reported PIT receipts by an identical amount.
- The annual change in local assistance spending 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

¹⁰ Total education aid, including charter school supplemental tuition reimbursement and Smart Schools Bond Act debt service, will total \$25.8 billion, an increase of \$1.1 billion or 4.4 percent from School Year 2017.

¹¹ 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.

¹² The EP is an insurance plan for individuals who are not eligible for Medicaid and that meet certain income threshold standards. Approximately 90 percent of program expenses are subsidized with Federal funds made available through the Affordable Care Act (ACA). The EP is not a Medicaid program; however, the State Funds support is managed within total Department of Health (DOH) Medicaid Global Cap resources.

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 reaffirmed that money recouped from the STARC refunding can be treated as an offset to State spending by adding specific "refund of appropriation" language to the STARC appropriation. The Enacted Budget Financial Plan reflects the offset to spending in the calculation of State Operating Funds spending. In FY 2017, the State accounted for the money as a miscellaneous receipt.

State Operations/Fringe Benefits

- Spending for Executive agency operations is expected to decline slightly in FY 2018 from the prior year. The current spending estimates for personal service reflect the potential costs of labor agreements with all State unions patterned on the labor contract ratified by the Public Employees Federation (PEF) in December 2016. In addition, Executive agencies are required to implement management plans intended to ensure that they can operate within existing cash ceilings. The estimated FY 2018 costs of potential labor agreements reflected in the Enacted Budget Financial Plan for Executive agencies are roughly equal to the savings expected from the management plans.
- Agency spending growth is also affected by the reclassification of 3,173 Full-Time Equivalent (FTE) positions whose titles are associated with the maintenance, preservation and/or operation of facilities (e.g., Plant Utilities Engineers, General Mechanics, Electricians, etc.) to the Capital Projects Fund.
- Operations spending for the university systems and elected officials is expected to decrease by 0.3 percent and increase by 2.0 percent, respectively. More than half of the FTE reclassifications to capital project funds occur in SUNY, affecting the annual growth.
- Spending growth for fringe benefits is due to rising employee health care and prescription drug costs, as well as an increase in the annual pension contribution.

Debt Service

- Spending from debt service funds is expected to decrease by 3.5 percent from 2017, reflecting the payment of certain FY 2018 debt service costs in FY 2017.

All Funds Spending

All Funds spending, which includes spending from capital funds and Federal funds, is budgeted to increase by 3.5 percent from FY 2017 to FY 2018, excluding extraordinary Federal aid for disaster-related costs and health care transformation.

TOTAL DISBURSEMENTS (millions of dollars)				
	FY 2017 Results	FY 2018 Enacted	Annual Change	Annual % Change
STATE OPERATING FUNDS	96,199	98,134	1,935	2.0%
General Fund (excluding transfers)	57,988	61,035	3,047	5.3%
Other State Funds	32,659	31,743	(916)	-2.8%
Debt Service Funds	5,552	5,356	(196)	-3.5%
ALL GOVERNMENTAL FUNDS (Excluding Extraordinary Aid)	147,752	152,870	5,118	3.5%
ALL GOVERNMENTAL FUNDS	157,014	163,628	6,614	4.2%
State Operating Funds	96,199	98,134	1,935	2.0%
Capital Projects Funds	10,156	13,111	2,955	29.1%
Federal Operating Funds	<u>50,659</u>	<u>52,383</u>	<u>1,724</u>	<u>3.4%</u>
Federal Disaster Aid for Superstorm Sandy	881	525	(356)	-40.4%
Federal Health Care Reform	8,381	10,233	1,852	22.1%
All Other Federal Aid	41,397	41,625	228	0.6%
GENERAL FUND (INCLUDING TRANSFERS)	68,080	71,199	3,119	4.6%
STATE FUNDS	104,029	109,396	5,367	5.2%

Growth in Capital Projects spending, which affects All Funds and State Funds spending, as well as transfers from the General Fund, reflects the continued implementation of major initiatives enacted in prior years, as well as new initiatives enacted in FY 2018. Major initiatives include: over \$55 billion for the Department of Transportation (DOT) and Metropolitan Transportation Authority (MTA) multi-year capital plans; \$2.5 billion in capital funding for Affordable and Homeless Housing; nearly \$3 billion for clean water infrastructure and increases to the Environmental Protection Fund (EPF); \$2 billion for the Smart Schools Bond Act; nearly \$3 billion in Health Care capital grants; and capital grants for economic development programs, including the Buffalo Billion, expansion of the Jacob K. Javits Convention Center, and redevelopment of Moynihan Station.

In addition, capital spending is expected to increase due to the multi-year disbursements of \$7.7 billion from Extraordinary Monetary Settlements that have been appropriated from Capital Projects Funds. This funding will support initiatives such as the Thruway Stabilization Program, Upstate Revitalization Initiative, and the expansion of statewide broadband services.

Increased Federal spending is mainly concentrated in health care and is partly offset by diminishing levels of Federal reimbursement for recovery costs related to severe storms (e.g., Superstorm Sandy).

General Fund spending, including transfers, is expected to grow by approximately 4.6 percent from FY 2017, and includes planned transfers of Extraordinary Monetary Settlements to fund spending appropriated in capital projects funds. In addition, funding for many agencies and programs is charged to several funds, and is affected by offsets and accounting reclassifications.

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 to 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 the available balances in STIP, as determined by the State Comptroller. Available balances include money in the State's governmental funds and a relatively small amount of other 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 2018 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 that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

ALL FUNDS MONTH-END CASH BALANCES			
FY 2018			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April	7,405	4,111	11,516
May	2,216	3,667	5,883
June	2,466	4,042	6,508
July	3,359	4,972	8,331
August	2,862	4,746	7,608
September	5,825	2,450	8,275
October	5,572	3,047	8,619
November	3,885	2,216	6,101
December	7,513	2,111	9,624
January	9,630	3,435	13,065
February	9,442	3,319	12,761
March	6,384	3,049	9,433

Extraordinary Monetary Settlements

From FY 2015 through FY 2018, DOB estimates that the State will have received a total of \$9.9 billion in Extraordinary Monetary Settlements for violations of New York State laws by major financial and other institutions. The following table lists the Extraordinary Monetary Settlements by firm and amount. Note that the Enacted Budget Financial Plan does not reflect the May 24, 2017 consent order between the State Department of Financial Services (DFS) and BNP Paribas S.A. and BNP Paribas S.A. New York Branch (together "BNPP"), pursuant to which BNPP has paid a \$350 million civil monetary penalty to DFS pursuant to Banking Law Section 44 for engaging in improper, unsafe and unsound conduct, in violation of New York State laws and regulations, that included collusive conduct, improper exchange of information, manipulation of the price at which daily benchmark rates were set, and misleading customers. DOB next expects to update the State's multi-year financial projections in July 2017 with the First Quarterly Update to the Financial Plan.

SUMMARY OF RECEIPTS OF EXTRAORDINARY MONETARY SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars)					
	FY 2015	FY 2016	FY 2017	FY 2018	Total
Extraordinary Monetary Settlements	4,942	3,605	1,317	33	9,897
BNP Paribas	2,243	1,348	0	0	3,591
Department of Financial Services (DFS)	2,243	0	0	0	2,243
Asset Forfeiture (DANY)	0	1,348	0	0	1,348
Deutsche Bank	0	800	444	0	1,244
Credit Suisse AG	715	30	0	0	745
Commerzbank	610	82	0	0	692
Barclays	0	670	0	0	670
Credit Agricole	0	459	0	0	459
Bank of Tokyo Mitsubishi	315	0	0	0	315
Bank of America	300	0	0	0	300
Standard Chartered Bank	300	0	0	0	300
Goldman Sachs	0	50	190	0	240
Morgan Stanley	0	150	0	0	150
Bank Leumi	130	0	0	0	130
Ocwen Financial	100	0	0	0	100
Citigroup (State Share)	92	0	0	0	92
MetLife Parties	50	0	0	0	50
American International Group, Inc.	35	0	0	0	35
PricewaterhouseCoopers LLP	25	0	0	0	25
AXA Equitable Life Insurance Company	20	0	0	0	20
Promontory	0	15	0	0	15
New Day	0	1	0	0	1
Volkswagen	0	0	32	33	65
Mega Bank	0	0	180	0	180
Agricultural Bank of China	0	0	215	0	215
PHH Mortgage	0	0	28	0	28
Intesa SanPaolo	0	0	235	0	235
Other Settlements	7	0	(7)	0	0

Uses of Extraordinary Monetary Settlements

Consistent with the Executive's intention to use the majority of Extraordinary Monetary Settlements to fund capital investments and nonrecurring expenditures, the Enacted Budget authorizes the transfer/use of \$5.4 billion in remaining resources from Extraordinary Monetary Settlements over a five-year period, in addition to \$4.5 billion used as of the close of FY 2017.

Since FY 2015, DOB estimates the State has received, or expects to receive, nearly \$10 billion in Extraordinary Monetary Settlements for violations of State laws by major financial and other institutions. A total of \$7.7 billion is expected to finance various purposes from capital appropriations, including operating activities associated with the maintenance, protection, preservation, and operation of capital assets. Another \$2.2 billion is or will be used for, other purposes, including resolution of Federal OPWDD disallowances in FY 2016; funding for retroactive labor costs, General Fund operations, and costs of the Department of Law's Litigation Services Bureau.

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	Total
Opening Settlement Balance in General Fund	0	4,667	6,300	5,335	3,870	2,208	1,121	468	0
Receipt of Extraordinary Monetary Settlement Payment	4,942	3,605	1,317	33	0	0	0	0	9,897
Use/Transfer of Funds	275	1,972	2,282	1,498	1,662	1,087	653	468	9,897
Capital Purposes:									
Transfer to DIIF	0	857	697	1,402	1,767	1,217	933	438	7,311
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	0	120
Transfer to Capital Projects Fund - Mass Transit	0	0	0	85	0	0	0	0	85
Transfer to Capital Projects Fund - Healthcare	0	0	0	25	45	50	50	30	200
Transfer to DIIF for Javits Center Expansion	0	0	0	160	350	320	170	0	1,000
Bond Proceed Receipts for Javits Center Expansion	0	0	0	0	0	(500)	(500)	0	(1,000)
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	850
Financial Plan - General Fund Operating Purposes	275	250	102	461	0	0	0	0	1,088
Transfer to Local Assistance Account - Mass Transit Opera	0	0	0	10	0	0	0	0	10
Department of Law - Litigation Services Operations	0	10	63	0	0	0	0	0	73
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	0	5
Reservation of Funds:									
Reserve for Retroactive Labor Settlements	0	0	0	155	0	0	0	0	155
Closing Settlement Balance in General Fund	4,667	6,300	5,335	3,870	2,208	1,121	468	0	0

The Enacted Budget Financial Plan reflects the allocation of an additional \$1.8 billion in unbudgeted Extraordinary Monetary Settlements to support the following measures:

- **Buffalo Billion Phase II (\$400 million):** The Enacted Budget Financial Plan reflects an additional investment of \$400 million from Extraordinary Monetary Settlement funds to support the second phase of the Buffalo Billion Initiative, which totals \$500 million.
- **Life Sciences (\$320 million):** The Enacted Budget Financial Plan reflects the commitment of \$320 million from Extraordinary Monetary Settlement funds to support the State's multi-year \$620 million Life Sciences Initiative. The State will provide \$220 million to support state-of-the-art laboratory space, equipment, and technology. Furthermore, \$100 million will be provided in investment capital for early stage life science firms, which is expected to be matched by private sector partners.
- **Health Care Capital Grants (\$200 million):** The Enacted Budget Financial Plan includes a \$500 million increase to the health care facility transformation program, of which \$200 million will be funded from Extraordinary Monetary Settlements.
- **Security and Emergency Response Preparedness (\$100 million):** The Enacted Budget Financial Plan reflects the commitment of \$100 million over the next two years to continue counter-terrorism efforts in New York City including increased security and anti-terror exercises at nine MTA-operated bridges and tunnels and to sustain the increased deployment of National Guard at transportation hubs that began in September 2014.
- **Downtown Revitalization (\$100 million):** The Enacted Budget Financial Plan reflects an additional \$100 million for the Downtown Revitalization Initiative to fund housing, economic development, transportation, and community projects to attract and retain residents, visitors, and businesses to downtowns. The existing program provides \$100 million to ten communities currently experiencing population loss and/or economic decline.
- **MTA Capital Plan (\$65 million):** The Enacted Budget Financial Plan reflects the commitment of an additional \$65 million to the MTA's 2015-2019 Capital Program. These new resources must be paid to the Authority before December 31, 2018.
- **Non MTA Transit (\$30 million):** The Enacted Budget Financial Plan invests an additional \$20 million in funds from Extraordinary Monetary Settlements toward the Department of Transportation (DOT) mass transit capital program. Funds will be directed by DOT toward upstate and downstate public transportation systems other than the MTA to defray the costs of capital projects or acquisitions. The Enacted Budget Financial Plan also provides \$10 million for operating costs related to non-MTA Mass Transit purposes.

- **First-Year Costs of Potential Labor Agreements (\$155 million):** The Enacted Budget Financial Plan reserves \$155 million in Extraordinary Monetary Settlements to fund the year one costs of potential labor agreements with the remaining unionized employees, patterned on the PEF contract.
- **General Fund Operations (\$461 million):** The Enacted Budget Financial Plan reflects the use of Extraordinary Monetary Settlements, including \$33 million expected in June 2017 pursuant to a pending settlement with Volkswagen AG, Audi AG, Porsche AG and their American subsidiaries, that were not appropriated in the Enacted Budget to cover a portion of the receipts shortfall.

Other Matters Affecting the Financial Plan

General

The State's 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. In certain fiscal years, actual receipts collections have fallen substantially below the levels forecasted. In addition, projections in future years are based on the assumption that annual growth in State Operating Funds spending is limited to 2 percent, and that all savings that result from the 2 percent limit 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 benchmark.

The Enacted Budget Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impacts of: national and international events; ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, hostilities or war; climate change and extreme weather events; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments which may adversely affect bonus income and capital gains realizations; the effect of household debt on consumer spending and State tax collections; and the outcome 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 market 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, in SY 2019 School Aid is projected to increase by 4.3 percent, a level \$100 million higher than the estimated 3.9 percent growth in personal income. In addition, since FY 2014, the State has annually authorized spending for School Aid to increase above the personal income growth index; in FY 2018, the Enacted Budget Financial Plan reflects a 4.2 percent School Aid increase, compared to the 3.9 percent growth in the index.

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 a number of factors including fluctuations in economic conditions, which may increase caseload. 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. However, 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 (which 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 payments under the Tribal-State compact; 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.

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 such that the spending for certain benefits is instead provided in the form of a tax credit for consistency with how other State tax credits are reported. If these and other transactions are not implemented as planned, this could add upward pressure to the reported level of annual spending growth in State Operating Funds.

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 are subject to change under the current presidential administration and Congress. Current financial projections concerning Federal aid, and the assumptions on which they rely, are subject to revision in future financial updates as a result of changes in Federal policy.

President Trump's Federal fiscal year 2018 budget proposal was submitted to Congress on May 23, 2017. The President's \$4.1 trillion budget contained substantial potential program spending cuts, including proposed cuts to Medicaid, TANF and other State programs. If adopted as proposed, multiple Federal aid programs would be impacted, including programs for which the State, New York City and other municipalities rely for capital and operating assistance. With the release of the President's Federal fiscal year 2018 budget proposal, attention now shifts to Congress as they work to craft the Federal fiscal year 2018 appropriation bills.

The Federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation approved with the Enacted Budget sets forth a process by which the State would manage significant reductions in Federal aid during FY 2018 should they arise. Specifically, the legislation directs the Budget Director to prepare a corrective action plan for consideration by the Legislature in the event that (a) Federal aid for Medicaid is reduced by \$850 million or more or (b) Federal aid for all other programs is reduced by \$850 million or more. Each limit is triggered separately and is not additive. The plan prepared by the Budget Director must

uniformly 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 adopt a corrective action plan by concurrent resolution, or the plan submitted by the Budget Director takes effect automatically.

In addition to the potential fiscal impact of policies that may be adopted by the Federal government, 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.

The Enacted Budget Financial Plan includes reimbursement to 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.

Current issues of particular concern are described below.

Maintaining Current Federal Aid

The presidential administration has proposed significant cuts to domestic programs in Federal FY 2018, and numerous mandatory programs, such as the Children's Health Insurance Program, are set to expire in Federal FY 2017. If the proposed cuts are adopted or the mandatory programs set to expire in Federal FY 2017 are not continued, it could lead to a reduction of billions of dollars to the State.

Federal Health Care Policy

Passage of H.R. 1628, the American Health Care Act, in the House of Representatives, puts at risk a significant amount of Federal Aid for health care. Major components of the bill include ending the Basic Health Plan, the Patient Protection and Affordable Care Act's (ACAs) Medicaid expansion, and shifting a larger share of the growth in Medicaid costs to the states by imposing per capita caps on Medicaid spending in lieu of Medicaid's current open-ended entitlement. If adopted, these policies would have a substantial adverse impact on the Enacted Budget Financial Plan.

The bill now moves to the Senate, where it appears unlikely to pass in its current form. DOB will continue to monitor the legislation.

MRT Medicaid Waiver

The Federal Centers for Medicare & Medicaid Services (CMS) and the State have reached 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 the eligibility data systems to draw the appropriate amount of enhanced FMAP. This reconciliation may result in a modification of payments to the State and local governments.

Federal Debt Ceiling

In October 2013, an impasse in Congress caused a temporary Federal government shutdown and raised concern for a time that the Federal debt ceiling would not be raised in a timely manner. Including the temporary suspension of the debt limit that ended that standoff in 2013, Congress has passed three suspensions of the debt limit since then, the most recent extension having expired in March of 2017. Since then, the Treasury has operated under "extraordinary measures" to finance Federal outlays without further borrowing. The Congressional Budget Office estimates that these cash management measures can forestall default until the fall of 2017.

A Federal government default on payments, particularly for a prolonged period, could have a materially adverse effect on the national and State economies, financial markets, and intergovernmental aid payments. The specific effects on the 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, as well as the State, could face higher borrowing costs and impaired market access. This would jeopardize planned capital investments in transportation infrastructure, higher education facilities, hazardous waste remediation, environmental projects, and economic development projects. Additionally, the market for and market value of outstanding municipal obligations, including municipal obligations of the State, could be adversely affected.

Current Labor Negotiations (Current Contract Period)

Legislation has been enacted to implement a three year collective bargaining agreement providing 2 percent annual increases (FY 2017, FY 2018, and FY 2019) for employees represented by PEF and comparable increases for M/C employees. The agreement with PEF follows the one-year retroactive labor agreement authorizing payment of a 2 percent general salary increase to members for the period April 1, 2015 through March 31, 2016. The Graduate Student Employees Union (GSEU) have agreed to a similar three-year deal. The GSEU membership voted to ratify on March 3, 2017.

The New York State Police Investigators Association (NYSPIA) achieved a multi-year collective bargaining agreement patterned after the State's 2015 legislative session deals with the State Police Troopers and Commissioned and Non-Commissioned Officers. The enacted NYSPIA pay bill provides the same schedule of general salary increases provided to the Police Benevolent Association of the New York State Troopers (NYSPBA) members; specifically, a 2 percent general salary increase for each of FY 2015 and FY 2016, in their entirety, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018, respectively.

Most recently, the NYSCOPBA membership voted not to ratify a tentative agreement on a five-year labor contract through FY 2021, which 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 the New York State Health Insurance Program (NYSHIP) and reductions in overtime costs. The State will continue negotiations with NYSCOPBA.

On June 20, 2017, the State and CSEA reached a tentative agreement on a five-year labor contract that provides annual salary increases of 2 percent for FYs 2017 through 2021. The tentative agreement is subject to ratification by CSEA membership. The Enacted Budget Financial Plan reflects annual salary increases of 2 percent through FY 2019.

The State is in active negotiations with all other employee unions whose contracts concluded in FY 2016, including United University Professions (UUP), Council 82, and District Council 37 (DC-37 Housing). Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

On June 27, 2016, the CUNY Board of Trustees approved collective bargaining agreements between CUNY and unions representing almost all of the University's faculty and staff. For CUNY senior colleges, these agreements are estimated to cost approximately \$250 million for retroactive payments and \$150 million in ongoing annual costs. At the request of CUNY, the State expects to advance its planned payment of approximately \$250 million State support for CUNY senior colleges from October 2017 to June 2017, to make resources available for retroactive payments in the academic year ending June 2017.

Pension Amortization¹³

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 authorizes 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 rate¹⁴) to a system-wide amortization threshold (i.e., the graded rate). Graded rates are determined for the Employees' Retirement System (ERS) and the Police and Fire Retirement System (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 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.

The amortization threshold is projected to approximate the normal rate in upcoming fiscal years. Therefore, the Enacted Budget Financial Plan no longer assumes amortization of State pension costs (including the Office of Court Administration) beyond FY 2016.

The following table reflects projected pension contributions and amortizations exclusively for Executive branch and Judiciary employers participating in ERS and PFRS. The "Normal Costs" column shows the State's underlying pension cost in each fiscal year, before the effects of amortization as authorized in 2010. 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" column

¹³ 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.

¹⁴ 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.

provides the State’s actual or planned pension contribution, inclusive of amortization. The “Interest Rate” 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.

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	(Amortized) / Excess Contributions	Amortization Payments	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	5.00	11.5	18.1	9.5	17.5
2012	2,037.6	(562.9)	32.3	1,507.0	3.75	15.9	21.6	10.5	18.5
2013	2,076.1	(778.5)	100.8	1,398.4	3.00	18.5	25.7	11.5	19.5
2014	2,633.8	(937.0)	192.0	1,888.8	3.67	20.5	28.9	12.5	20.5
2015	2,325.7	(713.1)	305.7	1,918.3	3.15	19.7	27.5	13.5	21.5
2016	1,972.1	(356.1)	389.9	2,005.9	3.21	17.8	24.7	14.5	22.5
2017	1,788.6	0.0	432.1	2,220.7	2.33	15.0	24.3	15.1	23.5
2018 Est.	1,881.0	0.0	432.1	2,313.1		14.9	24.3	14.9	24.3
-----Projected by DOB ⁵ -----									
2019	1,982.6	0.0	432.1	2,414.7		15.6	25.3	15.6	25.3
2020	2,093.0	0.0	432.1	2,525.1		16.6	26.3	16.6	26.3
2021	2,316.7	0.0	432.1	2,748.8		17.6	27.3	17.6	27.3
2022	2,530.6	0.0	399.8	2,930.4		18.6	28.3	18.6	28.3
2023	2,556.6	0.0	331.3	2,887.9		18.7	29.3	18.7	29.3
2024	2,582.7	0.0	240.1	2,822.8		18.5	29.1	18.5	29.1
2025	2,609.0	0.0	126.4	2,735.4		18.3	28.7	18.3	28.7
2026	2,635.0	0.0	42.2	2,677.2		18.1	28.3	18.1	28.3

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. "(Amortized) / 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.

Pension Contributions¹⁵

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.¹⁶ 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, the System 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 4.8 percent to 3.8 percent and for PFRS the scale was reduced from 5.4 percent to 4.5 percent.

FY 2018 Projections

The State's FY 2018 ERS/PFRS pension estimate of \$2.3 billion is based on the most recent bill prepared by OSC as of February 2017. The estimate includes payment of \$432 million towards the balance outstanding on prior-year deferrals (i.e., amortizations) and additional interest savings from paying the majority of the pension bill in April 2017.

The preliminary FY 2018 ERS/PFRS pension estimate is impacted by FY 2016 investment returns of 0.2 percent, which was below the Comptroller's assumed rate of return (7 percent). However, the past year's underperformance is offset by stronger investment returns in the previous four years and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease slightly from 15.5 percent of payroll to 15.3, while the average contribution rate for PFRS will increase slightly from 24.3 percent of payroll to 24.4 percent.¹⁷

Pension estimates also reflect changes to military service credit provisions enacted during the 2016 legislative session (Chapter 41 of the Laws of 2016). All veterans who are members of NYSLRS may receive extra pension credit for up to three years of military service if they were honorably discharged, have achieved five years of service in a public retirement system, and agree to pay the employee share of such additional pension credit. Costs to the State for employees in ERS will

¹⁵ 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.

¹⁶ The State's aggregate pension costs also include costs for State employees in the Teachers' Retirement System (TRS) for both the State University of New York (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).

¹⁷ Average contribution rates include the Group Life Insurance Program (GLIP), and thus differ from the system average normal rates reported in the previous table.

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, under Section 25 of Retirement and Social Security Law (RSSL), the State is required to pay the ERS employer 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 cost to the State for ERS (including the costs covered for local ERS) was \$77 million in FY 2017 based on actual credit purchased through December 31, 2016. DOB currently estimates ERS costs of \$100 million in FY 2018; \$79 million in FY 2019; and \$49 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 2019 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.

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 and are enrolled in the New York State Health Insurance Program (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 for NYSHIP benefits. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a Pay-As-You-Go (PAYGO) basis as required by law.

In accordance with the Governmental Accounting Standards Board (GASB) Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2016, 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 2016, the unfunded actuarial accrued liability for FY 2016 is \$77.9 billion (\$63.426 billion for the State and \$14.427 billion for SUNY), an increase of \$494 million from FY 2015 (attributable entirely to SUNY). The unfunded actuarial accrued liability for FY 2016 used an actuarial valuation of OPEB liabilities as of April 1, 2014 for the State and 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 has been driven by the adoption of generational mortality projection tables developed by the Society of Actuaries. The tables reflect an improvement in life expectancy in future years resulting in increases to accrued liabilities and the present value of projected benefits. A portion of the annual growth has also been driven by expected increases in NYSHIP costs due to health care cost trends and utilization increases.

The actuarially determined annual OPEB cost for FY 2016 totaled \$4.2 billion (\$3.246 billion for the State and \$926 million for SUNY), an increase of \$1.2 billion from FY 2015 (\$959 million for the State and \$207 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 \$2.6 billion (\$1.905 billion for the State and \$662 million for SUNY) greater than the cash payments for retiree costs made by the State in FY 2016. This difference between the State's PAYGO costs, and the actuarially determined ARC under GASB Statement 45, reduced the State's net asset condition at the end of FY 2016 by \$2.6 billion.

GASB does not 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.

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 State is currently examining GASB Statement 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions), which amends GASB Statement 45 and GASB Statement 57, and is expected to be incorporated into the State's FY 2019 financial statements. The GASB Statement 75 will alter the actuarial methods used to calculate OPEB liabilities, standardize asset smoothing and discount rates, and require the unfunded net OPEB obligation to be reported by the State. The inclusions of the remaining balance of the unfunded OPEB liability is expected to significantly increase the State's total long-term liabilities and act to lower the State's overall net position.

GASB Statement 75 is not expected to alter the Enacted Budget Financial Plan PAYGO projections for health insurance, 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. The Enacted Budget includes legislation to establish a Retiree Health Benefit Trust Fund for the purpose of funding health benefits of retired State employees and their dependents.

Retiree Health Benefit Trust

The Enacted Budget includes 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 up to 0.5 percent of total OPEB liability (currently \$63.4 billion for the State and \$14.4 billion for SUNY). The Enacted Budget Financial Plan does not include any deposits to the Trust Fund.

Litigation

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

Storm Recovery

New York 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 New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. 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 New York State, MTA, and New York 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 New York 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.

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. Significant long-term planning and investment by the Federal

government, State, municipalities, and public utilities are expected to be needed for adapting existing infrastructure to climate change risks.

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. While controls are routinely reviewed and tested, no assurances can be given that such security and operational control measures will be completely successful to guard 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 remediating any such event could be substantial.

Financial Condition of New York State Localities

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

Bond Market

Implementation of the Enacted Budget Financial Plan is dependent on the State's ability to market bonds successfully. 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.

Debt Reform Act Limit

The Debt Reform Act of 2000 (“Debt Reform Act”) restricts the issuance of State-supported debt to capital purposes only, and for a maximum term of 30 years. The Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001, and was fully phased in at 4 percent of personal income during FY 2011. The cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001, and was fully phased in at 5 percent during FY 2014. DOB, as administrator of the Act, determined that the State was in compliance with the statutory caps in the most recent calculation period (FY 2016).

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 available room under the debt outstanding cap is expected to decline from \$6.2 billion in FY 2017 to about \$82 million in FY 2021. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. In addition, the projected room under the debt cap is dependent on expected growth for 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. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap \$	Debt Outstanding Since April 1, 2000	\$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2017	1,195,263	4.00%	47,811	41,623	6,188	3.48%	0.52%	7,999	49,622
FY 2018	1,258,906	4.00%	50,356	45,186	5,170	3.59%	0.41%	6,785	51,972
FY 2019	1,312,774	4.00%	52,511	50,374	2,137	3.84%	0.16%	5,760	56,133
FY 2020	1,372,947	4.00%	54,918	54,374	544	3.96%	0.04%	4,888	59,263
FY 2021	1,435,631	4.00%	57,425	57,343	82	3.99%	0.01%	3,415	60,758
FY 2022	1,500,293	4.00%	60,012	59,522	490	3.97%	0.03%	2,785	62,307

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 2017	156,372	5.00%	7,819	4,279	3,540	2.74%	2.26%	1,206	5,484
FY 2018	161,076	5.00%	8,054	4,572	3,482	2.84%	2.16%	733	5,304
FY 2019	165,389	5.00%	8,269	5,164	3,106	3.12%	1.88%	1,308	6,471
FY 2020	168,650	5.00%	8,433	5,781	2,651	3.43%	1.57%	1,324	7,105
FY 2021	170,599	5.00%	8,530	6,208	2,322	3.64%	1.36%	1,166	7,373
FY 2022	170,770	5.00%	8,538	6,524	2,015	3.82%	1.18%	739	7,263

The State's available debt capacity under its statutory debt cap reflects the impact of several factors in the Enacted Budget Financial Plan. These include a reduction to the personal income forecast, additional capital commitments approved in the Enacted Budget, and revised estimates for bond-financed capital spending, including potential underspending projected to occur as a result of

normal timing related to the delivery of capital projects. 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 within one year of their call dates, and are adjusted to reflect refunding results to date. The impact on the debt cap is shown in the following chart.

DEBT OUTSTANDING SUBJECT TO CAP REMAINING CAPACITY SUMMARY						
(millions of dollars)						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
FY 2018 Executive Budget Financial Plan	6,340	4,121	2,273	865	443	1,217
Personal Income Forecast Adjustment	(172)	(66)	(101)	(125)	(126)	(142)
Enacted Capital Reestimates	20	1,212	436	498	683	493
Enacted Capital Adds	0	(296)	(634)	(810)	(960)	(1,078)
SUNY Dorms Refunding Adjustment	0	199	163	116	42	0
FY 2018 Enacted Budget Financial Plan	6,188	5,170	2,137	544	82	490

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, 2017, there were approximately \$220 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 \$85 million for debt service costs. DASNY also estimates the State will pay debt service costs of approximately \$14 million in FY 2018, \$28 million annually in FY 2019 through FY 2021, and \$22 million in FY 2022. 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 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 will 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. Title to 17 of the 20 properties was 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 things, the Purchaser can identify a replacement provider with a confirming letter of interest to provide certain of the healthcare 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, title 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.

2017 Legislative Session

The State's regular legislative session for 2017 is scheduled to end on June 21, 2017. Bills with a fiscal impact may be approved by the Legislature during the session and later 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 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.



**State Financial Plan Projections
Fiscal Years 2018 Through 2021**

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Introduction

This section presents the State's multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FYs 2018 through FY 2021, with an emphasis on the FY 2018 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 their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends, and forecast assumptions, by factoring out the distorting effects of earmarking certain tax receipts.
- **Disbursements:** Roughly 38 percent of projected State-financed spending for State Operating Funds (excluding transfers) is accounted for outside of the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, transportation, and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish, the further removed such estimates and projections are from the date of this Enacted Budget Financial Plan. Accordingly, in terms of outyear projections, the first "outyear" of the FY 2018 budget, FY 2019, 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 with a 2 percent spending growth benchmark.

The projections for FY 2019 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 2019, FY 2020, and/or FY 2021, 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 2017 Results	FY 2018 Enacted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
RECEIPTS					
Taxes (After Debt Service)	62,264	66,466	68,803	71,479	73,826
Miscellaneous Receipts/Federal Grants	3,813	2,152	2,128	2,135	2,058
Other Transfers	818	1,216	739	723	723
Total Receipts	66,895	69,834	71,670	74,337	76,607
DISBURSEMENTS					
Local Assistance Grants	44,439	47,069	50,112	53,101	55,745
School Aid	21,017	22,320	23,438	24,519	25,783
Medicaid/EP	12,447	13,361	14,163	15,226	16,039
All Other	10,975	11,388	12,511	13,356	13,923
State Operations	8,087	8,177	8,750	9,085	9,514
Personal Service	6,065	5,950	6,237	6,424	6,796
Non-Personal Service	2,022	2,227	2,513	2,661	2,718
General State Charges	5,462	5,789	6,328	6,792	7,357
Transfers to Other Funds	10,092	10,164	12,163	12,299	12,156
Debt Service	924	921	1,155	1,053	1,074
Capital Projects	2,569	2,627	4,068	3,899	3,479
State Share of Mental Hygiene Medicaid	1,239	1,301	1,231	1,119	1,119
SUNY Operations	996	1,015	1,005	1,001	1,001
All Other	4,364	4,300	4,704	5,227	5,483
Total Disbursements	68,080	71,199	77,353	81,277	84,772
Use (Reservation) of Fund Balance:	1,185	1,365	1,662	1,087	653
Community Projects	7	16	0	0	0
Labor Agreements	140	(130)	0	0	0
Undesignated Fund Balance	73	14	0	0	0
Extraordinary Monetary Settlements ¹	965	1,465	1,662	1,087	653
BUDGET SURPLUS/(GAP) PROJECTIONS²	0	0	(4,021)	(5,853)	(7,512)
Adherence to 2% Spending Benchmark³	n/a	n/a	3,230	5,855	7,955
BUDGET SURPLUS/(GAP) PROJECTIONS	0	0	(791)	2	443
¹ Reflect 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. ² Before actions to adhere to the 2 percent benchmark. ³ Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes 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 benchmark is not adhered to, the operating position would decline.					

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)					
	FY 2017 Results	FY 2018 Enacted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
RECEIPTS					
Taxes	72,989	76,599	79,898	83,142	85,813
Miscellaneous Receipts/Federal Grants	21,830	19,429	18,979	18,885	18,575
Total Receipts	94,819	96,028	98,877	102,027	104,388
DISBURSEMENTS					
Local Assistance Grants	64,369	66,058	68,990	72,041	74,742
School Aid (School Year Basis)	24,689	25,727	26,827	27,950	29,260
DOH Medicaid ¹	18,243	19,093	20,104	21,050	21,792
Tobacco Funding of Local Medicaid Takeover	0	(97)	(329)	(327)	(371)
Transportation	4,977	5,027	5,078	5,174	5,239
STAR	3,139	2,630	2,520	2,453	2,437
Higher Education	2,874	2,800	3,134	3,197	3,248
Social Services	2,935	2,968	3,056	3,203	3,276
Mental Hygiene	2,461	2,485	2,962	3,241	3,460
All Other ²	5,051	5,425	5,638	6,100	6,401
State Operations	18,680	18,692	19,175	19,577	20,119
Personal Service	13,093	12,910	13,179	13,454	13,925
Non-Personal Service	5,587	5,782	5,996	6,123	6,194
General State Charges	7,634	8,063	8,663	9,202	9,833
Pension Contribution	2,446	2,540	2,647	2,761	2,990
Health Insurance	3,708	3,983	4,260	4,551	4,860
All Other	1,480	1,540	1,756	1,890	1,983
Debt Service	5,514	5,319	6,499	7,134	7,402
Capital Projects	2	2	0	0	0
Total Disbursements	96,199	98,134	103,327	107,954	112,096
Net Other Financing Sources/(Uses)	364	353	(993)	(769)	(342)
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	1,016	1,753	1,422	843	538
General Fund	1,185	1,365	1,662	1,087	653
Special Revenue Funds	(185)	391	(237)	(239)	(110)
Debt Service Funds	16	(3)	(3)	(5)	(5)
GENERAL FUND BUDGET SURPLUS/(GAP)³	0	0	(4,021)	(5,853)	(7,512)
Adherence to 2% Spending Benchmark⁴	n/a	n/a	3,230	5,855	7,955
GENERAL FUND BUDGET SURPLUS/(GAP)	0	0	(791)	2	443

¹ Includes the Essential Plan (EP), which is an insurance plan for individuals who are not eligible for Medicaid and who meet certain income threshold standards. The Essential Plan is not a Medicaid program; however, State-funded support is managed within total DOH Medicaid Global Cap resources. In addition, total state share Medicaid funding includes the utilization of tobacco MSA proceeds which will be directly deposited to the MMIS Escrow Fund to cover a portion of local Medicaid growth.

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.

³ Before actions to adhere to the 2 percent benchmark.

⁴ Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes 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 benchmark is not adhered to, projected operating position would decline.

Receipts

Enacted Budget Financial Plan receipts 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 payroll mobility tax on businesses in the MTA region. The multi-year tax and miscellaneous receipts estimates are prepared by DOB with the assistance of the Department of Taxation and Finance (DTF) and other agencies which collect State receipts, and are predicated on economic analysis and forecasts.

Overall base growth 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.

Overview of the Receipts Forecast

All Funds receipts in FY 2018 are projected to total \$161.1 billion, an increase of 3 percent from FY 2017 preliminary results.

ALL FUNDS RECEIPTS (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
Personal Income Tax	47,565	49,382	3.8%	51,873	5.0%	53,919	3.9%	55,467	2.9%
Consumption/Use Taxes	16,212	16,861	4.0%	17,479	3.7%	18,029	3.1%	18,600	3.2%
Business Taxes	6,979	7,969	14.2%	8,127	2.0%	8,587	5.7%	8,957	4.3%
Other Taxes	2,236	2,276	1.8%	2,311	1.5%	2,420	4.7%	2,535	4.8%
Payroll Mobility Tax	1,380	1,438	4.2%	1,503	4.5%	1,578	5.0%	1,645	4.2%
Total State Taxes	74,372	77,926	4.8%	81,293	4.3%	84,533	4.0%	87,204	3.2%
Miscellaneous Receipts	26,594	26,509	-0.3%	26,580	0.3%	26,301	-1.0%	25,398	-3.4%
Federal Receipts	55,406	56,642	2.2%	57,516	1.5%	57,819	0.5%	57,998	0.3%
Total All Funds Receipts	156,372	161,077	3.0%	165,389	2.7%	168,653	2.0%	170,600	1.2%

State tax receipts are estimated to increase 4.8 percent in FY 2018, with increases across all tax categories. The estimated rebound to moderate growth is due to taxpayer behavior impacts that reduced FY 2017 collections but are not expected to recur in FY 2018.

Consistent with the projected growth in the New York economy over the multi-year Financial Plan period beyond FY 2018, all tax categories are projected to exhibit growth.

After controlling for the impact of tax law changes, base tax revenue decreased 0.1 percent in FY 2017, and is projected to increase by 4.6 percent in FY 2018 and 4.7 percent in FY 2019.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	<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>
STATE/ALL FUNDS	47,565	49,382	3.8%	51,873	5.0%	53,919	3.9%	55,467	2.9%
Gross Collections	56,517	59,310	4.9%	62,991	6.2%	65,995	4.8%	66,821	1.3%
Refunds (Incl. State/City Offset)	(8,952)	(9,928)	-10.9%	(11,118)	-12.0%	(12,076)	-8.6%	(11,354)	6.0%
GENERAL FUND¹	32,535	34,406	5.8%	36,385	5.8%	37,986	4.4%	39,215	3.2%
Gross Collections	56,517	59,310	4.9%	62,991	6.2%	65,995	4.8%	66,821	1.3%
Refunds (Incl. State/City Offset)	(8,952)	(9,928)	-10.9%	(11,118)	-12.0%	(12,076)	-8.6%	(11,354)	6.0%
STAR	(3,139)	(2,630)	16.2%	(2,520)	4.2%	(2,453)	2.7%	(2,385)	2.8%
RBTF	(11,891)	(12,346)	-3.8%	(12,968)	-5.0%	(13,480)	-3.9%	(13,867)	-2.9%

¹Excludes Transfers.

All Funds personal income tax receipts for FY 2018 are projected to be \$49.4 billion, an increase of \$1.8 billion (3.8 percent) from FY 2017 results. This increase includes growth in withholding and estimated vouchers for tax year 2017. Growth in these categories is partially offset by a decline in final returns and extension payments attributable to the 2016 tax year, and total refunds.

The following table summarizes, by component, actual receipts for FY 2017 and forecast amounts through FY 2021.

ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS					
(millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Results	Enacted	Projected	Projected	Projected
Receipts					
Withholding	37,524	39,459	41,314	42,557	43,543
Estimated Payments	14,972	15,924	17,521	19,069	18,712
Current Year	10,912	12,428	13,379	14,392	13,233
Prior Year ¹	4,060	3,496	4,142	4,677	5,479
Final Returns	2,588	2,511	2,669	2,818	2,978
Current Year	260	274	289	304	319
Prior Year ¹	2,328	2,237	2,380	2,514	2,659
Delinquent	1,433	1,416	1,487	1,551	1,588
Gross Receipts	56,517	59,310	62,991	65,995	66,821
Refunds					
Prior Year ¹	4,952	5,818	6,385	6,895	7,321
Previous Years	468	495	520	550	580
Current Year ^{1,2}	2,003	2,053	2,068	2,098	2,125
Advanced Credit Payment	678	689	1,247	1,709	479
State/City Offset ¹	851	873	898	824	849
Total Refunds	8,952	9,928	11,118	12,076	11,354
Net Receipts	47,565	49,382	51,873	53,919	55,467

¹ These components, collectively, are known as the "settlement" on the prior year's tax liability.
² Reflects the January-March administrative refund cap of \$1,750 in all years plus all refund offsets.

Withholding in FY 2018 is estimated to be \$1.9 billion (5.2 percent) higher than FY 2017 results, driven by moderate wage growth partially associated with improved bonus growth. Extension payments related to tax year 2016 declined by \$564 million (13.9 percent), primarily due to declines in capital gains resulting, at least in part, from apparent taxpayer belief that Federal tax rates would be lower for tax year 2017. Estimated payments for tax year 2017 are projected to grow \$1.5 billion (13.9 percent), primarily due to an increase in net capital gains income, coming off a lower base from tax year 2016. Final return payments and delinquencies are projected to be \$77 million (3 percent) lower and \$17 million (1.2 percent) lower than FY 2017 results, respectively.

The projected increase in total refunds of \$976 million (10.9 percent) includes a \$866 million increase (17.5 percent) in prior (tax year 2016) refunds, a \$27 million (5.8 percent) increase in previous (tax year 2015 and earlier) refunds, an \$11 million (1.6 percent) increase in advanced credit payments related to tax year 2017, and a \$22 million (2.6 percent) increase in the state-city offset.

General Fund PIT receipts are net of deposits to the STAR Fund, which provide property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State PIT revenue bonds. General Fund PIT receipts for FY 2018 of \$34.4 billion are estimated to increase by \$1.9 billion (5.8 percent) from FY 2017 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be \$12.3 billion and the STAR transfer is projected to be \$2.6 billion.

All Funds PIT receipts for FY 2019 of \$51.9 billion are projected to increase by \$2.5 billion (5 percent) from FY 2018 estimates. Gross PIT receipts are projected to increase 6.2 percent, reflecting withholding that is projected to grow by \$1.9 billion (4.7 percent) and estimated payments related to tax year 2018 that are projected to grow by \$951 million (7.7 percent). Payments from extensions for tax year 2017 are projected to increase by \$646 million (18.5 percent), reflecting the taxpayer behavior related to potential Federal tax rate changes noted earlier. Final returns are expected to increase by \$158 million (6.3 percent) and delinquencies are projected to increase \$71 million (5 percent) from the prior year. Total refunds are projected to increase by \$1.2 billion (12 percent) from the prior year, primarily due to the property tax relief credit enacted in 2015 and the recent conversions of New York City STAR benefits into State tax credits.

General Fund PIT receipts for FY 2019 of \$36.4 billion are projected to increase by nearly \$2 billion (5.8 percent). RBTF deposits are projected to be \$13 billion, and the STAR transfer is projected to be \$2.5 billion.

All Funds PIT receipts for FY 2020 of \$53.9 billion are projected to increase by \$2 billion (3.9 percent) from FY 2019 estimates. Gross PIT receipts are projected to increase 4.8 percent, reflecting withholding that is projected to grow by \$1.2 billion (3 percent). The relatively low growth rate reflects the expiration of the Enacted Budget two-year high-income surcharge extension through tax year 2019. Estimated payments related to tax year 2019 are projected to grow by \$1 billion (7.6 percent), while payments from extensions for tax year 2018 are projected to increase by \$535 million (12.9 percent), and final returns are expected to increase by \$149 million (5.6 percent). Delinquencies are projected to increase \$64 million (4.3 percent) from the prior year. Total refunds are projected to increase by \$1 billion (8.6 percent) from the prior year.

General Fund PIT receipts for FY 2020 of \$38 billion are projected to increase by \$1.6 billion (4.4 percent). RBTF deposits are projected to be \$13.5 billion, and the STAR transfer is projected to be \$2.5 billion.

All Funds PIT receipts in FY 2021 are projected to increase by \$1.5 billion to \$55.5 billion, while General Fund PIT receipts are projected to total \$39.2 billion. This projected slow growth is driven by the expiration of the high-income surcharge rate extension in tax year 2020, combined with continued phase-in of the FY 2017 Enacted Budget middle income tax cuts.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	16,212	16,861	4.0%	17,479	3.7%	18,029	3.1%	18,600	3.2%
Sales Tax	13,869	14,584	5.2%	15,178	4.1%	15,766	3.9%	16,371	3.8%
Cigarette and Tobacco Taxes	1,236	1,190	-3.7%	1,150	-3.4%	1,104	-4.0%	1,061	-3.9%
Motor Fuel Tax	519	515	-0.8%	512	-0.6%	507	-1.0%	504	-0.6%
Highway Use Tax	138	96	-30.4%	142	47.9%	142	0.0%	143	0.7%
Alcoholic Beverage Taxes	258	262	1.6%	267	1.9%	272	1.9%	276	1.5%
Medical Marihuana Excise Tax	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
Taxicab Surcharge	64	64	0.0%	64	0.0%	64	0.0%	64	0.0%
TNC Assessment	0	12	0.0%	24	100.0%	24	0.0%	24	0.0%
Auto Rental Tax	127	137	7.9%	141	2.9%	149	5.7%	156	4.7%
GENERAL FUND¹	7,101	7,438	4.7%	7,726	3.9%	7,996	3.5%	8,274	3.5%
Sales Tax	6,483	6,821	5.2%	7,101	4.1%	7,377	3.9%	7,661	3.8%
Cigarette and Tobacco Taxes	360	343	-4.7%	334	-2.6%	323	-3.3%	313	-3.1%
Alcoholic Beverage Taxes	258	262	1.6%	267	1.9%	272	1.9%	276	1.5%
TNC Assessment	0	12	0.0%	24	100.0%	24	0.0%	24	0.0%

¹Excludes Transfers.

All Funds consumption/use tax receipts for FY 2018 are estimated to be nearly \$16.9 billion, a \$649 million (4 percent) increase from FY 2017 results. Sales tax receipts are estimated to increase \$715 million (5.2 percent) from the prior year. Cash growth exceeds base growth (i.e., absent law changes) of 4.1 percent primarily due to agreements between certain mobile telecommunication providers and the State to allow such providers to remit less sales tax for a period, ending in April 2017, in lieu of receiving State refunds due to them under Tax Law Section 184. These agreements resulted from acknowledgement by DTF that a mobile telecommunications provider was not subject to the Tax Law Section 184 franchise tax imposed on them between 2005 and 2014. Cigarette and tobacco tax collections are estimated to decrease by \$46 million (3.7 percent). This mainly reflects an expected continued decline in taxable cigarette consumption. The decline is moderated by enforcement efforts of the Cigarette Strike Force. Highway use tax (HUT) collections are estimated to decrease by \$42 million (30.4 percent) due to an increase in refund payments of \$44.4 million as a result of the Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance court decision that lowered HUT registration and decal fees (per truck) from \$19 to \$1.50. Motor fuel tax collections are estimated to decrease by \$4 million (0.8 percent), reflecting an increase in refund payments partially offset by slight growth in both taxable motor fuel and diesel fuel consumption. The newly enacted Transportation Network Company (TNC) assessment is estimated to generate \$12 million in All Funds receipts, as it will only be in effect for part of the fiscal year. Auto rental Tax receipts are estimated to increase by \$10 million (7.9 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 2018 are estimated to total over \$7.4 billion, a \$337 million (4.7 percent) increase from FY 2017 results. This increase largely reflects the All Funds sales and cigarette and tobacco tax trends noted above and the part-year impact of the newly enacted TNC assessment.

All Funds consumption/use tax receipts for FY 2019 are projected to be nearly \$17.5 billion, a \$618 million (3.7 percent) increase from FY 2018. The projected \$594 million (4.1 percent) increase in sales tax receipts reflects sales tax base growth of 3.9 percent, slightly lower than the prior fiscal year. Consumption of taxable services and disposable income are projected to grow at a slower pace than in FY 2018. The TNC assessment in its first fully effective year is projected to generate \$24 million in FY 2019. The projected \$46 million (47.9 percent) increase in HUT collections are due to lower refund payments as they return to long-term trend levels following the prior year's significant increase as a result of the court decision noted above. A continued trend decline in taxable cigarette consumption is also projected.

General Fund consumption/use tax receipts are projected to total over \$7.7 billion in FY 2019, a \$288 million (3.9 percent) increase from FY 2018. The projected increase largely reflects the All Funds sales and cigarette and tobacco tax trends noted above and the first full year impact of the TNC assessment.

All Funds consumption/use tax receipts for FY 2020 are projected to be \$18 billion, a \$550 million (3.1 percent) increase from FY 2019. The projected \$588 million (3.9 percent) increase in sales tax receipts reflects sales tax base growth of 4 percent. The All Funds sales tax increase is slightly offset by a trend decline in taxable cigarette consumption. FY 2020 General Fund consumption/use tax receipts are projected to increase to nearly \$8 billion, a \$270 million (3.5 percent) increase from FY 2019.

All Funds consumption/use tax receipts are projected to reach \$18.6 billion (3.2 percent growth) in FY 2021, largely representing base growth in sales tax receipts, slightly offset by a continued trend decline in taxable cigarette consumption.

General Fund consumption/use tax receipts are projected to increase to nearly \$8.3 billion (3.5 percent growth) in FY 2021, reflecting the All Funds trends noted above.

Business Taxes

BUSINESS TAXES (millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	6,979	7,969	14.2%	8,127	2.0%	8,587	5.7%	8,957	4.3%
Corporate Franchise Tax	3,166	4,175	31.9%	4,373	4.7%	4,823	10.3%	5,123	6.2%
Corporation and Utilities Tax	720	765	6.3%	744	-2.7%	754	1.3%	764	1.3%
Insurance Tax	1,580	1,616	2.3%	1,745	8.0%	1,828	4.8%	1,965	7.5%
Bank Tax	389	328	-15.7%	143	-56.4%	71	-50.3%	0	-100.0%
Petroleum Business Tax	1,124	1,085	-3.5%	1,122	3.4%	1,111	-1.0%	1,105	-0.5%
GENERAL FUND	4,761	5,718	20.1%	5,770	0.9%	6,190	7.3%	6,522	5.4%
Corporate Franchise Tax	2,476	3,406	37.6%	3,524	3.5%	3,924	11.4%	4,187	6.7%
Corporation and Utilities Tax	538	585	8.7%	563	-3.8%	569	1.1%	575	1.1%
Insurance Tax	1,410	1,447	2.6%	1,561	7.9%	1,637	4.9%	1,760	7.5%
Bank Tax	337	280	-16.9%	122	-56.4%	60	-50.8%	0	-100.0%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2018 are estimated to total nearly \$8 billion, an increase of \$990 million (14.2 percent) from FY 2017 results. The estimate reflects increases for the corporation franchise tax, corporation and utilities tax and insurance tax partially offset by decreases in the bank tax and the petroleum business tax.

Corporation franchise tax receipts are estimated to increase \$1 billion (31.9 percent) in FY 2018, reflecting a rebound in gross receipts and audits. FY 2017 results were negatively impacted by a cut in the business income tax rate from 7.1 to 6.5 percent as well as a shortfall in cash remittances on tax year 2015 final returns (due in March 2017 with permissible extension). This lack of March 2017 cash remittances indicated taxpayers significantly overpaid on 2015 liability during previous estimated payment events. This is not expected to be repeated when tax year 2016 final returns are submitted in FY 2018. Additionally, corporate profit growth is estimated to be 6.3 percent for tax year 2017. Audit receipts are estimated to be significantly higher in FY 2018 (\$288 million) as a greater number of large cases are expected to be closed.

Corporation and utilities tax receipts are estimated to increase \$45 million (6.3 percent) in FY 2018. Gross receipts are expected to increase from FY 2017 results as a result of late filings of mandatory first installment payments. The 2017 mandatory first installment was due March 15th, but several taxpayers filed these payments in April 2017. Audits are expected to decline slightly.

Insurance tax receipts for FY 2018 are estimated to increase \$36 million (2.3 percent) from FY 2017 results. Projected growth in tax year 2017 liability is partially offset by higher refunds as life insurers continue to claim the tax credit for assessments paid to the Life Insurance Guaranty Corporation (LIGC). The LIGC exists to protect policyholders from the insolvency of their life insurers. This is the second year of refund claims for the credit for assessments paid earlier.

Receipts from the repealed bank tax (all from prior liability periods) are estimated to decrease by \$61 million in FY 2018. This decrease stems from lower audit receipts (\$99 million) partially offset by lower prior period adjustments.

Petroleum Business Tax (PBT) receipts are estimated to decrease \$39 million (3.5 percent) in FY 2018, primarily due to the 5 percent decrease in the PBT rate index effective January 2017. This decline is partially offset by estimated slight growth in both taxable motor fuel and diesel fuel consumption and the estimated 5 percent increase in the PBT rate index effective January 2018.

General Fund business tax receipts for FY 2018 of \$5.7 billion are estimated to increase \$957 million (20.1 percent) from FY 2017 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2019 of \$8.1 billion are projected to increase by \$158 million (2 percent) from the current year. The increase in corporation franchise tax receipts of \$198 million (4.7 percent) reflects projected growth in corporate profits. The corporation and utilities tax receipts decline of \$21 million (2.7 percent) is attributable to the one-time late filings (April 2017) that are not expected to repeat in FY 2019.

Insurance tax receipts for FY 2019 of over \$1.7 billion are projected to increase \$129 million (8 percent) from the current year. Projected growth in insurance tax premiums combined with lower expected LIGC credit claims contribute to this year-over-year growth. Bank tax receipts are projected to decrease by \$185 million (56.4 percent), due to lower projected audit receipts. PBT receipts are projected to increase \$37 million (3.4 percent) in FY 2019, primarily due to the estimated 5 percent increase in the PBT rate index effective January 2018 and a projected 4.7 percent increase in the PBT rate index effective January 2019. These increases are partially offset by a projected slight decline in taxable motor fuel and diesel fuel consumption.

General Fund business tax receipts for FY 2019 of nearly \$5.8 billion are projected to increase \$52 million (0.9 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2020 of \$8.6 billion are projected to increase by \$460 million (5.7 percent), and General Fund business tax receipts are projected to increase to \$6.2 billion (7.3 percent growth) from the previous year. The projection primarily reflects growth in the corporation franchise tax driven by higher gross receipts and lower refunds. Increases in the corporation and utilities and insurance taxes are offset by declines in the bank and petroleum business taxes.

All Funds business tax receipts for FY 2021 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 2021, All Funds business tax receipts are projected to increase to \$9 billion (4.3 percent growth), and General Fund business tax receipts are projected to increase to \$6.5 billion (5.4 percent growth).

Other Taxes

OTHER TAXES (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE/ALL FUNDS	2,236	2,276	1.8%	2,311	1.5%	2,420	4.7%	2,535	4.8%
Estate Tax	1,091	1,052	-3.6%	1,033	-1.8%	1,092	5.7%	1,155	5.8%
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%
Real Estate Transfer Tax	1,126	1,204	6.9%	1,258	4.5%	1,308	4.0%	1,360	4.0%
Pari-Mutuel Taxes	16	17	6.3%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND¹	1,110	1,072	-3.4%	1,053	-1.8%	1,112	5.6%	1,175	5.7%
Estate Tax	1,091	1,052	-3.6%	1,033	-1.8%	1,092	5.7%	1,155	5.8%
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	16	17	6.3%	17	0.0%	17	0.0%	17	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 2018 are estimated to be nearly \$2.3 billion, an increase of \$40 million (1.8 percent) from FY 2017 results. This largely reflects an estimated decrease in estate tax receipts of \$39 million (3.6 percent) from the continued phase-in of the increased filing threshold, partially offset by an estimated increase in real estate transfer tax receipts of \$78 million (6.9 percent) primarily due to projected growth in both housing starts and housing prices.

General Fund other tax receipts are estimated to be just under \$1.1 billion in FY 2018, a decrease of \$38 million (3.4 percent) from FY 2017 results, reflecting the decrease in estate tax receipts noted above.

All Funds other tax receipts for FY 2019 are projected to be over \$2.3 billion, an increase of \$35 million (1.5 percent) from FY 2018. Estate tax receipts are projected to decrease by \$19 million (1.8 percent) reflecting the continuation of the phase-in of the increased filing threshold, partially offset by projected growth in household net worth. Real estate transfer tax receipts are projected to increase by \$54 million (4.5 percent), reflecting projected growth in housing starts and housing prices.

General Fund other tax receipts for FY 2019 are projected to decrease by \$19 million (1.8 percent) due to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2020 are projected to be over \$2.4 billion, a \$109 million (4.7 percent) increase from FY 2019. Estate tax receipts are projected to increase by \$59 million (5.7 percent) reflecting projected growth in household net worth and the conclusion of the phase-in of the increased filing threshold. Real estate transfer tax receipts are projected to increase by \$50 million (4 percent), reflecting projected growth in housing starts and prices.

General Fund other tax receipts for FY 2020 are projected to increase by \$59 million (5.6 percent), due to the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2021 reflect projected trend growth in household net worth, housing starts, and housing prices. FY 2021 All Funds other tax receipts are projected to increase by \$115 million (4.8 percent growth), and General Fund other tax receipts are projected to increase by \$63 million (5.7 percent growth), reflecting the household net worth trends noted above.

Miscellaneous Receipts and Federal Grants

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 and licenses.

MISCELLANEOUS RECEIPTS (millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
ALL FUNDS	26,594	26,509	-0.3%	26,580	0.3%	26,301	-1.0%	25,398	-3.4%
General Fund	3,813	2,152	-43.6%	2,128	-1.1%	2,135	0.3%	2,058	-3.6%
Special Revenue Funds	17,686	16,956	-4.1%	16,531	-2.5%	16,429	-0.6%	16,206	-1.4%
Capital Projects Funds	4,637	6,942	49.7%	7,463	7.5%	7,278	-2.5%	6,682	-8.2%
Debt Service Funds	458	459	0.2%	458	-0.2%	459	0.2%	452	-1.5%

All Funds miscellaneous receipts are estimated to total \$26.5 billion in FY 2018, a decrease of 0.3 percent from FY 2017 results. This decrease is primarily due to the impact of Extraordinary Monetary Settlements received in the General Fund during FY 2017, as described earlier in this AIS. In addition to the impact of Extraordinary Monetary Settlements, declining FY 2018 miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, and tuition income revenue.

All Funds miscellaneous receipts are projected to remain relatively flat in FY 2019 and FY 2020, then decrease in FY 2021 related to a year-over-year decrease in bond proceeds reimbursements, which subsequently corresponds to the spend out of bond-financed capital projects.

FEDERAL GRANTS (millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
ALL FUNDS	55,406	56,642	2.2%	57,516	1.5%	57,819	0.5%	57,998	0.3%
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	52,725	54,323	3.0%	55,014	1.3%	55,531	0.9%	55,754	0.4%
Capital Projects Funds	2,608	2,246	-13.9%	2,429	8.1%	2,215	-8.8%	2,171	-2.0%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%

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 are projected to grow to \$58 billion by FY 2021, primarily reflecting 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 continuing administration and Congressional authorization, appropriations and budget action.

Many of the policies that drive Federal aid may be subject to change with the new presidential administration and Congress that began in January 2017. It is not possible at this time to assess the potential fiscal impact of policies that may be proposed and subsequently adopted by the new administration and Congress. If Federal funding to the State were reduced, this could have a materially adverse impact on the Enacted Budget Financial Plan.

Disbursements

Total disbursements in FY 2018 are estimated at \$71.2 billion in the State's General Fund (including transfers) and \$98.2 billion in total State Operating Funds. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth.

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 billion in FY 2018, 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 2017 Results ¹	FY 2018 Enacted	Forecast		
			FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
MEDICAID					
Individuals Covered	6,217,239	6,284,551	6,318,208	6,335,036	6,343,450
- Essential Plan	713,091	723,020	727,880	730,483	733,095
- Child Health Plus (Caseload)	305,560	309,866	314,232	318,659	323,149
State Takeover of County/NYC Costs ²	\$2,891	\$3,228	\$3,565	\$3,889	\$4,212
EDUCATION					
School Aid (School Year Basis Funding)	\$24,689	\$25,727	\$26,827	\$27,950	\$29,260
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	562,873	574,523	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	285,920	293,473	N/A	N/A	N/A
PUBLIC ASSISTANCE					
Family Assistance Program (Families)	234,902	230,387	227,493	224,803	222,161
Safety Net Program (Families)	123,264	121,194	119,638	118,217	116,832
Safety Net Program (Singles)	204,947	207,139	209,728	212,134	214,779
MENTAL HYGIENE					
OMH Community Beds	43,077	44,526	46,957	48,057	48,257
OPWDD Community Beds	42,737	43,165	43,596	44,032	44,472
OASAS Community Beds	13,370	13,491	13,532	13,672	13,707
Total	99,184	101,182	104,085	105,761	106,436
PRISON POPULATION					
	51,300	51,000	51,000	51,000	51,000
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.					

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 increase by \$1.0 billion (4.2 percent) in SY 2018, including a \$700 million Foundation Aid increase. A Community Schools set-aside of \$150 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 \$288 million supports increased reimbursement in expense-based aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

The Enacted Budget Financial Plan also provides \$50 million in new competitive grant programs, highlighted by a \$35 million investment to expand after-school programs targeted towards low-income students within high need communities, and \$5 million to expand prekindergarten for three- and four-year olds in high-need school districts. New York 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 \$1.1 billion (4.3 percent) in SY 2019, based largely on personal income growth.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30) ¹									
(millions of dollars)									
	<u>SY 2017</u>	<u>SY 2018</u>	<u>Change</u>	<u>SY 2019</u>	<u>Change</u>	<u>SY 2020</u>	<u>Change</u>	<u>SY 2021</u>	<u>Change</u>
Total	24,689	25,727	1,038 4.2%	26,827	1,100 4.3%	27,950	1,123 4.2%	29,260	1,310 4.7%

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

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 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	24,351	25,762	5.8%	26,806	4.1%	27,923	4.2%	29,190	4.5%
General Fund Local Assistance	21,017	22,319	6.2%	23,438	5.0%	24,519	4.6%	25,783	5.2%
Core Lottery Aid	2,360	2,395	1.5%	2,294	-4.2%	2,288	-0.3%	2,291	0.1%
VLT Lottery Aid	957	927	-3.1%	870	-6.1%	888	2.1%	888	0.0%
Commercial Gaming - VLT Offset	4	40	900.0%	88	120.0%	70	-20.5%	70	0.0%
Commercial Gaming	13	81	523.1%	116	43.2%	158	36.2%	158	0.0%

State fiscal year spending for School Aid is projected to total \$25.8 billion in FY 2018. Over the multi-year Financial Plan, an increasing share of School Aid spending is projected to be financed by commercial gaming revenues as opposed to traditional core lottery sales, as described in greater detail below. In addition to State aid, school districts currently receive more than \$3 billion annually in Federal aid.

State aid payments for School Aid were supplemented by commercial gaming revenues in FY 2017, following the State's receipt of one-time licensing fees in FY 2016. These receipts are expected to increase in FY 2018 and the outyears, with gaming revenues shared by the State and commercial gaming facilities. 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. Three of the four approved casinos have since opened and are in operation, and the fourth approved casino is expected to open in 2018. 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 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	2,193	2,269	3.5%	2,385	5.1%	2,475	3.8%	2,619	5.8%
Special Education	1,317	1,338	1.6%	1,453	8.6%	1,571	8.1%	1,690	7.6%
All Other Education	876	931	6.3%	932	0.1%	904	-3.0%	929	2.8%

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.

FY 2018 Special Education spending is projected to increase by 2.0 percent over FY 2017 due, in part, to the timing of rate-setting related to these programs. All Other Education growth reflects increased reimbursement of charter school supplemental basic tuition and facilities aid to New York City charter schools in privately-leased space.

Continued growth in FY 2019 and beyond for Special Education is attributable to increased State reimbursement to special education providers for minimum wage costs, funding for excessive teacher turnover prevention, and projected enrollment and cost growth in preschool and summer school special education programs.

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 \$65,500 exemption in FY 2018. 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 2018 program costs are: the basic school property tax exemption or credit for homeowners with incomes under \$500,000 (58 percent); enhanced school property tax exemption or credit for senior citizen homeowners with incomes under \$86,000 (31 percent); and a credit for income-eligible resident New York City personal income taxpayers (11 percent). The Enacted Budget includes the conversion of the New York City PIT rate reduction benefit into a PIT tax credit, which will reduce and eventually eliminate it as a component of State Operating Funds spending. This change will have 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 will have 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 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	3,139	2,630	-16.2%	2,520	-4.2%	2,453	-2.7%	2,437	-0.7%
Gross Program Costs	3,330	3,457	3.8%	3,458	0.0%	3,509	1.5%	3,613	3.0%
Program Conversion	0	(277)	0.0%	0	100.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(191)	(492)	-157.6%	(938)	-90.7%	(1,056)	-12.6%	(1,176)	-11.4%
FY 2017 Overpayment ¹	0	(58)	0.0%	0	100.0%	0	0.0%	0	0.0%
Basic Exemption	1,695	1,672	-1.4%	1,636	-2.2%	1,592	-2.7%	1,582	-0.6%
Gross Program Costs	1,763	1,807	2.5%	1,839	1.8%	1,862	1.3%	1,920	3.1%
Personal Income Tax Credit	(68)	(135)	-98.5%	(203)	-50.4%	(270)	-33.0%	(338)	-25.2%
Enhanced (Senior) Exemption	916	903	-1.4%	884	-2.1%	861	-2.6%	855	-0.7%
Gross Program Costs	952	976	2.5%	993	1.7%	1,007	1.4%	1,037	3.0%
Personal Income Tax Credit	(36)	(73)	-102.8%	(109)	-49.3%	(146)	-33.9%	(182)	-24.7%
New York City PIT	528	55	-89.6%	0	-100.0%	0	0.0%	0	0.0%
Gross Program Costs	615	674	9.6%	626	-7.1%	640	2.2%	656	2.5%
Program Conversion	0	(277)	0.0%	0	100.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(87)	(284)	-226.4%	(626)	-120.4%	(640)	-2.2%	(656)	-2.5%
FY 2017 Overpayment ¹	0	(58)	0.0%	0	100.0%	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 2018 is due to a timing change involving when the NYC rate reduction benefit is paid out upon conversion to a PIT credit. STAR actions enacted with the FY 2017 budget will result in reduced revenues in addition to the spending changes noted above. Projected revenue reductions will increase over the course of the Financial Plan as STAR actions are implemented, in particular those 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 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	2,874	2,800	-2.6%	3,134	11.9%	3,197	2.0%	3,248	1.6%
City University	1,424	1,410	-1.0%	1,485	5.3%	1,509	1.6%	1,535	1.7%
Senior Colleges	1,176	1,151	-2.1%	1,230	6.9%	1,254	2.0%	1,280	2.1%
Community College	248	259	4.4%	255	-1.5%	255	0.0%	255	0.0%
Higher Education Services	958	898	-6.3%	1,149	28.0%	1,188	3.4%	1,213	2.1%
Tuition Assistance Program	896	774	-13.6%	954	23.3%	965	1.2%	972	0.7%
Scholarships/Awards	51	112	119.6%	183	63.4%	211	15.3%	229	8.5%
Aid for Part-Time Study	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
State University	492	492	0.0%	500	1.6%	500	0.0%	500	0.0%
Community College	487	487	0.0%	496	1.8%	496	0.0%	496	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 403,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 324,000 students. Spending for SUNY is concentrated in State Operations and thus does not appear in the table above. State funds support a significant portion of SUNY and CUNY operations. In addition to a \$1.1 billion General Fund transfer to support operations, the State pays employee fringe benefit costs for SUNY¹⁸. The State support for SUNY fringe benefits is estimated at nearly \$1.8 billion. The State also provides a sizeable benefit to the university systems by paying debt service on bond-financed capital projects. State debt service payments for capital projects at SUNY and CUNY are estimated at \$1.3 billion in FY 2018, an increase of \$94 million from FY 2017 levels. Neither the fringe benefits nor debt service costs are reflected in annual spending totals for the university systems.

HESC administers TAP, which provides financial awards to income-eligible students. It also provides centralized processing for other student financial aid programs, and offers prospective students information and guidance on how to finance a college education. The financial aid programs that HESC administers are funded by the State and the Federal government.

Higher Education spending is projected to modestly decrease between FY 2017 to FY 2018. This change in spending reflects the timing of CUNY payments in FY 2018, the potential sale of certain CUNY building assets, and the reconciliation of prior year TAP payment advances to colleges. Lower spending is partially offset in FY 2018 by new higher education initiatives. The Excelsior Scholarship program will allow students of working-class and middle-class families to attend college tuition-free at all public universities in New York State. Enrollment growth associated with the Excelsior Scholarship program will also drive additional future spending in community college operating aid and TAP. The Budget also provides new funding to begin implementation of open

¹⁸ State support for CUNY fringe benefit costs are included in total spending for Senior Colleges and reflected in local assistance.

educational resources (low cost alternative to traditional textbooks) for students at SUNY and CUNY. SUNY and CUNY will use this funding to target high-enrollment courses to maximize student savings.

In addition, a new Enhanced Tuition Award will enable students attending private not-for-profit colleges to receive financial assistance to complete their college degree. The program provides a maximum award of \$3,000, requires private colleges to provide a match and freeze student tuition for the duration of the award, maximizing the financial benefit to the student. The Enacted Budget includes \$19 million for the program.

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 Medicaid spending cap through FY 2019, 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 for FY 2018. Projecting medical CPI growth, DOB currently forecasts allowable cap growth at 3.1 percent in FY 2019; 2.9 percent in FY 2020; and 2.8 percent in FY 2021.

State Financial Plan Projections
Fiscal Years 2018 Through 2021

MEDICAID GLOBAL CAP FORECAST (millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Global Medicaid Cap¹	17,692	18,259	18,825	19,371	19,914
Annual % Change		3.2%	3.1%	2.9%	2.8%
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, and education aid.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS ¹ (millions of dollars)					
	FY 2017 Results	FY 2018 Enacted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Department of Health Medicaid	18,235	18,929	19,842	20,810	21,520
Local Assistance	17,974	18,662	19,749	20,685	21,417
State Operations	261	364	422	452	474
MSA Payments (Share of Local Growth) ²	0	(97)	(329)	(327)	(371)
Other State Agency Medicaid Spending	4,441	4,464	4,741	4,945	5,151
Mental Hygiene	4,302	4,328	4,590	4,790	4,987
Foster Care	82	86	101	105	114
Education	57	50	50	50	50
Total State Share Medicaid (All Agencies)	22,676	23,393	24,583	25,755	26,671
Annual \$ Change		717	1,190	1,172	916
Annual % Change		3.2%	5.1%	4.8%	3.6%
Essential Plan³	313	491	419	439	455
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 Tobacco MSA proceeds will be deposited directly to the MMIS Escrow Fund to cover total State share support for Medicaid.					
³ The EP is not a Medicaid program; however, State-funded resources for the EP are managed under the Medicaid Global Cap.					

State Financial Plan Projections Fiscal Years 2018 Through 2021

Annual Information
Statement

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 entitled "HCRA Financial Plan.")

DEPARTMENT OF HEALTH MEDICAID ¹ (millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE OPERATING FUNDS	22,989	23,884	3.9%	25,002	4.7%	26,194	4.8%	27,126	3.6%
Department of Health Medicaid	18,548	19,420	4.7%	20,261	4.3%	21,249	4.9%	21,975	3.4%
General Fund - DOH Medicaid Local	12,178	12,930	6.2%	13,808	6.8%	14,861	7.6%	15,664	5.4%
DOH Medicaid	10,457	10,788	3.2%	11,459	6.2%	12,070	5.3%	12,695	5.2%
Mental Hygiene - Global Cap Adjustment ²	1,125	1,249	11.0%	1,182	-5.4%	1,180	-0.2%	1,175	-0.4%
Minimum Wage	44	255	479.5%	579	127.1%	838	44.7%	882	5.3%
Local Growth Takeover (Zero Growth Phase-in) ³	552	735	33.2%	917	24.8%	1,100	20.0%	1,283	16.6%
MSA Payments (Share of Local Growth) ⁴	0	(97)	0.0%	(329)	-239.2%	(327)	0.6%	(371)	-13.5%
General Fund - DOH Medicaid State Ops	261	364	39.5%	422	15.9%	452	7.1%	474	4.9%
General Fund - Essential Plan	313	491	56.9%	419	-14.7%	439	4.8%	455	3.6%
Local Assistance	269	431	60.2%	355	-17.6%	365	2.8%	375	2.7%
State Operations	44	60	36.4%	64	6.7%	74	15.6%	80	8.1%
Other State Funds - DOH Medicaid Local	5,796	5,635	-2.8%	5,612	-0.4%	5,497	-2.0%	5,382	-2.1%
HCRA Financing	3,981	3,912	-1.7%	3,888	-0.6%	3,774	-2.9%	3,659	-3.0%
Indigent Care Support	965	892	-7.6%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	850	831	-2.2%	832	0.1%	831	-0.1%	831	0.0%
Other State Agency Medicaid Spending	4,441	4,464	0.5%	4,741	6.2%	4,945	4.3%	5,151	4.2%
USE OF MSA PAYMENTS (Share of Local Growth) ⁴	0	97	0.0%	329	239.2%	327	-0.6%	371	13.5%
LOCAL SHARE OF MEDICAID^{5,6}	8,343	8,085	-3.1%	8,131	0.6%	8,061	-0.9%	8,090	0.4%
FEDERAL SHARE OF MEDICAID	37,719	39,622	5.0%	40,409	2.0%	41,362	2.4%	41,814	1.1%
DOH Medicaid	34,462	35,875	4.1%	36,304	1.2%	36,884	1.6%	36,873	0.0%
Essential Plan	3,257	3,747	15.0%	4,105	9.6%	4,478	9.1%	4,941	10.3%
ALL FUNDING SOURCES	69,051	71,688	3.8%	73,871	3.0%	75,944	2.8%	77,401	1.9%

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.

The Enacted Budget Financial Plan includes \$382 million in annual savings from funding certain OPWDD-related Medicaid expenses under the Medicaid Global Cap. DOH will continue to implement various MRT actions to improve the efficiency and effectiveness in delivery of the statewide Medicaid program. These actions include savings associated with proposals to collaborate with New York City for achieving efficiencies; the establishment of a Medicaid pharmacy drug spending growth cap, which is inclusive of a process to mitigate excessive pricing; utilization of BIP funds to support Federal wage requirements; a requirement for Medicare enrollment among Medicaid beneficiaries who are dually eligible for both programs, with Medicare providing the first level of insurance coverage; efficiencies available through DSRIP; and funding for the QHP portion of the NYSOH health benefit exchange, which will be reduced by \$17 million in FY 2018 through the utilization of additional available Federal resources.

With the retirement of all of the State's tobacco securitization bonds on June 1, 2017, the Enacted Budget Financial Plan includes authorization to use MSA payments 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 is expected to provide Enacted Budget Financial Plan relief through lower annual General Fund Medicaid disbursements. The table below lists the adjusted funding shares.

FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS (millions of dollars)					
	FY 2017 Results	FY 2018 Enacted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
State Share Support	22,989	23,981	25,331	26,521	27,497
State Funds Medicaid Disbursements ¹	22,989	23,884	25,002	26,194	27,126
MSA Payments (Local Growth)	0	97	329	327	371

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

The Enacted Budget Financial Plan provides General Fund support to the Global Cap to fund the costs of 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 Westchester, New York, Nassau, and Suffolk counties will be increased commensurate with the schedule of statutory minimum wage increases.¹⁹ The impact of these Minimum wage initiatives is projected to increase annual Medicaid spending above statutory Global Cap limits by \$255 million in FY 2018; \$579 million in FY 2019; \$838 million in FY 2020; and \$882 million in FY 2021.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients is expected to exceed 6.2 million by the end of FY 2018, a slight increase from FY 2017.

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. Financial Plan 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.

¹⁹ Home health care workers in these counties receive a benefit portion of total compensation in addition to their wage-based compensation rate levels (\$4.09 for New York; \$3.22 for Westchester, Nassau, and Suffolk), 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.

With the new presidential administration and Congress, many existing policies that drive Federal aid are subject to change. It is not possible at this time to predict potential fiscal impacts of new policies that may be proposed and adopted. The FY 2018 Enacted Budget includes Federal Flexibility provisions to allow for the management of reductions of \$850 million or more in Federal funding for the State's Medicaid program during FY 2018. Management of such reduction levels would occur only through actions within the State's Medicaid program.

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 health benefit exchange, with the cost of insurance premiums subsidized by the State and Federal governments. When fully implemented, approximately 90 percent of program expenditures are expected to be paid by the Federal government.

ESSENTIAL PLAN (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL ALL FUNDS SPENDING	3,570	4,238	18.7%	4,524	6.7%	4,917	8.7%	5,396	9.7%
State Operating Funds	313	491	56.9%	419	-14.7%	439	4.8%	455	3.6%
Local Assistance	269	431	60.2%	355	-17.6%	365	2.8%	375	2.7%
State Operations	44	60	36.4%	64	6.7%	74	15.6%	80	8.1%
Federal Operating Funds	3,257	3,747	15.0%	4,105	9.6%	4,478	9.1%	4,941	10.3%

In future years, increased program costs associated with rising enrollment levels are anticipated to be partially or fully offset from Federal resources, as growth in the NYSOH index premium that is linked to Federal Basic Health Plan Trust Fund contributions is expected to exceed the growth rate of State-funded EP premium reimbursement. The Federal match percentage is forecasted in the range of 90 percent over the multiyear plan, in recognition of anticipated growth in the NYSOH index premium.

State costs associated with the EP program and related savings are managed within the total available resources of the Medicaid Global Cap. This includes a portion of 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.

Many of the policies that drive Federal aid are subject to change with the new presidential administration and Congress. It is not possible at this time to assess the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress. 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 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	1,640	1,625	-0.9%	1,658	2.0%	1,807	9.0%	1,976	9.4%
Public Health	1,515	1,502	-0.9%	1,533	2.1%	1,677	9.4%	1,841	9.8%
Child Health Plus	219	235	7.3%	250	6.4%	380	52.0%	537	41.3%
General Public Health Work	194	198	2.1%	200	1.0%	204	2.0%	208	2.0%
EPIC	132	133	0.8%	128	-3.8%	128	0.0%	128	0.0%
Early Intervention	173	175	1.2%	173	-1.1%	173	0.0%	166	-4.0%
HCRA Program	405	398	-1.7%	399	0.3%	398	-0.3%	398	0.0%
All Other	392	363	-7.4%	383	5.5%	394	2.9%	404	2.5%
Aging	125	123	-1.6%	125	1.6%	130	4.0%	135	3.8%

The FY 2018 Enacted Budget Financial Plan includes initiatives to reduce certain public health programs by 20 percent, resulting in total annual savings of \$25 million funded from the General Fund and HCRA resources.

Declining spending for HCRA and other health programs is partly affected by funding Roswell Park Cancer Institute (RPCI) from capital projects funds. Outyear increases are driven largely by anticipated growth in COLA funding. The decline is also driven by a shift of funding for the Medicaid Utilization Review Program under the Medicaid Global Cap.

CHP spending is anticipated to increase significantly in FY 2020, reflecting the September 2019 expiration of enhanced Federal support currently provided through the ACA. Growth in FY 2021 reflects the full annual impact of the expiration of enhanced Federal support.

Spending for Aging reflects the use of available Federal BIP funds to support the expansion of the NY Connects/No Wrong Door program. After the expiration of Federal BIP funds in September 2017, the funding will be supported by the Medicaid Global Cap.

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 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 2017 THROUGH FY 2021					
(millions of dollars)					
	FY 2017 Results	FY 2018 Enacted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
OPENING BALANCE	78	12	0	0	0
TOTAL RECEIPTS	5,799	5,772	5,796	5,817	5,788
Surcharges	3,262	3,311	3,369	3,428	3,496
Covered Lives Assessment	1,161	1,110	1,110	1,110	1,045
Cigarette Tax Revenue	876	847	816	781	748
Hospital Assessments	412	424	424	424	424
NYC Cigarette Tax Transfer/Other	88	80	77	74	75
TOTAL DISBURSEMENTS AND TRANSERS	5,865	5,784	5,796	5,817	5,788
Medicaid Assistance Account ¹	<u>3,981</u>	<u>3,912</u>	<u>3,888</u>	<u>3,774</u>	<u>3,659</u>
Medicaid Costs	3,784	3,715	3,691	3,577	3,462
Workforce Recruitment & Retention	197	197	197	197	197
Hospital Indigent Care	965	892	892	892	892
HCRA Program Account	413	407	407	407	406
Child Health Plus	223	238	254	384	542
Elderly Pharmaceutical Insurance Coverage	143	145	140	140	140
SHIN-NY/APCD	10	40	40	40	0
All Other	130	150	175	180	149
ANNUAL OPERATING SURPLUS/(DEFICIT)	(66)	(12)	0	0	0
CLOSING BALANCE	12	0	0	0	0

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

Beginning in FY 2018, total HCRA receipts are forecasted to grow moderately through FY 2020, due primarily to higher surcharge collections generated from continued growth in health care utilization levels. Relative to previous assumptions and trends, this growth has been reflected in the Enacted Budget Financial Plan through additional surcharge collections of \$78 million in FY 2018; \$76 million in FY 2019; \$75 million in FY 2020 and \$84 million in FY 2021. Covered lives revenue is driven by utilization for certain public health programs, and reflects the extension of the reconciliation suspension in FYs 2018 through 2020.

The level of annual growth forecast for total HCRA revenue through the remainder of the multi-year planning period mainly reflects increases consistent with historic collection patterns. Continued outyear declines for cigarette tax collections, attributable to declining taxable consumption, partly offset total HCRA receipts growth.

HCRA Program Savings are derived from a 20 percent reduction in certain public health programs included in the Enacted Budget. Additionally, \$21 million in RPCI funding will be shifted into the Capital Projects Fund.

The Enacted Budget Financial Plan also reflects the inclusion of a three-year extension of program support, estimated at \$40 million in each year, for the SHIN-NY/APCD infrastructure development initiative to improve informational and data capabilities associated with claiming records.

Over the multi-year Financial Plan period, the most significant area of spending growth is in the CHP program, as the enhanced level of Federal resources provided through the ACA is scheduled to expire after September 30, 2019.

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

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 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	2,461	2,485	1.0%	2,962	19.2%	3,241	9.4%	3,460	6.8%
People with Developmental Disabilities	2,208	2,284	3.4%	2,477	8.5%	2,657	7.3%	2,813	5.9%
Residential Services	1,333	1,379	3.5%	1,496	8.5%	1,605	7.3%	1,699	5.9%
Day Programs	554	573	3.4%	622	8.6%	667	7.2%	706	5.8%
Clinic	24	25	4.2%	27	8.0%	29	7.4%	30	3.4%
All Other Local/Resources	297	307	3.4%	332	8.1%	356	7.2%	378	6.2%
Mental Health	1,187	1,205	1.5%	1,395	15.8%	1,480	6.1%	1,533	3.6%
Adult Local Services	952	979	2.8%	1,143	16.8%	1,208	5.7%	1,251	3.6%
Children Local Services	235	226	-3.8%	252	11.5%	272	7.9%	282	3.7%
Alcohol and Substance Abuse	304	334	9.8%	351	5.1%	373	6.3%	386	3.5%
Outpatient/Methadone	117	129	10.5%	135	4.7%	144	6.9%	149	3.5%
Residential	120	132	9.7%	138	4.5%	146	5.8%	151	3.4%
Prevention and Program Support	58	64	10.5%	67	5.2%	72	6.3%	74	3.5%
Crisis	9	9	-1.2%	11	17.7%	11	6.3%	12	3.5%
Justice Center	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
SUBTOTAL BEFORE ADJUSTMENTS	3,700	3,824	3.4%	4,224	10.5%	4,511	6.8%	4,733	4.9%
OPWDD Offsets and Recoupments¹	(1,239)	(1,339)	-8.1%	(1,262)	5.8%	(1,270)	-0.6%	(1,273)	-0.2%

¹ Includes the DOH Global Cap Adjustment (\$1.1 billion in FY 2017 and \$1.2 billion in Fys 2018-2021), and other offsets and recoupment actions to reduce net expenses.

Local assistance spending accounts for approximately 40 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 8.9 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 \$124 million in increased local assistance funding for mental hygiene agencies. The spending increase is largely related to new community investments in OPWDD and OMH, as individuals are transitioned from State-operated services to community-integrated settings; new service investments in the OPWDD system, including funding to promote access to vital supports and services for individuals aging out of their educational settings or moving from home; community reinvestment for individuals relocating from institutional settings; expansion of the Systemic Therapeutic Assessment Respite and Treatment (START) model to downstate and funding to support the direct cost of minimum wage increases; transition of new residential beds opening in the mental health provider community; and funding in OASAS to address the heroin and opioid crisis.

The Enacted Budget Financial Plan also provides funding to support a 6.5 percent raise over the next two years for direct care workers, and a 3.25 percent raise for clinical workers serving the mental hygiene community, both aimed at assisting non-profits in the recruitment and retention of employees. Partly offsetting these cost increases is a deferral of the statutory COLA in FY 2018 and FY 2019.

The additional funding increase is offset by technical adjustments to the Medicaid Global Cap (\$100 million), 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.

State Funds local assistance spending for mental hygiene services is expected to increase in FY 2019 relative to the current-year projections due primarily to continued investments in community services.

The Enacted Budget Financial Plan reflects state operations savings associated with the transition of certain State-operated inpatient and supported residential placements to integrated community-based settings where individual service needs can be sized more appropriately and provided more cost-efficiently, as noted above.

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 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	1,220	1,316	7.9%	1,345	2.2%	1,356	0.8%	1,359	0.2%
SSI	645	658	2.0%	661	0.5%	663	0.3%	667	0.6%
Public Assistance Benefits	474	526	11.0%	545	3.6%	545	0.0%	541	-0.7%
Public Assistance Initiatives	11	26	136.4%	33	26.9%	33	0.0%	33	0.0%
All Other	90	106	17.8%	106	0.0%	115	8.5%	118	2.6%

OTDA Spending on SSI is projected to increase between FY 2017 and FY 2018 and to continue to increase gradually over the course of the multi-year Financial Plan due to updated caseload projections. Public assistance benefits spending is projected to increase from FY 2017 to FY 2018 based on an update to DOB's caseload models, with DOB projecting a total of 558,720 recipients in FY 2018. Approximately 230,387 families are expected to receive benefits through the Family Assistance program in FY 2018, a decrease of 1.9 percent from FY 2017. The Safety Net caseload for families is projected at 121,194 in FY 2018, a decrease of 1.7 percent from FY 2017. The caseload for single adults/childless couples supported through the Safety Net program is projected at 207,139 in FY 2018, an increase of 1.1 percent from FY 2017.

Spending in public assistance will increase from FY 2017 to FY 2018 due to a variety of factors including the expansion of HIV/AIDS Services Administration (HASA) benefits to all public assistance recipients living in New York City, and increased costs associated with litigation proceedings that will increase Safety Net Assistance expenditures. Growth is expected to be more gradual in the outyears.

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 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	1,715	1,652	-3.7%	1,711	3.6%	1,847	7.9%	1,917	3.8%
Child Welfare Service	551	472	-14.3%	482	2.1%	491	1.9%	501	2.0%
Foster Care Block Grant	446	388	-13.0%	393	1.3%	399	1.5%	405	1.5%
Adoption	150	144	-4.0%	143	-0.7%	141	-1.4%	135	-4.3%
Day Care	203	262	29.1%	234	-10.7%	235	0.4%	236	0.4%
Youth Programs	100	147	47.0%	182	23.8%	294	61.5%	339	15.3%
Medicaid	82	86	4.9%	101	17.4%	105	4.0%	114	8.6%
Committees on Special Education	50	26	-48.0%	27	3.8%	30	11.1%	33	10.0%
Adult Protective/Domestic Violence	43	33	-23.3%	35	6.1%	36	2.9%	38	5.6%
All Other	90	94	4.4%	114	21.3%	116	1.8%	116	0.0%

OCFS State Operating Funds spending is projected to decline from FY 2017 to FY 2018 due to a variety of factors, including restructuring the financing approach for foster care tuition and residential school placements of children with special needs in New York City; adjustments to the State share reimbursement under the Foster Care Block Grant to an estimated 50 percent, net of Federal funding; and the elimination of the planned Human Services COLA in FY 2018.

Spending is projected to increase in FY 2019 and into the outyears, primarily due to implementation of the "Raise the Age" initiative, which will increase the age limit of juvenile jurisdiction from 16 to 18.

Transportation

In FY 2018, the State will provide approximately \$5 billion in operating aid to mass transit systems, funded mainly from various dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of this aid. 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). The State collects these taxes and fees on behalf of, and disburses 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 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE OPERATING FUNDS SUPPORT	4,977	5,027	1.0%	5,078	1.0%	5,174	1.9%	5,239	1.3%
Mass Transit Operating Aid:	<u>2,279</u>	<u>2,282</u>	<u>0.1%</u>	<u>2,282</u>	<u>0.0%</u>	<u>2,282</u>	<u>0.0%</u>	<u>2,282</u>	<u>0.0%</u>
Metro Mass Transit Aid	2,152	2,152	0.0%	2,152	0.0%	2,152	0.0%	2,152	0.0%
Public Transit Aid	83	86	3.6%	86	0.0%	86	0.0%	86	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 and MTA Aid Trust	1,967	2,005	1.9%	2,063	2.9%	2,159	4.7%	2,223	3.0%
Dedicated Mass Transit	669	668	-0.1%	676	1.2%	676	0.0%	677	0.1%
AMTAP	62	70	12.9%	57	-18.6%	57	0.0%	57	0.0%
All Other	0	2	-	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. Funding is also included for Department of Motor Vehicles county special traffic options programs for driving while intoxicated.

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 2017	FY 2018	FY 2019		FY 2020		FY 2021		Change
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	
TOTAL STATE OPERATING FUNDS	715	723	1.1%	763	5.5%	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	0	8	-	48	500.0%	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 2017 to FY 2018, 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 (i.e., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State, such as taxes on public lands and litigations. Certain agency operating costs of the DOT and DMV are included in the capital projects fund type 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 New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), which represents security personnel (correction officers, safety and security officers).

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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 2017 Results ¹	FY 2018 Enacted	Forecast		
			FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Negotiated Base Salary Increases ²					
CSEA/Council 82/UUP/DC-37/NYSCOPBA/PBANYS	TBD	TBD	TBD	TBD	TBD
PEF/GSEU/MC	2%	2%	2%	TBD	TBD
NYSPPA/NYSPIA ³	1.5%	1.5%	TBD	TBD	TBD
State Workforce ⁴	117,909	118,481	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization ⁵	16.6%	16.7%	16.7%	17.4%	19.2%
After Amortization ⁶	20.2%	20.5%	20.5%	21.1%	22.8%
PFRS Contribution Rate					
Before Amortization ⁵	25.1%	25.3%	25.7%	27.1%	29.7%
After Amortization ⁶	28.5%	28.3%	29.3%	30.7%	33.2%
Employee/Retiree Health Insurance Growth Rates	7.0%	7.4%	6.9%	6.8%	6.8%
PS/Fringe as % of Receipts (All Funds Basis)	13.6%	13.3%	13.5%	13.7%	14.2%

¹ Reflects preliminary unaudited results.

² Reflects current collective bargaining agreements with settled unions. GSEU requires enactment of paybills. Does not reflect potential impact of future negotiated labor agreements.

³ Contracts contain "reopener" language which allows the union to reopen negotiations if any other State bargaining unit receives a general salary increase exceeding 1.5 percent in FY 2017 and in 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 Financial Plan period, from \$18.7 billion in FY 2018 to \$20.1 billion in FY 2021. Most executive agencies are expected to hold spending at FY 2017 levels. Increases in later years of the Financial Plan are driven mainly by juvenile justice reform, higher Medicaid administration expenses expected to support the NYSOH insurance exchange as available Federal funding expires, and an additional administrative payroll in FY 2021.

Executive agency operational costs are expected to total \$10 billion in FY 2018, a decline of \$24 million from FY 2017, driven by the reclassification of certain agency operating and equipment costs to better align with capital and Federal financing sources.

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STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS					
(millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Results	Enacted	Projected	Projected	Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	10,019	9,997	10,223	10,455	10,746
Mental Hygiene	2,761	2,744	2,728	2,764	2,808
Corrections and Community Supervision	2,641	2,617	2,620	2,627	2,633
State Police	720	671	670	670	695
Information Technology Services ¹	548	536	560	560	570
Public Health	384	367	364	365	370
Tax and Finance	332	330	329	329	340
Medicaid Admin/EP	305	422	486	527	554
Children and Family Services	250	244	289	375	442
Environmental Conservation	225	211	211	212	218
Financial Services	209	207	207	211	211
Parks, Recreation and Historic Preservation	178	169	169	170	176
General Services	161	144	142	138	139
Gaming	138	115	100	100	101
Temporary and Disability Assistance	138	125	125	132	136
Workers' Compensation Board	139	142	143	145	151
Potential Labor Agreements ²	0	555	650	700	750
Agency Financial Management Plan	0	(500)	(500)	(500)	(500)
All Other	890	898	930	930	952
UNIVERSITY SYSTEMS	6,097	6,079	6,321	6,487	6,666
State University	6,003	5,962	6,230	6,395	6,572
City University	94	117	91	92	94
INDEPENDENT AGENCIES	319	324	321	323	337
Law	170	175	174	176	184
Audit & Control (OSC)	149	149	147	147	153
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	16,435	16,400	16,865	17,265	17,749
Judiciary	2,019	2,066	2,092	2,094	2,151
Legislature	226	226	218	218	219
Statewide Total	18,680	18,692	19,175	19,577	20,119
Personal Service	13,093	12,910	13,179	13,454	13,925
Non-Personal Service	5,587	5,782	5,996	6,123	6,194

¹ Reflects consolidation of IT costs from other agencies within ITS, which does not change total governmental spending.
² Excludes the value of a settlement with UUP.

The most significant changes to spending for agency operations include:

- **State Police:** Cost reductions primarily reflect the financing of certain State Police services by the recipients of such services. In addition, certain personal service spending related to titles associated with the maintenance and preservation of State assets has been reclassified to the capital projects fund.
- **Medicaid Administration/EP:** Increased spending starting in FY 2018 is mainly attributable to moving the QHP component of NYSOH administrative costs into the Global Medicaid Cap (from HCRA in Public Health), as well as anticipated higher Medicaid costs.
- **General Services:** Certain personal service spending related to titles associated with the maintenance and preservation of State assets are reclassified to the capital projects fund, which drives the spending decline in FY 2018.
- **Gaming:** A change in the accounting structure related to advertising costs whereby direct payment is made to the vendor instead of reimbursing the Gaming Commission, resulting in lower State Operating Funds spending by the Gaming Commission.
- **Children and Family Services:** The Enacted Budget Financial Plan includes additional funding in OCFS to support raising the age of juvenile jurisdiction from 16 to 18 by October 1, 2019.
- **IT Services:** Increases in spending for IT Services from FY 2018 to FY 2021 are attributable to agency transfers for the continuous statewide IT consolidation, which is offset by efficiencies realized through the IT consolidation.
- **State University:** SUNY spending over the Enacted Budget Financial Plan period reflects anticipated operating needs at SUNY campuses and hospitals, supported through campus revenues, State funding and hospital revenues.
- **Judiciary:** The Enacted Budget Financial Plan reflects the Judiciary's request to increase operating support, including the addition of 200 non-judicial positions in support of trial court operations, and temporary service funding for acting city, town and village justices.
- **Potential Labor Agreements:** Costs of the recently negotiated settlement agreements with PEF, now signed into law by the Governor and extended to unrepresented M/C employees, assuming the PEF model, will be provided to all other employee unions.
- **Agency Financial Management Plans:** The Enacted Budget Financial Plan includes \$500 million in annual savings that will be allocated to agencies as agency management plans are completed. All Executive agencies have been directed to implement cost-control measures on a recurring basis, starting in FY 2018. Agency management plans identifying cost reductions and efficiencies to achieve the targeted savings are expected to be reviewed and approved by DOB prior to implementation, and must preserve funding for core services and strategic initiatives.

Workforce

In FY 2018, \$12.9 billion or 13.2 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 95,000 FTE employees under direct Executive control; individuals employed by SUNY and CUNY (43,252) and Independent Agencies (18,276); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in three areas: SUNY, the mental hygiene agencies, and the Department of Corrections and Community Supervision (DOCCS).

STATE OPERATING FUNDS		
FY 2018 FTEs ¹ AND PERSONAL SERVICE SPENDING BY AGENCY (millions of dollars)		
	Dollars	FTEs
Subject to Direct Executive Control	7,138	94,888
Mental Hygiene Agencies	2,231	32,587
Corrections and Community Supervision	2,052	27,309
State Police	611	5,636
Tax and Finance	270	3,978
Information Technology Services	271	3,406
Health	254	3,693
Environmental Conservation	170	2,124
Children and Family Services	160	2,406
Financial Services	152	1,382
Parks, Recreation and Historic Preservation	124	1,305
Education	88	1,263
Workers' Compensation Board	81	1,165
Temporary and Disability Assistance	69	1,033
General Services	57	907
All Other	548	6,694
University Systems	3,770	43,252
State University	3,694	42,869
City University ²	76	383
Independent Agencies	2,002	18,276
Law	121	1,583
Audit & Control (OSC)	115	1,603
Judiciary	1,595	15,089
Legislature ³	171	1
Total	12,910	156,416

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

Employee fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, the State's employer-share of Social Security, health insurance, workers' compensation, unemployment insurance, survivors' benefits fund, employee benefits funds, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations in the GSCs budget.²⁰ The Judiciary pays its fringe benefit costs directly.

Employee fringe benefits that are paid through GSCs are financed from the General Fund in the first instance, and then partially reimbursed by revenue collected from fringe benefit assessments. The largest reimbursement to the General Fund comes from the mental hygiene agencies, which combined account for nearly half of all payments.

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

GSCs are projected to increase at an average annual rate of 6.5 percent over the multi-year Financial Plan period, driven primarily by cost increases for workers' compensation, growing pension contribution levels, and the State's share of costs for employee and retiree health insurance benefits.

In FY 2018, State Operating Funds spending for GSCs is projected to increase by \$429 million (5.6 percent). Health insurance increases reflect rising prescription drug costs, greater use of more expensive specialty drugs for chronic conditions, generic drug price inflation, increased outpatient utilization, and increased inpatient/outpatient utilization in Mental Health. Pension cost increases are driven by actual and forecasted salary base assumptions and the repayment of prior-year amortizations, partially offset by an increase in lower cost Tier 6 entrants.

GENERAL STATE CHARGES (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	7,634	8,063	5.6%	8,663	7.4%	9,202	6.2%	9,833	6.9%
Fringe Benefits	7,212	7,636	5.9%	8,230	7.8%	8,762	6.5%	9,386	7.1%
Health Insurance	3,708	3,983	7.4%	4,260	7.0%	4,551	6.8%	4,860	6.8%
Pensions	2,446	2,540	3.8%	2,647	4.2%	2,761	4.3%	2,990	8.3%
Social Security	992	992	0.0%	995	0.3%	1,003	0.8%	1,009	0.6%
Workers' Compensation	230	326	41.7%	476	46.0%	591	24.2%	681	15.2%
Employee Benefits	94	95	1.1%	95	0.0%	95	0.0%	95	0.0%
Dental Insurance	64	65	1.6%	65	0.0%	66	1.5%	67	1.5%
Unemployment Insurance	11	15	36.4%	15	0.0%	15	0.0%	15	0.0%
All Other/Non-State Escrow	(333)	(380)	-14.1%	(323)	15.0%	(320)	0.9%	(331)	-3.4%
Fixed Costs	422	427	1.2%	433	1.4%	440	1.6%	447	1.6%

²⁰ As of July 2015, SUNY Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA- CREF) and other SUNY fringe benefit costs are no longer paid directly by SUNY, and have been shifted to the central statewide appropriation.

Growth in base GSC spending in FY 2018 has been partly offset by gap-closing savings of approximately \$81 million included as part of the Enacted Budget Financial Plan, as well as the expected use of an additional \$105 million from SIF reserves to reduce Workers' Compensation costs in FY 2018. The savings are primarily driven by \$63 million in interest savings achieved by paying the majority of the State pension bill in April 2017, rather than on a monthly basis as previously assumed.

Over the multi-year Financial Plan period, outyear pension costs are anticipated to increase based on a model that reflects forecasted salary base information and continuation of modest investment returns, as experienced in the past year. Health insurance growth reflects utilization and costs leading to higher forecasted rate renewal increases. Underlying workers' compensation growth is driven by an increase in funding liability, while net Financial Plan funding reflects the use of excess balances which are scheduled to be transferred by the Workers' Compensation Board (WCB) directly to SIF, or accessed directly from available balances residing with SIF, to partially offset workers' compensation payments from General Fund resources through FY 2020.

Agency fringe benefit spending, and the reimbursement of such payments to the General Fund, have been updated based on recent billing and payment activity.

Transfers to Other Funds (General Fund Basis)

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

GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Results	Enacted	Projected	Projected	Projected
TOTAL TRANSFERS TO OTHER FUNDS	10,092	10,164	12,163	12,299	12,156
State Share of Mental Hygiene Medicaid ¹	1,239	1,301	1,231	1,119	1,119
Debt Service	924	921	1,155	1,053	1,074
SUNY University Operations	996	1,015	1,005	1,001	1,001
Capital Projects	2,569	2,627	4,068	3,899	3,479
Dedicated Highway and Bridge Trust Fund	562	696	671	982	997
Dedicated Infrastructure Investment Fund	697	1,402	1,767	1,217	933
FY 2017 Temporary Loan to Capital Projects Fund ²	1,300	(1,300)	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund ²	0	500	(500)	0	0
Transfer to DIIF for Javits Expansion	0	160	350	320	170
Bond Proceeds Receipts for Javits Expansion	0	0	0	(500)	(500)
Mass Transit Capital from Settlements	0	85	0	0	0
Statewide Health Care Capital from Settlements	0	25	45	50	50
Environmental Protection Fund	146	28	28	28	28
All Other Capital ³	(136)	1,031	1,707	1,802	1,801
ALL OTHER TRANSFERS	4,364	4,300	4,704	5,227	5,483
Mental Hygiene	3,287	3,197	3,598	4,102	4,330
Department of Transportation (MTA Payroll Tax)	334	268	269	269	270
SUNY - Medicaid Reimbursement	267	232	243	243	243
Judiciary Funds	107	106	110	109	110
SUNY - Hospital Operations	88	79	79	79	79
Dedicated Mass Transportation Trust Fund	63	66	66	66	66
Banking Services	42	53	53	53	53
Indigent Legal Services	31	35	35	58	82
Mass Transportation Operating Assistance	19	21	21	21	21
Public Transportation Systems	15	16	16	16	16
Correctional Industries	11	12	12	12	12
Spinal Cord Injury	8	9	9	9	9
Medical Marihuana Fund	5	5	7	5	7
SUNY - General Income Fund Reimbursable Account	14	14	0	0	0
All Other	73	187	186	185	185

¹ Includes transfers related to the multi-year OPWDD disallowance repayments.

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.

³ FY 2017 reflects the use of available bond proceeds to reimburse first-instance capital spending from prior years. This timing-related issue resulted in the State reimbursing more than it disbursed in FY 2017.

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 taxes. The Enacted Budget Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF, 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.

General Fund transfers to other funds are expected to total \$10.2 billion in FY 2018, a \$72 million increase from FY 2017. This growth is primarily attributable to an increase in transfers to capital projects, including increased support for the DHBTF (\$134 million); as well as lower than anticipated transfers to capital projects funds in 2017, reflecting the timing of bond proceeds reimbursements from a March 2017 bond sale (\$1.2 billion). These increases are almost entirely offset by a \$1.2 billion decline in transfers of Extraordinary Monetary Settlement funds for projects appropriated from DIIF and the capital projects fund in FY 2018, 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 applicable 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 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
General Fund	924	921	-0.3%	1,155	25.4%	1,053	-8.8%	1,074	2.0%
Other State Support	4,590	4,398	-4.2%	5,344	21.5%	6,081	13.8%	6,328	4.1%
State Operating/All Funds Total	5,514	5,319	-3.5%	6,499	22.2%	7,134	9.8%	7,402	3.8%

Total State Operating/All Funds debt service is projected to be \$5.3 billion in FY 2018, of which approximately \$921 million is paid from the General Fund via transfers, and \$4.4 billion 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, DHBTF bonds, and mental health facilities bonds.

Enacted Budget Financial Plan estimates for debt service spending have been revised to reflect a number of factors, including bond sale results to date, assumed debt management savings, revised bond-financed capital spending estimates, and increased debt service costs associated with enacted additional capital commitment levels. Debt service spending in FY 2017 reflected pre-payments of about \$490 million of debt service due during FY 2018.

Financial Plan Tables

The following tables present the multi-year projections for State Operating Funds and All Governmental Funds, as well as monthly cashflow detail for the General Fund.²¹ The Financial Plan projections for FY 2018 and thereafter, set forth in this AIS, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending, as State Operating Funds is currently constituted, to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2% Spending Benchmark.” Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

²¹ Differences may occur from time to time between the State's Financial Plan and OSC 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. If such differences in reporting between DOB and OSC occur, this 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 State Operating Funds and total All Governmental Funds.

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CASH RECEIPTS ALL GOVERNMENTAL FUNDS FY 2018 THROUGH FY 2021 (millions of dollars)				
	FY 2018	FY 2019	FY 2020	FY 2021
	<u>Enacted</u>	<u>Enacted</u>	<u>Enacted</u>	<u>Enacted</u>
Taxes:				
Withholdings	39,459	41,314	42,557	43,543
Estimated Payments	15,924	17,521	19,069	18,712
Final Payments	2,511	2,669	2,818	2,978
Other Payments	<u>1,416</u>	<u>1,487</u>	<u>1,551</u>	<u>1,588</u>
Gross Collections	59,310	62,991	65,995	66,821
State/City Offset	(873)	(898)	(824)	(849)
Refunds	<u>(9,055)</u>	<u>(10,220)</u>	<u>(11,252)</u>	<u>(10,505)</u>
Reported Tax Collections	49,382	51,873	53,919	55,467
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	49,382	51,873	53,919	55,467
Sales and Use Tax	14,584	15,178	15,766	16,371
Cigarette and Tobacco Taxes	1,190	1,150	1,104	1,061
Motor Fuel Tax	515	512	507	504
Alcoholic Beverage Taxes	262	267	272	276
Medical Marihuana Excise Tax	1	1	1	1
Highway Use Tax	96	142	142	143
Auto Rental Tax	137	141	149	156
Taxicab Surcharge	64	64	64	64
TNC Assessment	<u>12</u>	<u>24</u>	<u>24</u>	<u>24</u>
Gross Utility Taxes and Fees	16,861	17,479	18,029	18,600
LGAC/STBF (Dedicated Transfers)	0	0	0	0
Consumption/Use Taxes	16,861	17,479	18,029	18,600
Corporation Franchise Tax	4,175	4,373	4,823	5,123
Corporation and Utilities Tax	765	744	754	764
Insurance Taxes	1,616	1,745	1,828	1,965
Bank Tax	328	143	71	0
Petroleum Business Tax	<u>1,085</u>	<u>1,122</u>	<u>1,111</u>	<u>1,105</u>
Business Taxes	7,969	8,127	8,587	8,957
Estate Tax	1,052	1,033	1,092	1,155
Real Estate Transfer Tax	1,204	1,258	1,308	1,360
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	17	17	17	17
Other Taxes	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Gross Other Taxes	2,276	2,311	2,420	2,535
Real Estate Transfer Tax (Dedicated)	0	0	0	0
Other Taxes	2,276	2,311	2,420	2,535
Payroll Tax	1,438	1,503	1,578	1,645
Total Taxes	77,926	81,293	84,533	87,204
Licenses, Fees, Etc.	653	634	657	640
Abandoned Property	450	450	450	450
Motor Vehicle Fees	1,431	1,453	1,461	1,455
ABC License Fee	63	66	66	62
Reimbursements	289	286	288	288
Investment Income	21	8	8	8
Other Transactions	<u>23,602</u>	<u>23,683</u>	<u>23,371</u>	<u>22,495</u>
Miscellaneous Receipts	26,509	26,580	26,301	25,398
Federal Receipts	56,642	57,516	57,819	57,998
Total	161,077	165,389	168,653	170,600

Source: NYS DOB.

State Financial Plan Projections
Fiscal Years 2018 Through 2021

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	48,634	7,713	20,252	76,599
Miscellaneous Receipts	2,152	16,744	459	19,355
Federal Receipts	0	1	73	74
Total Receipts	50,786	24,458	20,784	96,028
Disbursements:				
Local Assistance Grants	47,069	18,989	0	66,058
Departmental Operations:				
Personal Service	5,950	6,960	0	12,910
Non-Personal Service	2,227	3,518	37	5,782
General State Charges	5,789	2,274	0	8,063
Debt Service	0	0	5,319	5,319
Capital Projects	0	2	0	2
Total Disbursements	61,035	31,743	5,356	98,134
Other Financing Sources (Uses):				
Transfers from Other Funds	19,048	7,848	3,765	30,661
Transfers to Other Funds	(10,164)	(954)	(19,190)	(30,308)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,884	6,894	(15,425)	353
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(1,365)	(391)	3	(1,753)
Closing Fund Balance	6,384	3,341	147	9,872

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2021

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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
Receipts:				
Taxes	50,934	7,756	21,208	79,898
Miscellaneous Receipts	2,128	16,319	458	18,905
Federal Receipts	0	1	73	74
Total Receipts	53,062	24,076	21,739	98,877
Disbursements:				
Local Assistance Grants	50,112	18,878	0	68,990
Departmental Operations:				
Personal Service	6,237	6,942	0	13,179
Non-Personal Service	2,513	3,433	50	5,996
General State Charges	6,328	2,335	0	8,663
Debt Service	0	0	6,499	6,499
Capital Projects	0	0	0	0
Total Disbursements	65,190	31,588	6,549	103,327
Other Financing Sources (Uses):				
Transfers from Other Funds	18,608	8,091	3,959	30,658
Transfers to Other Funds	(12,163)	(342)	(19,146)	(31,651)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,445	7,749	(15,187)	(993)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,662	0	0	1,662
Total Use (Reservation) of Fund Balance	1,662	0	0	1,662
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)				
	(4,021)	237	3	(3,781)
Adherence to 2% Spending Benchmark*				
	3,230	0	0	3,230
Net Surplus (Deficit)	(791)	237	3	(551)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes 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 benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

State Financial Plan Projections
Fiscal Years 2018 Through 2021

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	53,284	7,812	22,046	83,142
Miscellaneous Receipts	2,135	16,217	459	18,811
Federal Receipts	0	1	73	74
Total Receipts	55,419	24,030	22,578	102,027
Disbursements:				
Local Assistance Grants	53,101	18,940	0	72,041
Departmental Operations:				
Personal Service	6,424	7,030	0	13,454
Non-Personal Service	2,661	3,412	50	6,123
General State Charges	6,792	2,410	0	9,202
Debt Service	0	0	7,134	7,134
Capital Projects	0	0	0	0
Total Disbursements	68,978	31,792	7,184	107,954
Other Financing Sources (Uses):				
Transfers from Other Funds	18,918	8,339	3,923	31,180
Transfers to Other Funds	(12,299)	(338)	(19,312)	(31,949)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,619	8,001	(15,389)	(769)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,087	0	0	1,087
Total Use (Reservation) of Fund Balance	1,087	0	0	1,087
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)				
	(5,853)	239	5	(5,609)
Adherence to 2% Spending Benchmark*	5,855	0	0	5,855
Net Surplus (Deficit)	2	239	5	246

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes 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 benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2021

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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	55,186	7,858	22,769	85,813
Miscellaneous Receipts	2,058	15,991	452	18,501
Federal Receipts	0	1	73	74
Total Receipts	57,244	23,850	23,294	104,388
Disbursements:				
Local Assistance Grants	55,745	18,997	0	74,742
Departmental Operations:				
Personal Service	6,796	7,129	0	13,925
Non-Personal Service	2,718	3,426	50	6,194
General State Charges	7,357	2,476	0	9,833
Debt Service	0	0	7,402	7,402
Capital Projects	0	0	0	0
Total Disbursements	72,616	32,028	7,452	112,096
Other Financing Sources (Uses):				
Transfers from Other Funds	19,363	8,529	3,854	31,746
Transfers to Other Funds	(12,156)	(241)	(19,691)	(32,088)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,207	8,288	(15,837)	(342)
Use (Reservation) of Fund Balance:				
Monetary Settlements	653	0	0	653
Total Use (Reservation) of Fund Balance	653	0	0	653
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)				
	(7,512)	110	5	(7,397)
Adherence to 2% Spending Benchmark*				
	7,955	0	0	7,955
Net Surplus (Deficit)	443	110	5	558

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes 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 benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

State Financial Plan Projections
Fiscal Years 2018 Through 2021

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	48,634	7,713	1,327	20,252	77,926
Miscellaneous Receipts	2,152	16,956	6,942	459	26,509
Federal Receipts	0	54,323	2,246	73	56,642
Total Receipts	<u>50,786</u>	<u>78,992</u>	<u>10,515</u>	<u>20,784</u>	<u>161,077</u>
Disbursements:					
Local Assistance Grants	47,069	69,057	5,164	0	121,290
Departmental Operations:					
Personal Service	5,950	7,577	0	0	13,527
Non-Personal Service	2,227	4,902	0	37	7,166
General State Charges	5,789	2,588	0	0	8,377
Debt Service	0	0	0	5,319	5,319
Capital Projects	0	2	7,947	0	7,949
Total Disbursements	<u>61,035</u>	<u>84,126</u>	<u>13,111</u>	<u>5,356</u>	<u>163,628</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	19,048	7,860	3,056	3,765	33,729
Transfers to Other Funds	(10,164)	(3,018)	(1,466)	(19,190)	(33,838)
Bond and Note Proceeds	0	0	988	0	988
Net Other Financing Sources (Uses)	<u>8,884</u>	<u>4,842</u>	<u>2,578</u>	<u>(15,425)</u>	<u>879</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>(1,365)</u>	<u>(292)</u>	<u>(18)</u>	<u>3</u>	<u>(1,672)</u>
Closing Fund Balance	<u>6,384</u>	<u>3,980</u>	<u>(1,078)</u>	<u>147</u>	<u>9,433</u>

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2021

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**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
Receipts:					
Taxes	50,934	7,756	1,395	21,208	81,293
Miscellaneous Receipts	2,128	16,531	7,463	458	26,580
Federal Receipts	0	55,014	2,429	73	57,516
Total Receipts	53,062	79,301	11,287	21,739	165,389
Disbursements:					
Local Assistance Grants	50,112	69,656	4,897	0	124,665
Departmental Operations:					
Personal Service	6,237	7,567	0	0	13,804
Non-Personal Service	2,513	4,842	0	50	7,405
General State Charges	6,328	2,650	0	0	8,978
Debt Service	0	0	0	6,499	6,499
Capital Projects	0	0	9,760	0	9,760
Total Disbursements	65,190	84,715	14,657	6,549	171,111
Other Financing Sources (Uses):					
Transfers from Other Funds	18,608	8,103	4,355	3,959	35,025
Transfers to Other Funds	(12,163)	(2,351)	(1,485)	(19,146)	(35,145)
Bond and Note Proceeds	0	0	478	0	478
Net Other Financing Sources (Uses)	6,445	5,752	3,348	(15,187)	358
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,662	0	0	0	1,662
Total Use (Reservation) of Fund Balance	1,662	0	0	0	1,662
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	(4,021)	338	(22)	3	(3,702)
Adherence to 2% Spending Benchmark*					
	3,230	0	0	0	3,230
Net Surplus (Deficit)	(791)	338	(22)	3	(472)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes 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 benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

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	53,284	7,812	1,391	22,046	84,533
Miscellaneous Receipts	2,135	16,429	7,278	459	26,301
Federal Receipts	0	55,531	2,215	73	57,819
Total Receipts	55,419	79,772	10,884	22,578	168,653
Disbursements:					
Local Assistance Grants	53,101	70,394	4,645	0	128,140
Departmental Operations:					
Personal Service	6,424	7,659	0	0	14,083
Non-Personal Service	2,661	4,875	0	50	7,586
General State Charges	6,792	2,730	0	0	9,522
Debt Service	0	0	0	7,134	7,134
Capital Projects	0	0	9,059	0	9,059
Total Disbursements	68,978	85,658	13,704	7,184	175,524
Other Financing Sources (Uses):					
Transfers from Other Funds	18,918	8,351	4,161	3,923	35,353
Transfers to Other Funds	(12,299)	(2,118)	(1,740)	(19,312)	(35,469)
Bond and Note Proceeds	0	0	387	0	387
Net Other Financing Sources (Uses)	6,619	6,233	2,808	(15,389)	271
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,087	0	0	0	1,087
Total Use (Reservation) of Fund Balance	1,087	0	0	0	1,087
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	(5,853)	347	(12)	5	(5,513)
Adherence to 2% Spending Benchmark*	5,855	0	0	0	5,855
Net Surplus (Deficit)	2	347	(12)	5	342

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes 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 benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2021

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**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	55,186	7,858	1,391	22,769	87,204
Miscellaneous Receipts	2,058	16,206	6,682	452	25,398
Federal Receipts	0	55,754	2,171	73	57,998
Total Receipts	57,244	79,818	10,244	23,294	170,600
Disbursements:					
Local Assistance Grants	55,745	70,749	4,124	0	130,618
Departmental Operations:					
Personal Service	6,796	7,784	0	0	14,580
Non-Personal Service	2,718	4,869	0	50	7,637
General State Charges	7,357	2,806	0	0	10,163
Debt Service	0	0	0	7,402	7,402
Capital Projects	0	0	8,407	0	8,407
Total Disbursements	72,616	86,208	12,531	7,452	178,807
Other Financing Sources (Uses):					
Transfers from Other Funds	19,363	8,541	3,675	3,854	35,433
Transfers to Other Funds	(12,156)	(2,028)	(1,684)	(19,691)	(35,559)
Bond and Note Proceeds	0	0	301	0	301
Net Other Financing Sources (Uses)	7,207	6,513	2,292	(15,837)	175
Use (Reservation) of Fund Balance:					
Monetary Settlements	653	0	0	0	653
Total Use (Reservation) of Fund Balance	653	0	0	0	653
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	(7,512)	123	5	5	(7,379)
Adherence to 2% Spending Benchmark*					
	7,955	0	0	0	7,955
Net Surplus (Deficit)	443	123	5	5	576

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes 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 benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

**CASHFLOW
GENERAL FUND
FY 2018
(millions of dollars)**

	2017 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2018 January Projected	February Projected	March Projected	Total
OPENING BALANCE	7,749	7,405	2,216	2,466	3,359	2,862	5,825	5,572	3,885	7,513	9,630	9,442	7,749
RECEIPTS:													
Personal Income Tax	3,751	1,697	3,684	2,105	2,273	3,779	2,043	1,743	4,015	4,244	2,577	2,495	34,406
Consumption/Use Taxes	522	543	769	591	561	756	584	591	739	613	489	680	7,438
Business Taxes	421	58	677	(97)	161	985	12	170	1,308	53	92	1,878	5,718
Other Taxes	91	89	89	89	90	90	89	89	89	89	89	89	1,072
Total Taxes	4,785	2,387	5,219	2,688	3,085	5,610	2,728	2,593	6,151	4,999	3,247	5,142	48,634
Abandoned Property	0	0	0	0	0	35	30	155	50	0	0	180	450
ABC License Fee	6	5	5	5	5	6	6	5	5	5	6	4	63
Investment Income	4	1	2	1	2	1	2	1	2	1	2	2	21
Licenses, Fees, etc.	27	70	55	50	60	35	50	55	65	70	30	86	653
Motor Vehicle Fees	36	2	19	19	20	21	19	21	17	18	19	18	229
Reimbursements	2	15	45	10	5	50	5	25	45	10	20	57	289
Other Transactions	20	30	78	17	18	72	41	18	59	18	18	58	447
Total Miscellaneous Receipts	95	123	204	102	110	220	153	280	243	122	95	405	2,152
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,249	548	1,247	494	301	1,539	683	383	1,386	759	648	1,686	10,923
Tax in Excess of LGAC	234	59	519	267	225	351	265	264	343	280	3	310	3,120
Sales Tax Bond Fund	179	190	292	209	199	319	201	199	279	216	165	318	2,766
Real Estate Taxes in Excess of CW/CA Debt Service	81	84	87	88	91	93	91	80	84	93	79	72	1,023
All Other	10	1	10	5	1	103	12	14	5	38	148	869	1,216
Total Transfers from Other Funds	1,753	882	2,155	1,063	817	2,405	1,252	940	2,097	1,386	1,043	3,255	19,048
TOTAL RECEIPTS	6,633	3,392	7,578	3,853	4,012	8,235	4,133	3,813	8,491	6,507	4,385	8,802	69,834
DISBURSEMENTS:													
School Aid	868	3,388	1,911	71	685	1,561	953	1,590	1,998	496	642	8,157	22,320
Higher Education	19	19	947	234	127	237	108	46	185	78	316	483	2,799
All Other Education	95	574	156	118	256	116	52	31	277	34	173	374	2,256
Medicaid - DOH	1,376	1,925	1,079	822	1,241	1,072	926	1,314	969	1,174	930	534	13,362
Public Health	68	181	56	91	43	39	33	40	70	34	29	18	702
Mental Hygiene	2	4	209	4	4	208	2	3	232	3	57	160	888
Children and Families	36	45	355	72	72	269	72	72	269	72	105	210	1,649
Temporary & Disability Assistance	95	104	163	104	105	105	104	106	106	105	104	115	1,316
Transportation	0	25	14	0	25	0	0	25	12	0	13	0	114
Unrestricted Aid	0	12	389	0	0	101	7	0	187	0	0	65	761
All Other	11	(89)	164	14	24	32	104	143	112	106	130	151	902
Total Local Assistance Grants	2,570	6,188	5,443	1,530	2,582	3,740	2,361	3,370	4,417	2,102	2,499	10,267	47,069
Personal Service	485	639	473	430	605	427	428	577	437	480	454	515	5,950
Non-Personal Service	91	215	178	170	187	182	170	180	187	189	184	294	2,227
Total Departmental Operations	576	854	651	600	792	609	598	757	624	669	638	809	8,177
General State Charges	2,398	272	290	405	108	352	479	163	290	519	239	274	5,789
Debt Service	274	0	(2)	141	(3)	(59)	362	0	(2)	302	(20)	(72)	921
Capital Projects	310	331	481	(487)	516	399	6	414	(723)	581	545	254	2,627
State Share Medicaid	100	119	162	107	41	179	47	108	182	46	116	94	1,301
SUNY Operations	218	218	218	181	0	0	0	181	0	0	0	(1)	1,015
Other Purposes	531	599	85	483	473	52	533	507	75	171	556	235	4,300
Total Transfers to Other Funds	1,433	1,267	944	425	1,027	571	948	1,210	(468)	1,100	1,197	510	10,164
TOTAL DISBURSEMENTS	6,977	8,581	7,328	2,960	4,509	5,272	4,386	5,500	4,863	4,390	4,573	11,860	71,199
Excess/(Deficiency) of Receipts over Disbursements	(344)	(5,189)	250	893	(497)	2,963	(253)	(1,687)	3,628	2,117	(188)	(3,058)	(1,365)
CLOSING BALANCE	7,405	2,216	2,466	3,359	2,862	5,825	5,572	3,885	7,513	9,630	9,442	6,384	6,384

Source: NYS DOB.

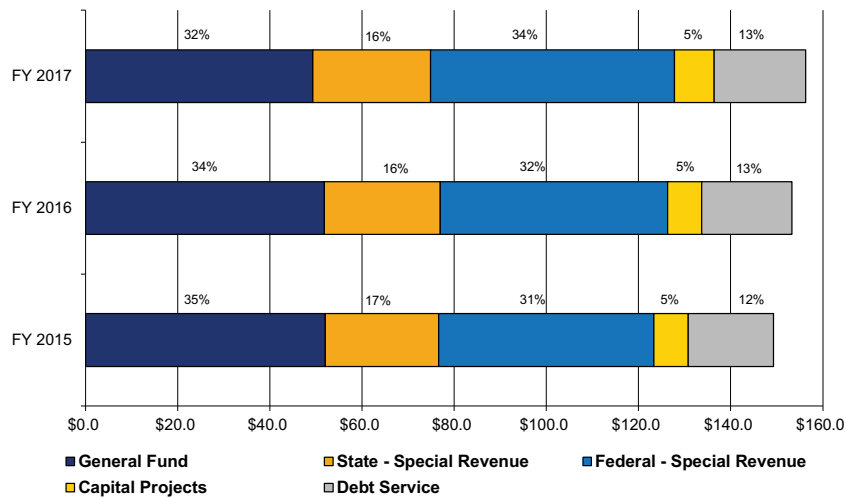
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Prior Fiscal Years

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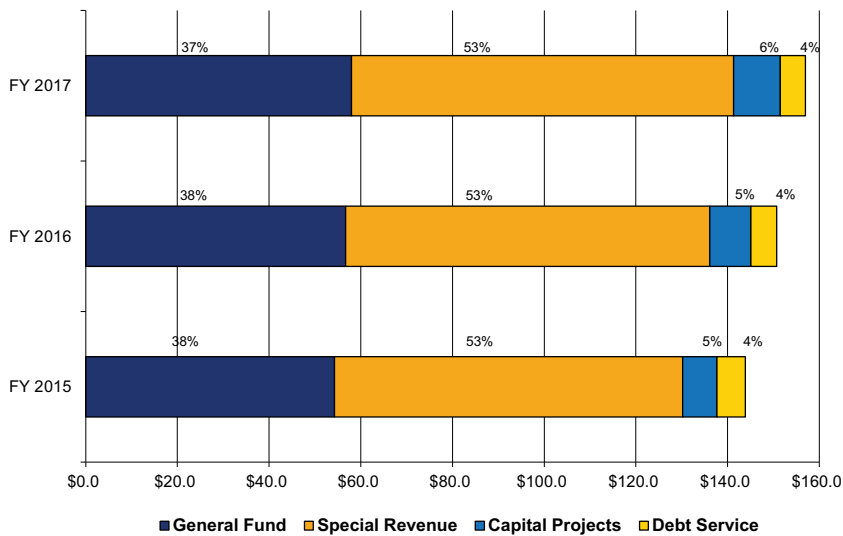
The following six charts show the composition of the State’s governmental funds, State Operating Funds and the General Fund as of March 31, 2017. Following the tables is a summary of the cash-basis results for the State’s three most recent fiscal years.

Governmental Funds Receipts
State Fiscal Years 2015, 2016 and 2017
 (billions of dollars)



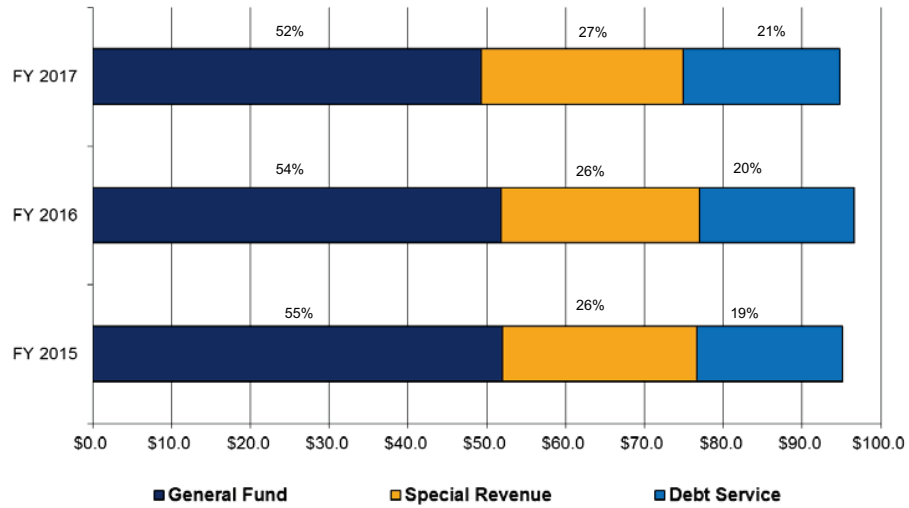
Note: Percentage total may not add due to rounding.

Governmental Funds Disbursements
State Fiscal Years 2015, 2016 and 2017
 (billions of dollars)



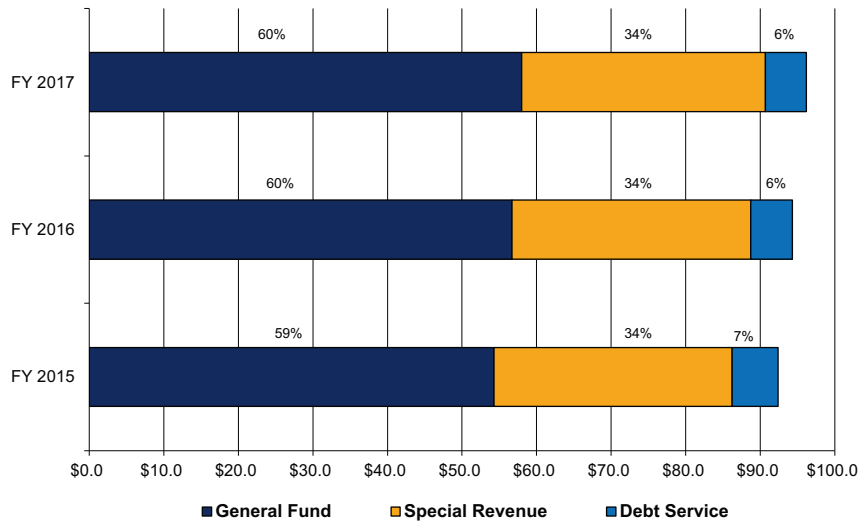
Note: Percentage total may not add due to rounding.

State Operating Funds Receipts
State Fiscal Years 2015, 2016 and 2017
 (billions of dollars)



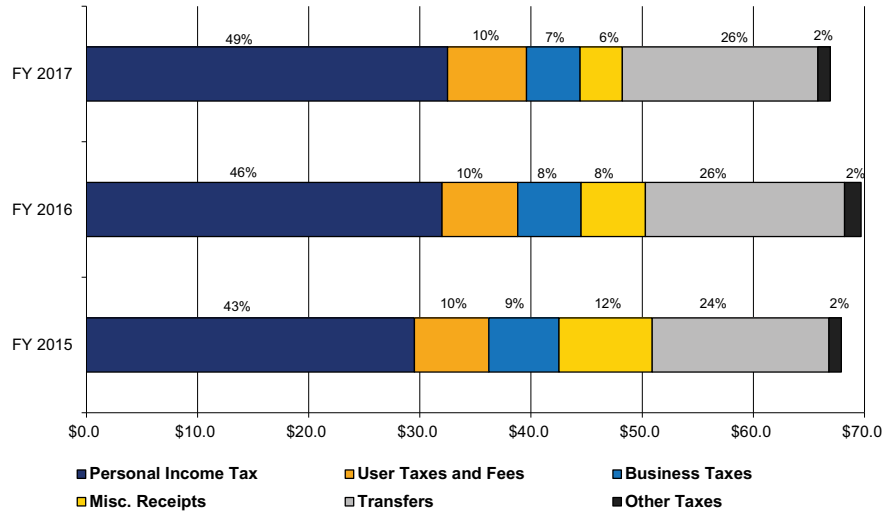
Note: Percentage total may not add due to rounding.

State Operating Funds Disbursements
State Fiscal Years 2015, 2016 and 2017
 (billions of dollars)



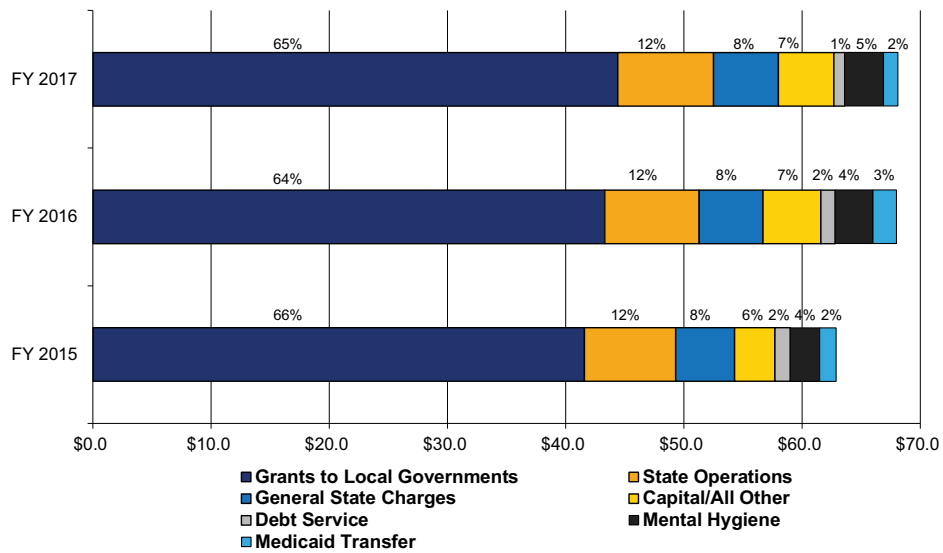
Note: Percentage total may not add due to rounding.

General Fund Receipts and Transfers by Source
State Fiscal Years 2015, 2016 and 2017
 (billions of dollars)



Note: Percentage total may not add due to rounding.

General Fund Disbursements and Transfers by Type
State Fiscal Years 2015, 2016 and 2017
 (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 2017 financial results, the State’s GAAP-basis financial results set forth in this section have been audited. Note that the FY 2017 financial results included in this AIS are preliminary and unaudited.

Cash-Basis Results for Prior Fiscal Years

General Fund FY 2015 Through FY 2017

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

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

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 2015 THROUGH FY 2017			
(millions of dollars)			
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
OPENING FUND BALANCE	2,235	7,300	8,934
Personal Income Tax⁽¹⁾	29,485	31,957	32,535
Consumption/User Taxes:			
Sales and Use Tax ⁽²⁾	6,084	6,242	6,483
Cigarette and Tobacco Tax	356	322	360
Alcoholic Beverage Taxes	251	255	258
Subtotal	<u>6,691</u>	<u>6,819</u>	<u>7,101</u>
Business Taxes:			
Corporation Franchise Tax	2,990	3,763	2,476
Corporation and Utilities Taxes	577	594	538
Insurance Taxes	1,375	1,419	1,410
Bank Tax ⁽³⁾	1,323	(129)	337
Subtotal	<u>6,265</u>	<u>5,647</u>	<u>4,761</u>
Other Taxes:			
Estate and Gift Taxes	1,109	1,521	1,091
Pari-mutuel Tax	18	17	16
Other Taxes	1	2	3
Subtotal	<u>1,128</u>	<u>1,540</u>	<u>1,110</u>
Miscellaneous Receipts & Federal Grants	8,412	5,842	3,813
Transfers from Other Funds:			
PIT in excess of Revenue Bond debt service	8,659	10,159	10,275
Sales Tax in excess of Revenue Bond debt service	2,940	2,759	2,672
Sales Tax in Excess of LGAC Debt Service	2,632	2,729	2,870
All Other Transfers	1,709	2,224	1,758
Subtotal	<u>15,940</u>	<u>17,871</u>	<u>17,575</u>
TOTAL RECEIPTS	<u>67,921</u>	<u>69,676</u>	<u>66,895</u>
Grants to Local Governments:			
School Aid	18,415	20,133	21,017
Medicaid	11,677	12,117	12,178
All Other Local Aid	11,500	11,065	11,244
State Operations:			
Personal Service	5,806	6,011	6,065
Non-Personal Service	1,858	1,944	2,022
General State Charges	4,999	5,397	5,462
Transfers to Other Funds:			
In Support of Debt Service	1,297	1,196	924
In Support of Capital Projects	1,264	2,721	2,569
State Share Medicaid	1,419	2,036	1,239
Mental Hygiene Facilities	2,504	3,195	3,287
SUNY Operations	980	998	996
All Other Transfers	1,137	1,229	1,077
Subtotal	<u>8,601</u>	<u>11,375</u>	<u>10,092</u>
TOTAL DISBURSEMENTS	<u>62,856</u>	<u>68,042</u>	<u>68,080</u>
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	5,065	1,634	(1,185)
CLOSING FUND BALANCE	<u>7,300</u>	<u>8,934</u>	<u>7,749</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 2017

The State ended FY 2017 in balance on a cash basis in the General Fund, based on preliminary, unaudited results. 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 reappropriations (\$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).

FY 2015

The State ended FY 2015 in balance on a cash basis in the General Fund. Aside from variances due to the timing of Extraordinary Monetary Settlements, General Fund receipts and disbursements in FY 2015 were close to planned levels. The State made the maximum allowable deposit to its rainy day reserves at the close of the year. General Fund receipts, including transfers from other funds, totaled \$67.9 billion in FY 2015, an increase of \$6.1 billion (9.8 percent) from the prior year, reflecting the one-time receipt of Extraordinary Monetary Settlements with financial institutions. General Fund disbursements, including transfers to other funds, totaled \$62.9 billion in FY 2015, an increase of \$1.6 billion (2.6 percent).

State Operating Funds FY 2015 Through FY 2017

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 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.

FY 2015

State Operating Funds receipts totaled \$95.0 billion in FY 2015, an increase of \$6.1 billion over the FY 2014 results. Disbursements totaled \$92.4 billion in FY 2015, an increase of \$1.8 billion from the FY 2014 results. The State ended FY 2015 with a State Operating Funds cash balance of \$9.9 billion.

CASH FINANCIAL PLAN				
STATE OPERATING FUNDS BUDGET				
FY 2017				
(millions of dollars)				
	General	State Special	Debt	State
	Fund	Revenue	Service	Operating
		Funds	Funds	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 Grants	44,439	19,930	0	64,369
Departmental 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.

CASH RESULTS				
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	7,300	2,472	118	9,890
Receipts:				
Taxes	45,963	8,266	19,050	73,279
Miscellaneous Receipts	5,842	16,926	487	23,255
Federal Receipts	0	0	73	73
Total Receipts	<u>51,805</u>	<u>25,192</u>	<u>19,610</u>	<u>96,607</u>
Disbursements:				
Local Assistance Grants	43,314	19,339	0	62,653
Departmental 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	0	2	0	2
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	0	0	0	0
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.

CASH RESULTS
STATE OPERATING FUNDS
FY 2015
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	Total
Opening Fund Balance*	<u>2,235</u>	<u>2,489</u>	<u>65</u>	<u>4,789</u>
Receipts:				
Taxes	43,569	8,193	17,899	69,661
Miscellaneous Receipts	8,410	16,381	510	25,301
Federal Receipts	<u>2</u>	<u>0</u>	<u>73</u>	<u>75</u>
Total Receipts	<u>51,981</u>	<u>24,574</u>	<u>18,482</u>	<u>95,037</u>
Disbursements:				
Local Assistance Grants	41,592	19,460	0	61,052
Departmental Operations:				
Personal Service	5,806	6,744	0	12,550
Non-Personal Service	1,858	3,710	39	5,607
General State Charges	4,999	2,034	0	7,033
Debt Service	0	0	6,183	6,183
Capital Projects	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
Total Disbursements	<u>54,255</u>	<u>31,949</u>	<u>6,222</u>	<u>92,426</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	15,940	7,767	4,681	28,388
Transfers to Other Funds	(8,601)	(409)	(16,888)	(25,898)
Bond and Note Proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Other Financing Sources (Uses)	<u>7,339</u>	<u>7,358</u>	<u>(12,207)</u>	<u>2,490</u>
Change in Fund Balance	<u>5,065</u>	<u>(17)</u>	<u>53</u>	<u>5,101</u>
Closing Fund Balance	<u>7,300</u>	<u>2,472</u>	<u>118</u>	<u>9,890</u>

*Note that the closing balance from FY 2014 for special revenue funds and debt service funds differs from the FY 2015 opening balance due to a fund reclassification, as the SUNY Dormitory Income Fund was reclassified from a debt service fund to a special revenue fund.

Source: NYS DOB.

All Funds FY 2015 Through FY 2017

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 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).

FY 2015

All Funds tax receipts through March 2015 reflect annual growth in all major tax categories, including PIT (\$749 million), primarily due to growth in withholding and current estimated payments; consumption/use taxes (\$286 million) due to an increase in taxable purchases; business taxes (\$244 million) related to higher bank audits; and the payroll tax assessed on businesses located within the MTA region (\$66 million). The year-over-year increase of \$5.2 billion in miscellaneous receipts is largely attributable to \$4.1 billion in additional fines, penalties, and forfeitures (including Extraordinary Monetary Settlements paid to the State from financial institutions); a \$741 million increase in business assessments (including \$750 million of SIF assessment reserves transferred to the State pursuant to legislation included in the FY 2014 Enacted Budget); higher bond proceeds receipts to finance Capital Projects (\$479 million); and higher abandoned property collections (\$120 million). These increases are offset by lower Tribal State Compact Revenue (\$321 million) due to the lump sum payments received from the tribal nations immediately following the FY 2014 agreements; a one-time FY 2014 receipt from the State of New York Mortgage Agency (SONYMA) (\$104 million) from excess Mortgage Insurance Fund reserves; and the continued phase-out of the temporary utility assessment (\$178 million). The \$4.8 billion increase in Federal grants is a result of increased Federal program spending, as described in greater detail below.

Through March 2015, All Funds spending increased by \$6.4 billion over the prior year, derived from a \$1.8 billion increase in State Operating Funds spending, a \$4.8 billion increase in Federal Operating Funds spending, and a \$204 million decrease in Capital Projects Funds spending. The increase in State Operating Funds spending is mainly due to \$1.6 billion in higher local assistance spending. The local assistance growth includes higher spending for education (\$1.3 billion) and health care (\$211 million). The \$368 million increase in operational spending is derived from growth in executive-controlled agencies (\$164 million), mainly attributable to the FY 2015 2 percent salary increase and higher correctional facility expenses, primarily overtime and inmate medical and prescription drug cost; higher fringe benefit costs (\$86 million); increased Judiciary spending (\$80 million); and higher SUNY spending (\$32 million). Lower debt service spending in FY 2015 is attributable to the continued practice of paying debt service obligations due in future years. The Federal Operating Funds spending increase is primarily attributable to \$5.2 billion in higher health care spending as a result of both expanded Medicaid coverage under the ACA, and DSRIP/IAAF payments associated with the recently approved Medicaid waiver. In addition, homeland security spending was \$437 million higher, due mainly to a lump-sum pass-through payment to LIPA. Spending declined in the areas of education (\$494 million), due to administrative delays in claims submitted by school districts (primarily New York City), and social welfare (\$213 million), mainly due

to higher payments occurring in FY 2014. Lower Capital Projects spending occurred in the areas of health care (\$322 million); parks and environment (\$179 million), due mainly to the timing of payments to EFC for the State Revolving Fund Loan program; and higher education (\$166 million). This lower spending is partially offset by additional transportation spending (\$393 million).

The All Governmental Funds balance through March 2015 was \$9.4 billion, \$5.3 billion higher than the March 2014 balance. This higher balance is attributable to a combination of a higher opening balance (\$159 million), growth in receipts (\$11.4 billion), increased financing from other sources (\$131 million), and higher spending (\$6.4 billion).

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
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 Grants	44,439	68,294	3,604	0	116,337
Departmental 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 RESULTS					
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	7,300	2,661	(724)	118	9,355
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 Grants	43,314	64,502	2,498	0	110,314
Departmental 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.

CASH RESULTS
ALL GOVERNMENTAL FUNDS
FY 2015
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	2,235	2,364	(629)	65	4,035
Receipts:					
Taxes	43,569	8,193	1,373	17,899	71,034
Miscellaneous Receipts	8,410	16,557	3,961	510	29,438
Federal Receipts	2	46,531	2,030	73	48,636
Total Receipts	<u>51,981</u>	<u>71,281</u>	<u>7,364</u>	<u>18,482</u>	<u>149,108</u>
Disbursements:					
Local Assistance Grants	41,592	61,090	2,043	0	104,725
Departmental Operations:					
Personal Service	5,806	7,357	0	0	13,163
Non-Personal Service	1,858	5,080	0	39	6,977
General State Charges	4,999	2,338	0	0	7,337
Debt Service	0	0	0	6,183	6,183
Capital Projects	0	1	5,505	0	5,506
Total Disbursements	<u>54,255</u>	<u>75,866</u>	<u>7,548</u>	<u>6,222</u>	<u>143,891</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	15,940	7,767	1,419	4,681	29,807
Transfers to Other Funds	(8,601)	(2,885)	(1,492)	(16,888)	(29,866)
Bond and Note Proceeds	0	0	162	0	162
Net Other Financing Sources (Uses)	<u>7,339</u>	<u>4,882</u>	<u>89</u>	<u>(12,207)</u>	<u>103</u>
Change in Fund Balance	<u>5,065</u>	<u>297</u>	<u>(95)</u>	<u>53</u>	<u>5,320</u>
Closing Fund Balance	<u><u>7,300</u></u>	<u><u>2,661</u></u>	<u><u>(724)</u></u>	<u><u>118</u></u>	<u><u>9,355</u></u>

*Note that the closing balance from FY 2014 for special revenue funds and debt service funds differs from the FY 2015 opening balance due to a fund reclassification, as the SUNY Dormitory Income Fund was reclassified from a debt service fund to a special revenue fund.

Source: NYS DOB.

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and Other Supplementary Information on a GAAP basis for governments as promulgated by the GASB. The Basic Financial Statements and Other Supplementary Information, released in July each year, include a management discussion and analysis (“MD&A”); the Statements of Net Position and Activities; the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds; the Statements of Net Position, Revenues, Expenses and Changes in Fund Net Position and Cash Flows for the Enterprise Funds; the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position; the Combining Statements of Net Position and Activities for Discretely Presented Component Units; required Supplementary Information (unaudited) and Other Supplementary Information which includes individual fund combining statements. These statements are audited by independent certified public accountants. The State expects to issue the Basic Financial Statements for FY 2017 by July 29, 2017. 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 31,2017 is expected to be issued later in the calendar year.

The following table summarizes recent governmental funds results on a GAAP basis.

COMPARISON OF ACTUAL GAAP-BASIS OPERATING RESULTS SURPLUS/(DEFICIT) (millions of dollars)						
Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2016	(978)	460	754	172	408	5,074
March 31, 2015	6,619	356	(697)	181	6,459	6,052
March 31, 2014	172	806	369	(146)	1,201	(567)

SUMMARY OF NET POSITION (millions of dollars)			
Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2016	32,539	225	32,764
March 31, 2015	32,554	771	33,325
March 31, 2014	27,838	(841)	26,997

The CAFR for the fiscal year ended March 31, 2016 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

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The demographic and statistical data in this section, which have been obtained from the sources indicated, do not represent all of the factors which may have a bearing on the State's fiscal and economic affairs. Further, such information requires economic and demographic analysis in order to assess its significance, and may be interpreted differently by individual experts. Note that DOB has chosen to provide certain economic and demographic analysis updated through the date of this AIS, although continuing disclosure requirements for this AIS require analysis only through March 31, 2017.

The U.S. Economy

For the fourth consecutive calendar year, the U.S. economy posted a weak first quarter, expanding 1.2 percent at an annual rate in the first quarter of calendar year 2017. Unusually warm winter temperatures reduced spending on electric and gas utilities and may have factored into a decline in apparel expenditures. A delay in the payout of a segment of federal tax refunds may have also played a part in constraining household spending, particularly among low income households who live paycheck to paycheck. It also appears likely that auto sales peaked in the fourth quarter of calendar year 2016. Finally, residual seasonality recently cited by the U.S. Bureau of Economic Analysis as reducing growth in the first quarter may also have played a role. Some of these factors are expected to reverse in the second quarter, boosting real U.S. GDP growth closer to 3 percent, with improving business investment, single-family construction, and export growth expected to support national economic growth for the remainder of 2017. On balance, the national economy is estimated to grow 2.1 percent in 2017, signaling a return to its post-recession average following subpar growth of 1.6 percent in 2016.

ECONOMIC INDICATORS FOR THE UNITED STATES (calendar year)						
	2012	2013	2014	2015	2016	2017 ¹
Gross Domestic Product						
Nominal (\$ billions)	\$16,155.3	\$16,691.5	\$17,393.1	\$18,036.7	\$18,569.1	\$19,359.8
Percent Change	4.1	3.3	4.2	3.7	3.0	4.3
Real (\$ billions)	\$15,354.6	\$15,612.2	\$15,982.3	\$16,397.2	\$16,662.1	\$17,018.0
Percent Change	2.2	1.7	2.4	2.6	1.6	2.1
Personal Income						
(\$ billions)	\$13,915.1	\$14,073.7	\$14,809.8	\$15,458.5	\$16,011.6	\$16,707.6
Percent Change	5.0	1.1	5.2	4.4	3.6	4.3
Nonagricultural Employment						
(millions)	134.2	136.4	138.9	141.8	144.3	146.5
Percent Change	1.7	1.6	1.9	2.1	1.8	1.5
Unemployment Rate (%)	8.1	7.4	6.2	5.3	4.9	4.6
Consumer Price Index						
(1982-84=100)	229.6	232.9	236.7	237.0	240.0	245.7
Percent Change	2.1	1.5	1.6	0.1	1.3	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 2017.

The unusual weather during the first calendar quarter of 2017 also likely accounts in part for recent national labor market fluctuations. Two consecutive months of private sector job gains above 200,000 during January and February 2017 were followed by an average monthly gain of 126,000 over the next three months. On average, the labor market added 161,000 jobs during the first five months of 2017, 9,000 below the 2016 average. Assuming weather patterns normalize, private job gains are expected to decelerate further as the expansion matures and labor market slack diminishes. Total nonagricultural employment growth of 1.5 percent is projected for 2017, a significant deceleration from 1.8 percent growth in 2016.

Consistent with a tightening labor market, average wage growth is expected to post its strongest year since the end of the Great Recession. Wage growth of 4.6 percent is projected for 2017. In contrast, growth in some of the non-wage components of personal income, such as interest income, has been weaker, consistent with weaker long term interest rates. On balance, overall personal income growth of 4.3 percent is estimated for 2017.

Recent data indicate that both the European and Chinese economies are improving, helping to support strong corporate earnings growth in the first quarter, the strongest since 2011 based on preliminary data. Indeed, in a reversal of recent trends, the domestic U.S. economy likely underperformed the rest of the global economy during the first three months of 2017. Consequently, the DOB projects that real U.S. exports will grow 3.8 percent in 2017, representing a significant improvement from the 0.4 percent growth observed in 2016, but still weak by historical standards.

Stabilizing energy prices have helped to relieve some of the inflationary pressure that had been building during 2016. Consequently, DOB expects consumer price inflation of 2.4 percent for 2017. Accordingly, DOB continues to expect only two short-term interest rate hikes in 2017. At the same time, longer term interest rates have retreated by more than 20 basis points as post-election hopes for accelerated policy-driven growth have receded. Although a flattening yield curve could restrain banking sector profits over the near-term, lower long-term interest rates support the continued recovery of the housing market, along with a long-awaited shift in preferences away from renting toward home ownership. Among newly formed households in the first quarter of 2017, the number of new homeowners exceeded the number of new renters for the first time since the fourth quarter of 2006. Real growth in residential investment is projected to be 5.6 percent for 2017.

The DOB baseline forecast does not account for potential future fiscal policy changes at the Federal level due to the substantial degree of uncertainty that exists at this time. However, the potential for major changes in Federal tax and expenditure policy represents both upside and downside risks to the Enacted Budget Financial Plan forecast. Policies that stimulate more public or private business investment than anticipated could result in stronger growth in both the near-term and the long-term, particularly if those investments raise productivity growth. If recent above-trend labor market gains are more representative of true underlying strength than assumed, employment and income growth could exceed the current forecast. A stronger than projected housing market could have a similar result.

On the negative side, policies that substantially widen the Federal budget deficit without enhancing productivity growth could result in both accelerating inflation and higher interest rates, which, in turn, could result in weaker than anticipated household and business investment spending. In addition, policies resulting in heightened international tensions could result in less global growth and diminished demand for U.S. exports relative to current projections. Similarly, any development that serves to undermine the upward momentum of the European and Chinese economies could result in weaker growth in U.S. exports, corporate profits, and equity market prices. Finally, the response of both domestic and global financial markets to the unwinding of the Federal Reserve's unprecedentedly accommodative policies continues to pose risks, particularly in light of the uncertainty stemming from the fiscal policy side.

The New York Economy

New York State private sector employment growth has continued to decelerate against a backdrop of weak national and global growth. After 10 consecutive quarters of growth above 2 percent, the rate of private job gains fell to 1.9 percent and 1.8 percent in the second and third quarters of 2016, respectively. Preliminary data suggest that fourth quarter growth slowed even further to 1.4 percent. As a result, private sector job growth of 1.4 percent is expected for 2017, following 1.8 percent growth for 2016.

Since the 2016 presidential election, the anticipation of lower personal income tax rates at the Federal level has impacted both public debate and the private behavior of taxpayers, prompting a shifting of bonus payouts and other financial transactions out of calendar year 2016 and into calendar year 2017. Finance and insurance sector bonuses are estimated to have fallen 0.7 percent in FY 2017. However, underlying non-bonus wages are estimated to have grown by 4.3 percent. On balance, total State wages for FY 2017 are estimated to have grown by 3.6 percent.

In contrast to the start of calendar year 2016, the first quarter of 2017 saw strong financial sector revenues. IPOs rebounded, consistent with robust equity market and debt growth, after a significant number of IPOs had been withdrawn during the final quarter of 2016. Finance and insurance sector bonuses are expected to grow by 4.4 percent in FY 2018. Total State wages are expected to grow by 4.3 percent in FY 2018.

The anticipation of a lower capital gains tax rate effective for the 2017 tax year may also have induced taxpayers to defer certain financial transactions from the end of 2016 into the future in order to maximize their tax advantage. DOB now estimates a decline in positive capital gains realizations of 19.4 percent for the 2016 tax year. A moderate rebound in realizations of 12.5 percent is projected for the 2017 tax year.

All of 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. Under a still evolving regulatory environment, the pattern of Wall Street bonus payouts continues to shift, with payments now more widely dispersed throughout the year. Taxable payouts can represent both current-year awards and deferred payments from prior years, with the deferral ratio itself proving to be unstable. Finally, with Federal tax policy in flux, and taxpayers strategically responding to anticipated changes in tax

policy, the uncertainty surrounding the forecast for bonuses and various forms of taxable non-wage income is even further heightened. In particular, should substantial reductions in Federal tax rates for the nation's top income earners be enacted and scheduled to take effect January 1, 2018, yet another round of income shifting could ensue, creating downside risk to income and tax revenue estimates related to the 2017 tax year.

ECONOMIC INDICATORS FOR NEW YORK STATE (calendar year)					
	2013	2014	2015	2016	2017 ¹
Personal Income (\$ billions)	\$1,072.1	\$1,119.4	\$1,161.4	\$1,195.3	\$1,258.9
Percent Change	1.8	4.4	3.8	2.9	5.3
Nonagricultural Employment (thousands)	8,658.3	8,819.0	8,986.3	9,130.0	9,243.9
Percent Change	1.5	1.9	1.9	1.6	1.2
Unemployment Rate (%)	7.7	6.3	5.3	4.8	4.6
Sources: US Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor. Table reflects revisions by source agencies to data for prior years.					
¹ As projected by Division of the Budget, based on National Income and Product Account data and employment data available through March 2017.					

New York is the fourth most populous state in the nation²² 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.

²² Based on 2016 U.S. Census Bureau data, New York is the fourth most populous state in the nation, after California, Texas, and Florida.

Financial Activities: New York City is the nation's leading center for banking and finance and, as a result, 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. These industries combined account for half of all nonagricultural jobs in New York. Information, education and health, and other services account for a higher proportion of total State employment than for the nation as a whole.

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

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

THE 2016 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	5.0
Manufacturing	4.8	8.6	4.5	10.2
Trade, Transportation, and Utilities	16.7	18.9	12.2	15.7
Information	2.8	1.9	5.0	3.5
Financial Activities	7.6	5.7	19.9	9.3
Professional and Business Services	13.8	14.0	18.1	17.8
Educational and Health Services	20.8	15.7	14.4	13.5
Leisure and Hospitality	9.7	10.8	4.9	4.9
Other Services	4.3	3.9	3.0	3.2
Government	15.4	15.4	13.7	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 different sectors of the State's economy relative to the national economy is shown in the above table, which compares nonagricultural employment and wages by sector for the State and the nation as a whole. Construction accounts for smaller shares of employment for

the State than for the nation, while the combined service industries account for a larger share. The financial activities sector share of total wages is particularly large for the State relative to the nation. Thus, the State is likely to be less affected than the nation as a whole during an economic recession that is concentrated in manufacturing and construction, but likely to be more affected by any economic downturn that is concentrated in the services sector.

Economic and Demographic Trends

In calendar years 1990 through 1998, the State's rate of economic growth was somewhat slower than that of the nation. In particular, during the 1990-91 recession and post-recession period, the economies of the State and much of the rest of the Northeast were more heavily damaged than the nation as a whole and were slower to recover. However, the situation subsequently improved. In 1999, for the first time in 13 years, State employment growth surpassed that of the nation, and in 2000 the rates were essentially the same. In 2001, the September 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, where it has remained for much of the period since.

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

COMPARATIVE POPULATION FIGURES					
	State			US	
	Total Population (000s)	% Change from Preceding Period	Percentage of U.S. Population	Total Population (000s)	% Change from Preceding Period
1960	16,782	13.2	9.4	179,323	18.5
1970	18,241	8.7	9.0	203,302	13.4
1980	17,558	(3.7)	7.8	226,546	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2
2010	19,378	2.1	6.3	308,746	9.7
2016	19,745	1.9	6.1	323,128	4.7

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

	Employment (000s)		State as Percent of US Employment	Unemployment Rate (%)	
	State	US		State	US
1960	6,182	54,296	11.4	N/A	5.5
1970	7,156	71,006	10.1	N/A	4.9
1980	7,207	90,533	8.0	7.5	7.1
1990	8,203	109,527	7.5	5.3	5.6
2000	8,625	132,024	6.5	4.6	4.0
2010	8,544	130,361	6.6	8.6	9.6
2016	9,396	144,306	6.5	4.8	4.9

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)			
	NYS	US	Ratio NYS/US
1960	\$2,868	\$2,323	1.23
1970	\$4,935	\$4,196	1.18
1980	\$10,997	\$10,153	1.08
1990	\$23,994	\$19,591	1.22
2000	\$35,924	\$30,602	1.15
2010	\$48,152	\$40,277	1.22
2016	\$60,534	\$49,571	1.21

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



Capital Program and Financing Plan

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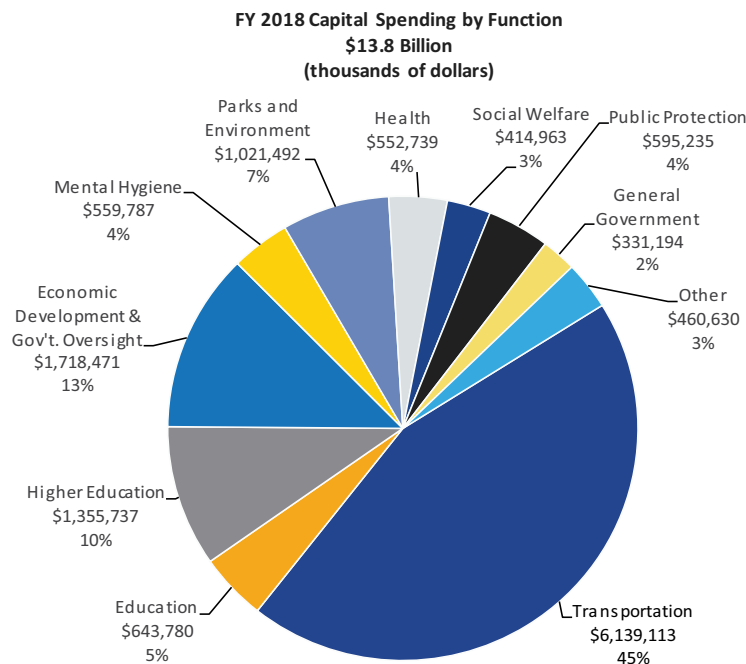
The DOB prepares a Multi-Year Capital Program and Financing Plan with the Executive Budget and updates it following enactment of the budget (the “Enacted Capital Plan”). The Enacted Capital Plan outlines the anticipated capital spending over a five-year period, the way it will be financed, the impact 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 FY 2018 Enacted Capital Plan outlines the anticipated capital spending over a five-year period. The total commitment and disbursement levels 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 2018.

FY 2018 Capital Projects Spending

Spending on capital projects is projected to total \$13.8 billion in FY 2018, which includes \$683 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. Overall, capital spending in FY 2018 is projected to increase by \$3.0 billion (28 percent) from FY 2017.



In FY 2018, transportation capital spending is projected to total \$6.1 billion, which represents 45 percent of total capital spending, with economic development comprising the next largest share at 13 percent. As a share of total capital spending, higher education capital spending represents 10 percent, while parks and the environment capital spending represents 7 percent and health care capital spending represents 4 percent. The remaining 21 percent is comprised of spending for mental hygiene, social welfare, public protection, education, general government, and all other, which includes Special Infrastructure Account Investments, such as the Thruway Stabilization Program.

Transportation capital spending is projected to increase by \$785 million (15 percent) in FY 2018 due to the implementation of the multi-year DOT and MTA capital plans.

Parks and environment capital spending is estimated to increase by \$177 million (21 percent) in FY 2018 reflecting spending from the enacted \$2.5 billion Clean Water Infrastructure Act, the continuation of a \$300 million EPF, as well as spending from the State Superfund and SPIF.

Economic development and government oversight capital spending is projected to increase by \$686 million (66 percent). This spending reflects the continued implementation of programs created to promote regional economic development including spending for the Buffalo Billion Program, the Life Sciences Initiative, the Upstate Revitalization Initiative, Regional Economic Development Councils, and SUNY and CUNY 2020 Challenge Grants.

Capital spending for health care is projected to increase by \$447 million (422 percent) in FY 2018. The increase is due to anticipated grant awards for the Health Care Restructuring Program, expected in FY 2018, as well as the phase-in of spending related to the Health Care Facility Transformation Program, including spending from \$500 million in new health care grants enacted in FY 2018.

Capital spending for social welfare is projected to increase by \$205 million (98 percent) due, primarily, to the implementation of the Affordable and Homeless Housing Program.

Education capital spending is projected to increase by \$574 million (819 percent) in FY 2018. The increase is due to spending from the Smart Schools Bond Act, which was approved by voters in November 2014.

Higher education capital spending is projected to increase by \$118 million (10 percent). This growth is primarily driven by additional maintenance investments in senior and community college projects.

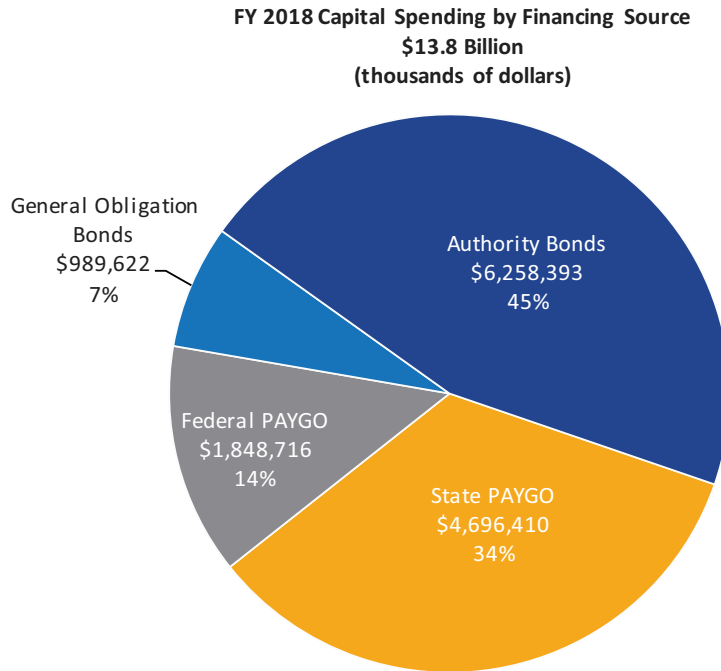
Capital spending for public protection is projected to increase by \$126 million (27 percent) in FY 2018, which is mainly attributable to spending on correctional facilities.

Mental hygiene capital spending is anticipated to increase by \$151 million (37 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 \$148 million (81 percent), which is mainly attributable to the construction of a cogeneration plant being undertaken by OGS, as well as ITS equipment purchases.

Capital spending for agencies in the All Other category is projected to decrease by \$361 million (44 percent). The decrease is related to a timing adjustment attributable to capital projects spending in FY 2018 and is partially offset by higher year-to-year spending on Special Infrastructure Account investments, including a contribution to the ongoing construction of the New NY Bridge and other capital projects for the New York State Thruway Authority.

Financing FY 2018 Capital Projects Spending



In FY 2018, the State plans to finance 52 percent of capital projects spending with long-term bonds, most of which will be issued on behalf of the State through public authorities (45 percent) and the remainder of which will be issued as General Obligation bonds (7 percent). This measure of authority bonds does not include debt issued by authorities backed by their own non-State resources or on behalf of private clients. Federal aid is expected to fund 14 percent of the State's FY 2018 capital spending, primarily for transportation. State cash resources, including Extraordinary Monetary Settlements, will finance the remaining 34 percent of capital spending. Year-to-year, total PAYGO support is projected to increase \$812 million, with State PAYGO increasing by \$1.3 billion and Federal PAYGO support decreasing by \$477 million. Bond-financed spending is projected to increase by \$2.2 billion, with authority bond spending increasing by \$1.3 billion and General Obligation bond spending increasing by \$930 million.

Financing Plan

New York State, including its public authorities, is one of the largest issuers of municipal debt, ranking second among the states, behind California, in the amount of debt outstanding. The State ranks sixth in the U.S. in state debt per capita, behind Connecticut, Massachusetts, Hawaii, New Jersey, and Washington²³. As of March 31, 2017, State-related debt outstanding totaled \$50.7 billion excluding capital leases and mortgage loan commitments, equal to approximately 4.2 percent of New York personal income. The State's debt levels are typically measured by DOB using two categories: *State-supported debt* and *State-related debt*.

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

²³ 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 or DASNY dormitory facilities revenue bonds) or issue debt on behalf of private clients (i.e., 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, the Public Authorities Control Board (PACB) and the State Comptroller.

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

OUTSTANDING STATE-SUPPORTED AND STATE-RELATED DEBT ¹			
(millions of dollars)			
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
State-Supported Debt	51,867	50,229	49,622
Personal Income Tax Revenue Bonds	29,848	31,268	31,783
Sales Tax Revenue Bonds	1,998	4,254	5,008
General Obligation	3,018	2,727	2,463
Local Government Assistance Corporation	2,345	2,058	1,758
Service Contract & Lease Purchase	6,551	5,488	4,758
Other Revenue Bonds	8,107	4,434	3,852
Contingent-Contractual Obligation Financings	2,049	1,635	880
DASNY/MCFFA - Secured Hospital Program	304	257	220
Tobacco Settlement Financing Corporation	1,745	1,378	660
Moral Obligation Financings	2	2	1
Housing Finance Agency	2	2	1
Other State Financings	565	509	745
MBBA Prior Year School Aid Claims	263	234	203
Capital Leases	232	206	475
Mortgage Loan Commitments	70	69	67
State Guaranteed Debt			
Job Development Authority	9	6	3
TOTAL STATE-RELATED DEBT ²	54,492	52,381	51,251

Source: NYS DOB. Except Mortgage Loan Commitments which are taken from the CAFR for FY 2015 and FY 2016. Mortgage Loan Commitments and Capital Leases are estimated by DOB for FY 2017.

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

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 requires 25 percent of State PIT receipts (excluding refunds owed to taxpayers) to be deposited into the RBTF for purposes of making debt service payments on these bonds, with the excess amounts returned to the General Fund.

In the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the State PIT Revenue Bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of (i) 25 percent of annual PIT receipts or (ii) \$6 billion. Debt service on State PIT Revenue Bonds is subject to legislative appropriation, as part of the annual debt service bill.

As of March 31, 2017, approximately \$31.8 billion of State PIT Revenue Bonds were outstanding. The projected PIT Revenue Bond coverage ratios, noted below, are based upon estimates of PIT receipts deposited into the RBTF and include projected debt issuances. Assuming average issuances of approximately \$5.1 billion annually over the next four years, PIT coverage is expected to decline from 3.5 times in FY 2018 to 2.8 times in FY 2021. 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 or the Sales Tax 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 or Sales Tax 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.

PROJECTED PIT REVENUE BOND COVERAGE RATIOS				
FY 2018 THROUGH 2021				
(thousands of dollars)				
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Projected RBTF Receipts	12,345,732	12,968,345	13,479,638	13,866,650
Projected New PIT Bonds Issuances	3,962,316	6,184,519	5,448,640	4,705,444
Projected Total PIT Bonds Outstanding	34,123,461	38,390,957	41,588,327	43,781,196
Projected Maximum Annual Debt Service	3,575,896	4,117,724	4,616,050	5,036,262
Projected PIT Coverage Ratio	3.5	3.1	2.9	2.8

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 of the obligations and liabilities of LGAC, this will increase to 2 cents of sales and use tax receipts. Such sales tax receipts in excess of debt service requirements 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, 2017, \$5.0 billion of Sales Tax Revenue Bonds were outstanding. Assuming average issuances of approximately \$1.3 billion annually over the next four years, Sales Tax coverage based only upon the 1 cent pledge is expected to decline from 4.9 times in FY 2018 to 3.6 times in FY 2021, 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.

PROJECTED SALES TAX REVENUE BOND COVERAGE RATIOS				
FY 2018 THROUGH 2021				
(thousands of dollars)				
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Projected Sales Tax Receipts	3,410,250	3,550,500	3,688,500	3,830,500
Projected New Sales Tax Bonds Issuances	1,288,078	1,326,720	1,366,521	1,407,517
Projected Total Sales Tax Bonds Outstanding	5,932,147	6,834,052	7,873,793	8,723,774
Projected Maximum Annual Debt Service	697,762	810,282	934,303	1,065,221
Projected Sales Tax Coverage Ratio	4.9	4.4	3.9	3.6

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, 2017, approximately \$2.5 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, 2017, approximately \$1.8 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.

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

DHBTF 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, 2017, approximately \$2.3 billion of DHBTF bonds were outstanding. The State currently has no plans to issue additional DHBTF 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 2018 is currently projected at approximately 8.7 times for existing Mental Health Facilities Improvement Bonds. As of March 31, 2017, approximately \$754 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 \$65 million in FY 2017. As of March 31, 2017, approximately \$650 million of Lease Revenue Bonds were outstanding. On April 27, 2017, \$226 million of Lease Revenue Bonds were refunded with Facilities Revenue Bonds, resulting in \$424 million of Lease Revenue Bonds remaining

outstanding. Annual debt service payments on the remaining Lease Revenue Bonds is projected to be \$50 million in FY 2018, \$44 million in FY 2019, \$39 million in FY 2020, and \$36 million in FY 2021.

State-Related Debt Outstanding

State-related debt is a broader measure of debt that includes State-supported debt, as discussed above, and contingent-contractual obligations, moral obligations, State-guaranteed debt and other debt.

Contingent-Contractual Obligation Financing

Contingent-contractual debt, included in State-related debt, is debt where the State enters into a statutorily authorized contingent-contractual obligation via a service contract to pay debt service in the event there are shortfalls in revenues from other non-State resources pledged or otherwise available to pay the debt service. As with State-supported debt, except for General Obligation bonds, all payments are subject to annual appropriation. The bankruptcy and deteriorating financial conditions of certain hospitals in the Secured Hospital Program (described below) resulted in the State paying approximately \$30 million of debt service payments in FY 2017.

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State Medical Care Facilities Financing Agency (MCFFA) and by DASNY through the Secured Hospital Program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of March 31, 2017, there was approximately \$220 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)

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments through the TSFC, a corporation created under the legislation that is a subsidiary of the MBBA, through an asset-backed securitization transaction. To lower costs, the legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. To reduce the chance that the State’s contractual payments will be required, the TSFC bonds were structured to meet or exceed all rating agency tobacco bond stress tests. The \$4.2 billion of upfront payments received by the State from the securitization were used to help restore State budget balance in FY 2004 (\$3.8 billion) and FY 2005 (\$400 million).

The bonds carried a final nominal maturity of 19 years, but were retired over 14 years, based on optional redemptions. As of March 31, 2017, approximately \$660 million of TSFC bonds were outstanding, however based on the 2017 MSA payment, there were sufficient funds, including debt service reserve funds, to retire all remaining TSFC bonds, which redemption occurred on June 1, 2017. 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 2017. As of March 31, 2017, approximately \$1 million 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). The State has never been called upon to make any direct payments pursuant to any such guarantees.

Due to concerns regarding the economic viability of its programs, JDA's loan and loan guarantee activities were suspended in 1995. JDA resumed its lending activities in 1997 under a revised set of lending programs and underwriting guidelines. In April 2004, JDA issued approximately \$42 million of State-guaranteed bonds to refinance certain of its outstanding bonds and notes in order to restructure and improve JDA's capital finances. As of March 31, 2017, JDA had approximately \$3 million of bonds outstanding. DOB does not anticipate that the State will be called upon to make any payments pursuant to the State guarantee in FY 2018.

Other State Financings

Other State financings relate to the issuance of debt by a public authority, including capital leases, mortgage loan commitments and MBBA prior year school aid claims. Regarding the MBBA prior year school aid claims, the municipality assigns specified State and local assistance payments it receives to the issuer or the bond trustee to ensure that debt service payments are made. The State has no legal obligation to make any debt service payments or to continue to appropriate local assistance payments that are subject to the assignment.

Borrowing Plan

STATE DEBT ISSUANCES BY FINANCING PROGRAM					
(millions of dollars)					
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Personal Income Tax Revenue Bonds	1,978	3,962	6,184	5,449	4,705
Sales Tax Revenue Bonds	1,089	1,288	1,327	1,366	1,408
General Obligation Bonds	-	990	480	385	299
Total Issuances	<u>3,067</u>	<u>6,240</u>	<u>7,991</u>	<u>7,200</u>	<u>6,412</u>

Source: NYS DOB.

Debt issuances totaling \$6.2 billion are planned to finance new capital project spending in FY 2018, an increase of \$3.2 billion (103 percent) from FY 2017, that includes large capital programs for healthcare and the Smart Schools Bond Act that are expected to begin spending in FY 2018. 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 2018.

The bond issuances are expected to finance capital commitments for transportation infrastructure (\$1.9 billion), education (\$1.5 billion), mental hygiene and health care facilities (\$786 million), economic development (\$1.1 billion), the environment (\$584 million), and State facilities and equipment (\$397 million).

Over the next four years, new debt issuances are projected to total \$27.8 billion. New issuances are primarily for transportation infrastructure (\$8.4 billion), education facilities (\$6.7 billion), economic development (\$4.8 billion), the environment (\$2.6 billion), mental hygiene and health care facilities (\$3.5 billion), and State facilities and equipment (\$1.8 billion). Assuming an issuance plan consistent with the prior table, the State projects debt outstanding levels through FY 2021 to be as follows:

PROJECTED DEBT OUTSTANDING BY CREDIT					
(millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Personal Income Tax Revenue Bonds	31,783	34,123	38,391	41,588	43,781
Sales Tax Revenue Bonds	5,008	5,932	6,834	7,874	8,724
General Obligation Bonds	2,463	3,223	3,459	3,593	3,634
Local Government Assistance Corp.	1,758	1,466	1,241	900	543
Other Revenue Bonds	3,852	3,298	2,963	2,581	1,909
Service Contract & Lease Purchase	4,758	3,930	3,244	2,726	2,166
TOTAL STATE-SUPPORTED	49,622	51,972	56,133	59,262	60,757
Source: NYS DOB.					

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 \$6.1 billion in FY 2018, a decrease of \$283 million (4 percent) from FY 2017. This is due, in large part, to debt service prepayments which result in higher debt service requirements in FY 2017, when the payments occurred, and lower debt service costs in FY 2018. 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 2018 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 ¹²						
(millions of dollars)						
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>Total</u>
Personal Income Tax Revenue Bonds	2,991	2,820	3,612	4,227	4,684	18,334
Sales Tax Revenue Bonds	569	643	753	707	1,000	3,672
General Obligation Bonds	380	335	385	408	425	1,933
Local Government Assistance Corporation	368	288	394	394	262	1,707
Other State-Supported Bonds	1,176	1,219	1,327	1,369	1,003	6,094
Tobacco Bonds ³	768	676	0	0	0	1,444
All Other State-Related Bonds ⁴	94	83	80	79	79	415
Total Debt Service	<u>6,346</u>	<u>6,064</u>	<u>6,551</u>	<u>7,184</u>	<u>7,453</u>	<u>33,598</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, 2017 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 2.25%.

³ Estimated debt service numbers are based on the 2017 MSA payment that was received on April 17, 2017. Based on the 2017 MSA payment and debt service reserve funds on hand, the tobacco bonds were fully retired on June 1, 2017.

⁴ Excludes Mortgage Loan Commitments and Capital Leases.

Interest Rate Exchange Agreements and Net Variable Rate Obligations

Chapter 81 of the Laws of 2002 authorized issuers of State-supported debt to issue a limited amount of variable rate debt instruments and to enter into a limited amount of interest rate exchange agreements. The current limit on debt instruments which result in a net variable rate exposure (i.e., both variable rate debt and interest rate exchange agreements) is no more than 15 percent of total outstanding State-supported debt. Interest rate exchange agreements are also limited to a total notional amount of no more than 15 percent of total outstanding State-supported debt. The outstanding State-supported debt of \$49.6 billion as of March 31, 2017 results in a cap on variable rate exposure and a cap on interest rate exchange agreements of about \$7.4 billion each (15 percent of total outstanding State-supported debt). As discussed below, as of March 31, 2017, 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, 2017, the State's Authorized issuers have a notional amount of \$1.7 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 3.4 percent in FY 2017 to 1.8 percent in FY 2021.

INTEREST RATE EXCHANGE CAP (millions of dollars)					
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Interest Rate Exchange Cap	7,443	7,796	8,420	8,889	9,114
Notional Amounts of Interest Rate Exchange Agreements	1,682	1,547	1,457	1,325	1,072
Percent of Interest Rate Exchange Agreements to Debt Outstanding	3.4%	3.0%	2.6%	2.2%	1.8%

Currently the State's swaps portfolio is comprised of synthetic fixed rate swaps. A synthetic fixed swap includes two separate transactions: (1) a variable rate bond is sold to bondholders, and (2) an interest rate exchange agreement between the State and a counterparty is executed. The interest rate exchange agreement results in the State paying a fixed interest rate (i.e., synthetic fixed rate) to the counterparty and the counterparty agrees to pay the State a variable rate (65 percent of the London InterBank Offered Rate (LIBOR) for all State swaps). 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 1.2 percent of outstanding debt from FY 2017 through FY 2021. 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 - \$1.7 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 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Variable Rate Exposure Cap	7,443	7,796	8,420	8,889	9,114
Current Unhedged Variable Rate Obligations	173	161	150	140	121
Additional Planned Variable Rate Exposure	0	0	0	0	0
Total Net Variable Rate Exposure	173	161	150	140	121
Net Variable Rate Exposure to Debt Outstanding	0.3%	0.3%	0.3%	0.2%	0.2%
Current Policy Reserve for LIBOR Swaps	589	541	510	464	375
Net Variable Rate Exposure (with Policy Reserve)	761	702	660	604	496
Net Variable Rate Exposure (with Policy Reserve) to Debt Outstanding	1.5%	1.4%	1.2%	1.0%	0.8%

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 \$10.5 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.

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Authorities and Localities

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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 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.

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As of December 31, 2016 (with respect to Job Development Authority or “JDA” as of March 31, 2016), each of the 18 authorities listed in the following table had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately \$180 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 18 authorities in the following table at the time of this AIS.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES⁽¹⁾			
AS OF DECEMBER 31, 2016⁽²⁾			
(millions of dollars)			
Authority	State- Related Debt	Authority and Conduit	Total
Dormitory Authority	28,927	19,837	48,764
Metropolitan Transportation Authority	145	28,223	28,368
Port Authority of NY & NJ	0	24,521	24,521
Housing Finance Agency	346	15,239	15,585
UDC/ESD	12,222	1,252	13,474
Thruway Authority	4,491	5,674	10,165
Triborough Bridge and Tunnel Authority	0	8,337	8,337
Long Island Power Authority ⁽³⁾	0	7,451	7,451
Job Development Authority ⁽²⁾	6	6,800	6,806
Environmental Facilities Corporation	114	5,824	5,938
Energy Research and Development Authority	0	2,830	2,830
State of New York Mortgage Agency	0	2,600	2,600
Local Government Assistance Corporation	1,758	0	1,758
Power Authority	0	1,370	1,370
Battery Park City Authority	0	983	983
Tobacco Settlement Financing Corporation	660	0	660
Municipal Bond Bank Agency	203	222	425
Niagara Frontier Transportation Authority	0	113	113
TOTAL OUTSTANDING	48,872	131,276	180,148

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

⁽²⁾ All Job Development Authority (JDA) debt outstanding reported as of March 31, 2016. This includes \$6.8 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), \$509 million issued by the Brooklyn Arena Local Development Corporation and \$167 million issued by the New York Transportation Development Corporation. In addition, JDA has \$6 million in State-guaranteed bonds outstanding.

⁽³⁾ Includes \$3.97 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 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
2007	34,506	14,607	2,368	1,317	2,100	3,394	58,292
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

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; OSDC, 59 Maiden Lane, 29th Floor, New York, NY 10038, Attention: Deputy Comptroller; City Comptroller, Municipal Building, 6th Floor, One Centre Street, New York, NY 10007-2341, Attention: Deputy Comptroller for Budget; and IBO, 110 William Street, 14th Floor, New York, NY 10038, Attention: Director.

Other Localities

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. 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 year ending 2016 and 2017, subject to Yonkers submitting a comprehensive financial plan that provides for continuity of current educational services and receiving approval of that plan from the Director of the Budget. That plan has been 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 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 59 local governments (10 counties, 11 cities, 20 towns, 18 villages) and 82 school districts have been placed in a stress category by OSC based on financial data for their fiscal years ending in 2015. The vast majority of entities scored by OSC (93 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 the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State.

The following table summarizes the debt of New York City and its related issuers, and other New York State localities, from 1980 to 2015.

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
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,753	4,755	86,134	4,755
2007	58,192	100	32,271	4,567	90,463	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,908	99,395	6,941
2010	69,536	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

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.

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State Government Employment

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As of March 31, 2017, the State had approximately 181,400 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 181,416 positions at the end of FY 2018. The State workforce subject to direct Executive control is expected to total 118,481 full time equivalent positions at the end of FY 2018.

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.

Legislation has been enacted to implement a three year collective bargaining agreement providing 2 percent annual increases (FY 2017, FY 2018, and FY 2019) for employees represented by PEF and comparable increases for M/C employees. The agreement with PEF follows the one-year retroactive labor agreement authorizing payment of a 2 percent general salary increase to members for the period April 1, 2015 through March 31, 2016. The Graduate Student Employees Union (GSEU) have agreed to a similar three-year deal. The GSEU membership voted to ratify on March 3, 2017.

The New York State Police Investigators Association (NYSPIA) achieved a multi-year collective bargaining agreement patterned after the State's 2015 legislative session deals with the State Police Troopers and Commissioned- and Non-Commissioned Officers. The enacted NYSPIA pay bill provides the same schedule of general salary increases provided to the Police Benevolent Association of the New York State Troopers (NYSPBA) members; specifically, a 2 percent general salary increase for each of FY 2015 and FY 2016, in their entirety, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018, respectively.

Most recently, the NYSCOPBA membership voted not to ratify a tentative agreement on a five-year labor contract through FY 2021, which 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 the New York State Health Insurance Program (NYSHIP) and reductions in overtime costs. The State will continue negotiations with NYSCOPBA.

The State is in active negotiations with all other employee unions whose contracts concluded in FY 2016, including CSEA, United University Professions (UUP), Council 82, and District Council 37 (DC-37 Housing). Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

While approximately 94 percent of the State workforce is unionized, the remainder of the workforce is designated as "managerial" or "confidential" (M/C) and is excluded from collective bargaining. The results of collective bargaining negotiations have historically been applied to all State

employees within the Executive Branch. However, general salary increases were withheld from M/C employees in FY 2010 and FY 2011. Under the State's Taylor Law, the general statute governing public employee-employer relations in the State, employees are prohibited from striking. A strike against the State last occurred in 1979 by employees of DOCCS.

HISTORICAL SUMMARY OF EXECUTIVE BRANCH 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	117,909	181,438
*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.		

WORKFORCE SUMMARY			
ALL FUNDS			
FY 2016 THROUGH FY 2018			
	FY 2016	FY 2017	FY 2018
	Actuals	Actuals	Estimate
	(03/31/16)	(03/31/17)	(03/31/18)
Major Agencies			
Children and Family Services, Office of	2,842	2,932	2,965
Corrections and Community Supervision, Department of	29,094	29,191	29,254
Education Department, State	2,700	2,590	2,692
Environmental Conservation, Department of	2,900	2,956	2,945
Financial Services, Department of	1,351	1,325	1,382
General Services, Office of	1,643	1,755	1,805
Health, Department of	4,898	4,852	5,082
Information Technology Services, Office of	3,596	3,486	3,406
Labor, Department of	2,880	2,861	2,992
Mental Health, Office of	14,391	14,221	13,903
Motor Vehicles, Department of	2,163	2,184	2,256
Parks, Recreation and Historic Preservation, Office of	1,751	1,752	1,749
People with Developmental Disabilities, Office for	18,963	18,959	18,630
State Police, Division of	5,435	5,645	5,711
Taxation and Finance, Department of	4,249	3,946	3,978
Temporary and Disability Assistance, Office of	1,868	1,973	2,026
Transportation, Department of	8,419	8,487	8,453
Workers' Compensation Board	1,093	1,122	1,165
Subtotal - Major Agencies	110,236	110,237	110,394
Minor Agencies	7,626	7,672	8,087
Subtotal - Subject to Direct Executive Control	117,862	117,909	118,481
University Systems			
City University of New York	13,681	13,635	13,549
State University Construction Fund	143	144	152
State University of New York	44,250	45,316	44,732
Subtotal - University Systems	58,074	59,095	58,433
Independently Elected Agencies			
Audit and Control, Department of	2,508	2,647	2,663
Law, Department of	1,776	1,787	1,839
Subtotal - Independently Elected Agencies	4,284	4,434	4,502
Grand Total	180,220	181,438	181,416
Source: NYS DOB, as provided with the FY 2018 Enacted Budget Report published in May 2017.			

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State Retirement System

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THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN PREPARED SOLELY BY OSC, 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, 2016, is included in NYSLRS’ Comprehensive Annual Financial Report (“NYSLRS’ CAFR”) for the fiscal year ended March 31, 2016 and is available on the OSC website at the following link: www.osc.state.ny.us/retire/publications/. Additionally, available at the OSC website are the System’s asset listing and audited financial statements for the fiscal year ended March 31, 2016. For the fiscal year ended March 31, 2017, the System’s audited financial statements will be available on the OSC website by July 31, 2017, and the NYSLRS CAFR and asset listing will be available by September 30, 2017.

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 2016 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 32 percent of the membership during FY 2016. 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, 2016, 647,399 persons were members of the System and 440,943 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, 2016, approximately 69 percent of ERS members were in Tiers 3 and 4 and approximately 78 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 84 percent of the approximately 1,600 Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member’s wages. Members in Tier 6 of both ERS and PFRS earning \$45,000 or less 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 are required to 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.²⁴

The current actuarial smoothing method recognizes annual gains and losses (investment returns above or below the 7.0 percent assumed 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

²⁴ 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). On September 4, 2015, the Comptroller announced the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent effective for FY 2017.

to be paid by the System as of each April 1. Final contribution rates for FY 2018 were released in September 2016. The average ERS rate decreased by 1.3 percent from 15.5 percent of salary in FY 2017 to 15.3 percent of salary in FY 2018, while the average PFRS rate increased by 0.4 percent from 24.3 percent of salary in FY 2017 to 24.4 percent of salary in FY 2018. Information regarding average rates for FY 2018 may be found in the 2016 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at: www.osc.state.ny.us/retire/publications.

Legislation enacted in May 2003 realigned the System's billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2016, the amortized amount receivable, including accrued interest, pursuant to Chapter 260 from participating employers is \$2.7 million.

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 and FY 2017, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent, 3.21 percent and 2.33 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, 2016, the amortized amount receivable, including accrued interest, for the 2011 amortization is \$136.4 million from the State and \$23.1 million from 40 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is \$354.9 million from the State and \$131.1 million from 113 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is \$562.9 million from the State and \$264.3 million from 131 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is \$777.9 million for the State and \$177.7 million from 99 participating employers; the amortized amount receivable including accrued interest, for the 2015 amortization is \$653.1 million from the State and \$134.0 million from 86 participating employers; and the amortized amount receivable, including accrued interest for the 2016 amortization, is \$357.1 million from the State and \$67.1 million from 53 participating employers.

The FY 2014 Enacted Budget included an alternate contribution program (the “Alternate Contribution Stabilization Program”) that provided 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, 2016, the amortized amount receivable, including interest, from 26 participating employers for the 2014 amortization is \$215.7 million. The amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is \$182.8 million. The amortized amount receivable, including interest, from 23 participating employers for the 2016 amortization is \$134.1 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 2016 amounts are 12.5 percent for ERS and 20.5 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 and 2.63 percent for FY 2017). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. The total State payment (including Judiciary) due to NYSLRS for FY 2017 was \$2.365 billion. The State opted not to amortize under the Contribution Stabilization Program and has paid the bill in full as of March 1, 2017.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2018 is approximately \$2.468 billion. Multiple prepayments (including interest credit) have reduced this amount by \$2.232 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, 2016 was \$183.6 billion (including \$6.2 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), a decrease of \$5.8 billion or 3.0 percent from the FY 2015 level of \$189.4 billion. The decrease in net position restricted for pension benefits

from FY 2015 to FY 2016 reflects, in large part, equity market performance.²⁵ The System's audited Financial Statement reports a time-weighted investment rate of return of 0.19 percent (gross rate of return before the deduction of certain fees) for FY 2016.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2010, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 51 percent equities (38 percent domestic and 13 percent international); 20 percent bonds, cash and mortgages; 2 percent inflation indexed bonds and 27 percent alternative investments (10 percent private equity, 8 percent real estate, 3 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.²⁶

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$225.7 billion on April 1, 2015 to \$232.9 billion (including \$112.7 billion for current retirees and beneficiaries) on 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, 2016. 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, 2016 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected loss for FY 2016, 40 percent of the unexpected loss for FY 2015, 60 percent of the unexpected gain for FY 2014, and 80 percent of the unexpected gain for FY 2013. The asset valuation method smoothes gains and losses based on the market value of all investments. Actuarial assets increased from \$184.2 billion on April 1, 2015 to \$190.7 billion on April 1, 2016. The ratio of the fiduciary net position to the total pension liability for ERS, as of March 31, 2016, calculated by the System's Actuary, was 90.7 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2016, calculated by the System's Actuary, was 90.2 percent.²⁷

²⁵ On May 23, 2017, the State Comptroller released a statement indicating that the value of the System's invested assets posted a 11.42 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the fiscal year ended March 31, 2017.. This reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

²⁶ More detail on the CRF's asset allocation as of March 31, 2016, long-term policy allocation and transition target allocation can be found on page 91 of the NYSLRS' CAFR for the fiscal year ending March 31.

²⁷ 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.

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.

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 August 2016, based on the System's measurement date of March 31, 2016. The Net Pension Liability is allocated to participating employers and reported pursuant to both Statements 67 and 68.

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#cafr>.

The GASB 68 "Schedules of Employer Allocation" and "Schedules of Pension Amounts by Employer" as of March 31, 2016 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	
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938
2013	5,336	3,385	1,950	269	9,521
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

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	Net Assets	Percent Increase/ (Decrease) From Prior Year
<u>March 31</u>		
2007	156,625	9.8%
2008	155,846	-0.5%
2009	110,938	-28.8%
2010	134,252	21.0%
2011	149,549	11.4%
2012	153,394	2.6%
2013	164,222	7.1%
2014	181,275	10.4%
2015	189,412	4.5%
2016	183,640	-3.0%

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, 2016 includes approximately \$6.2 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 2004 can be found on page 28 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 43 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 68-69 at the link noted above.
- 4) Information on contributions can be found on pages 135-143 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 Fund since 2007 can be found on page 144 of the NYSLRS CAFR at the link noted above.
- 6) Information related to the salaries of members can be found on pages 176-179 of the NYSLRS CAFR at the link noted above.

Litigation

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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 2018 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 second 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 2018 or thereafter. The Basic Financial Statements for FY 2017, which OSC expects to issue by July 29, 2017, 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 2018 Financial Plan. The State believes that the Enacted Budget includes sufficient reserves to offset the costs associated with the payment of judgments that may be required during FY 2018. 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.

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, which will now proceed through discovery and additional motion practice.

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim. The land claim has been stayed through at least August 18, 2017 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. The parties submitted their proposed findings of fact on October 28, 2015. Plaintiffs' memorandum of law was filed on November 27, 2015 and defendants' memorandum of law was filed on January 25, 2016.

Plaintiffs' reply memorandum was submitted on February 9, 2016. 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.

In *Aristy-Farer, et al. v. The State of New York, et al.* (Sup. Ct., N.Y. Co.), commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 school year to submission by local school districts of approvable teacher evaluation plans violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statutes would prevent students from receiving a sound basic education. Plaintiffs moved for a preliminary injunction enjoining the defendants from taking any actions to carry out the statutes to the extent that they would reduce payment of State aid disbursements referred to as General Support for Public Schools ("GSPS") to the City of New York pending a final determination. The State opposed this motion. By order dated February 19, 2013, the Court granted the motion for preliminary injunction. The State appealed. On May 21, 2013, the Appellate Division, First Department, denied plaintiffs motion for a stay pending appeal. As a result, plaintiffs have agreed to vacate their preliminary injunction and the State will withdraw its appeal. On April 7, 2014, Supreme Court denied the State's motion to dismiss. The State's appeal is pending. 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*, 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 seek 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 *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. The parties have entered into a stay of trial proceedings pending disposition of the appeal.

Medicaid Nursing Home Rate Methodology

In *Kateri Residence v. Novello* (Sup. Ct., New York Co.) and several other cases, the plaintiffs challenge several nursing home rate methodologies, including the “reserve bed patient day adjustment”, which regulates payments to nursing homes when long term care patients are receiving off-site care. Supreme Court, New York County, granted partial summary judgment to plaintiffs in *Kateri*, holding that the reserve bed patient day adjustment rate methodology was improper. The Appellate Division, First Department affirmed Supreme Court’s partial summary judgment decision on interlocutory appeal and remanded the case to Supreme Court for further proceedings. The Court of Appeals denied leave to appeal on the grounds that the decision was not final. Supreme Court directed the defendant to re-compute Medicaid rates for the plaintiff’s facilities, and that re-computation was completed in October 2013. The parties are presently conducting discovery. Plaintiffs brought a motion, returnable March 5, 2014, to compel payment of the impacted Medicaid rates computed thus far by Department of Health staff, resulting from application of the reserve bed day methodology. On June 3, 2014, the court granted this motion to the extent of directing payment of \$6.5 million out of the \$49 million sought by plaintiff. The State has filed both a notice of appeal and a motion to renew or reargue that motion. Plaintiffs also brought a motion to consolidate over two hundred additional Medicaid rate cases into the present case, which was returnable May 16, 2014. The motion has been granted and the State has filed a notice of appeal.

In April and May 2015, the Supreme Court, New York County, administratively consolidated many of the reserved bed day *Kateri* matters under the new caption of *Bayberry, et al.* With respect to a portion of the newly consolidated cases, at the end of April 2015, as ordered, DOH performed additional rate calculations that incorporated Petitioners’ reserved bed day interpretation and similar calculations by DOH for additionally consolidated cases, referred to under the heading of the Lead Petitioner (Cabrini), were also performed by DOH.

In March 2016, over 600 nursing home facilities, including all of the *Kateri* plaintiffs, entered a “universal settlement” with the State, resolving all issues concerning nursing home rate reimbursement unless specifically excluded from the settlement by agreement of the parties. The *Kateri* plaintiffs and the State agreed to exclude one issue, called “facility specific rebasing claims,” and agreed to cap potential liability for that issue at no more than \$15 million inclusive of all fees and costs. The parties filed a stipulation on June 22, 2016 setting forth a proposed briefing schedule for a motion to determine that issue with all papers due by August 12, 2016, and the next scheduled court conference was adjourned to September 21, 2016. Pending completion of settlement discussions of the remaining “facility specific rebasing claims” issue, the parties reached a revised briefing schedule at a court conference on December 21, 2016, pursuant to which plaintiffs’ motions associated with their remaining claim were due to be filed on February 3, 2017, with opposition to such motions due on or before March 3, 2017, reply if any due on or before March 24, 2017, and a court conference scheduled for April 26, 2017. By stipulation dated May 30, 2017, counsel for the parties agreed to extend the dates set forth in the December 21, 2016 conference order as follows: motion on facility specific rebasing issues due June 30, 2017; opposition July 31, 2017; reply September 15, 2017, motion on remaining “open issues” other than facility specific rebasing due September 29, 2017, opposition due October 31, 2017 and reply

papers due November 29, 2017, and the next court conference is scheduled on June 28, 2017 while settlement discussions continue. Counsel for the parties have agreed to appear in court on June 21, 2017 at 11:30 a.m. to further discuss settlement with the Court.

Family Assistance

In *Velez v. Roberts* (Sup. Ct., New York Co.), plaintiffs allege violations of Social Services Law §350(1)(a) and the State Administrative Procedure Act and seek judgment that the New York State Office of Temporary and Disability Assistance is failing to meet its statutory obligation to provide an adequate shelter allowance because that allowance and the Family Eviction Prevention Supplement (FEPS), used to supplement shelter allowance benefits, have not been increased since 2005 and 2004, respectively. The parties settled the case on February 27, 2017. On June 8, 2017, upon Plaintiffs' uncontested motion, the Court preliminarily approved the settlement, and provisionally certified the class and set September 8, 2017 as the date for the fairness hearing.

Sales Tax

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

In *Oneida Indian Nation of New York v. Paterson, et al.* (and four consolidated cases), the tribal plaintiffs seek judgments declaring that Chapters 134 and 136 of the Laws of 2010, which enacted amendments to the Tax Law regarding collection of excise taxes on reservation cigarette sales to non-tribal members, violate their rights under Federal law, and enjoining the State from enforcing those laws. In four of the five cases, the District Court for the Western District of New York denied plaintiffs' motions for preliminary injunctions but granted a stay of enforcement pending plaintiffs' appeal. In the fifth case, the District Court for the Northern District of New York granted the plaintiff's motion for a preliminary injunction. On May 9, 2011, the Second Circuit Court of Appeals affirmed the Western District's orders denying the plaintiffs' motions for preliminary injunctions, and vacated the Northern District's order granting the motion for a preliminary injunction, vacated all stays pending appeal, and remanded the cases to the District Courts for further proceedings consistent with the Court's opinion. The State has moved for summary judgment in the Northern and Western District cases. The plaintiffs have moved for voluntary dismissal without prejudice in these cases. The motions were taken on submission in the Northern District on November 25, 2011 and argued in the Western District on December 20, 2011. On January 9, 2012, the District Court for the Northern District of New York granted plaintiff's motion for voluntary dismissal without prejudice and denied the State defendants' motion for summary judgment as moot. On January 23, 2017, the District Court for the Western District of New York granted the State's motion for summary judgment and dismissed the complaints of two of the tribal plaintiffs with prejudice.

Insurance Department Assessments

In *New York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.)*, several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. By decision and order dated March 25, 2015, plaintiffs' motion for summary judgment was denied, defendant's motion for summary judgment was granted, and plaintiffs' third amended complaint was dismissed. On March 27, 2015, the State received plaintiffs' notice of appeal. On October 27, 2016, the Appellate Division, Third Department affirmed Supreme Court's judgment dismissing the third amended complaint. On November 22, 2016, plaintiffs moved for reargument or leave to appeal to the Court of Appeals, which the State has opposed. The motion was submitted to the Court on December 12, 2016. By order entered February 9, 2017, the Appellate Division, Third Department, denied plaintiffs' motion for reargument or leave to appeal. On March 16, 2017, plaintiffs filed a motion for leave to appeal with the Court of Appeals. The State filed their pleadings in opposition on March 27, 2017 and the motion was denied on June 6, 2017.

The State has entered into a settlement with the intervenor-plaintiffs pursuant to which it has agreed to reduce the amount of the challenged assessments by \$120 million over the next ten years. On May 14, 2015, a stipulation of discontinuance of the action by the intervenor plaintiffs was filed.

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). That complaint has not yet been served on all parties.

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 is due June 27, 2017.



Exhibit A to AIS - Selected State Government Summary

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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
Eric T. Schneiderman	Attorney General	Democrat	2010

The Governor and Lieutenant Governor are elected jointly. The Comptroller and Attorney General are chosen separately by the voters during the election of the Governor. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Robert 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 Coalition co-Leaders in the Senate are President Pro Tempore and Majority Leader John Flanagan (Republican) and co-Leader Jeffrey Klein (Independent Democratic Conference). 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 2018, 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, 2017 was \$2.759 billion, an increase of \$10 million from the outstanding loan balance of \$2.749 billion at March 31, 2016.

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**

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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 2018 BOND CAPS AND DEBT OUTSTANDING					
(millions of dollars) ⁽¹⁾					
Type of Cap	Program	FY 2018	Authorized	Debt	
		Bond Caps	But Unissued ⁽²⁾	Outstanding ⁽³⁾	As of 3/31/17
(Gross or Net)*					
Education:					
Gross	SUNY Educational Facilities (4)	12,343	1,670	8,165	
Net	SUNY Dormitory Facilities (5)	1,561	68	650	
Net	SUNY Upstate Community Colleges (5)	915	202	805	
Gross	CUNY Educational Facilities (6)	7,982	917	4,727	
Net	State Ed Department Facilities (7)	0	0	31	
Net	SUNY Athletic Facilities	22	0	9	
Net	RESCUE	195	0	32	
Net	University Facilities (Jobs 2000)	48	1	0	
Net	School District Capital Outlay Grants	140	40	0	
Net	Judicial Training Institute	16	0	5	
Net	Transportation Transition Grants	80	12	0	
Net	Higher Education Capital Matching Grants	240	98	42	
Net	EXCEL	2,600	44	1,775	
Net	Library Facilities	183	43	80	
Net	Cultural Education Storage Facilities	79	69	8	
Net	State Longitudinal Data System	20	10	2	
Net	SUNY 2020 Challenge Grants	660	600	43	
Net	Private Special Education	55	55	0	
Environment:					
Net	Environmental Infrastructure Projects (8)	4,952	3,713	802	
Net	Hazardous Waste Remediation	2,200	1,324	610	
Net	Riverbank State Park	78	18	25	
Net	Water Pollution Control (SRF)	875	138	171	
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	72	
Net	Division of State Police Facilities	174	55	99	
Net	Division of Military & Naval Affairs	47	29	13	
Net	Alfred E. Smith Building	89	0	45	
Net	Sheridan Ave. (Elk St.) Parking Garage	25	0	16	
Net	State Office Buildings and Other Facilities	655	298	271	
Net	Judiciary Improvements	38	1	19	
Net	OSC State Buildings	52	0	18	
Net	Albany Parking Garage (East)	41	0	20	
Net	OGS State Buildings and Other Facilities (9)	140	26	75	
Net	Equipment Acquisition (COPs) (10)	784	106	119	
Net	Food Laboratory	40	0	33	
Net	OFT Facilities	21	18	2	
Net	Courthouse Improvements	76	6	48	
Gross	Prison Facilities	7,741	854	4,039	
Net	Homeland Security	250	91	117	
Gross	Youth Facilities	683	257	183	
Net	NYRA Land Acquisition/VLT Construction	355	0	15	
Net	Storm Recovery Capital	450	450	0	
Net	Information Technology	451	269	149	
Net	Nonprofit Infrastructure Capital Investment Program	120	120	0	
Health/Mental Hygiene:					
Net	Department of Health Facilities (inc. Axelrod)	495	3	204	
Gross	Mental Health Facilities	8,393	1,240	3,536	
Net	HEAL NY Capital Program	750	95	380	
Net	Capital Restructuring Program	2,700	2,700	0	
Transportation:					
Gross	Consolidated Highway Improvement Program (CHIPS)	9,700	1,502	4,109	
Net	Dedicated Highway & Bridge Trust	16,500	2,077	6,560	
Net	High Speed Rail	22	16	5	
Net	Albany County Airport	40	1	0	
Net	Transportation Initiatives	4,364	4,033	269	
Net	MTA Transportation Facilities	1,520	1,520	0	
N/A	MTA Service Contract	2,005	0	1,492	
Net	Transportation (TIFIA)	750	750	0	

Exhibit B - State Related Bond Authorizations

Annual Information Statement

STATE-RELATED DEBT				
FY 2018 BOND CAPS AND DEBT OUTSTANDING				
(millions of dollars) ⁽¹⁾				
Type of Cap	Program	FY 2018 Bond Caps	Authorized But Unissued ⁽²⁾	Debt Outstanding ⁽³⁾ As of 3/31/17
Economic Development:				
Gross	Housing Capital Programs	5,384	2,412	1,460
Net	Community Enhancement Facilities (CEFAP)	424	37	25
Net	University Technology Centers (incl. HEAT) (11)	248	13	9
Gross	Onondaga Convention Center	40	0	10
Net	Sports Facilities	145	0	26
Net	Child Care Facilities	30	1	7
Net	Bio-Tech Facilities	10	10	0
Net	Strategic Investment Program	216	19	14
Net	Regional Economic Development (Fund 002) (12)	1,190	24	158
Net	NYS Economic Development (2004) (13)	346	0	125
Net	Regional Economic Development (2004) (14)	243	221	7
Net	High Technology and Development	249	73	77
Net	Regional Economic Development/SPUR	90	24	13
Net	Buffalo Inner Harbor	50	0	33
Net	Jobs Now	14	1	0
Net	Economic Development 2006 (Various) (15)	2,310	305	1,271
Net	Javits Convention Center	1,350	1,350	0
Net	Queens Stadium (Mets)	75	0	30
Net	Bronx Stadium (Yankees)	75	0	38
Net	NYS Ec Dev Stadium Parking ('06)	75	69	5
Net	State Modernization Projects (RIOCC Tram, etc.)	50	15	6
Net	Int. Computer Chip Research and Dev. Center	300	0	58
Net	2008 and 2009 Economic Development Initiatives	1,269	204	523
Net	H.H. Richardson Complex/Darwin Martin House	84	0	61
Net	Economic Development Initiatives	6,708	5,023	1,457
Net	State and Municipal Facilities	1,925	1,817	98
LGAC	Net Local Government Assistance Corporation	4,700	0	1,758
GO	Gross General Obligation	18,935	2,747	2,463
Total State-Supported Debt		141,628	39,921	49,622
Other State Financings:				
	Tobacco Settlement Financing Corporation Bonds			660
	MBBA Special Purpose School Aid Bonds			203
	Capital Lease and Mortgage Loan Commitments (16)			542
	Other (17)			224
Total State-Related Debt (18)				51,251

* 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, 2017 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⁾ Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds.

⁽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 \$7.982 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 State 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, 2017 (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	\$ 747
Mass Transit - DOT	Note 3	Note 3	5
Rail & Port	Note 3	Note 3	76
Canals & Waterways	Note 3	Note 3	12
Aviation	Note 3	Note 3	46
Subtotal Highway Facilities/Other Transportation (Excluding MTA)	\$ 1,450	\$ 100	886
Mass Transit - Metropolitan Transportation Authority	1,450	386	799
Accelerated Capacity and Transportation Improvements of the Nineties (1988)			
	3,000	20	63
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	-	5
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100	-	-
Rapid Transit and Rail Freight	400	-	2
Transportation Capital Facilities (1967)			
Highways	1,250	-	-
Mass Transportation	1,000	-	-
Aviation	250	-	4
Total Transportation Bonds	10,150	527	1,760
Environmental Bonds:			
Clean Water/Clean Air (1996)			
Air Quality	230	30	2
Safe Drinking Water	355	-	-
Clean Water	790	62	374
Solid Waste	175	3	31
Environmental Restoration	200	23	67
Environmental Quality (1986)			
Land and Forests	250	1	12
Solid Waste Management	1,200	49	142
Environmental Quality (1972)			
Air	150	12	Note 5
Land and Wetlands	350	7	4
Water	650	2	21
Outdoor Recreation Development (1966)			
	200	Note 6	-
Pure Waters (1965)	1,000	20	26
Park and Recreation Land Acquisition (1960 and 1962)	100	1	Note 7
Total Environmental Bonds	5,650	210	679
Educations Bonds:			
SMART Schools Bond Act (2014)			
	2,000	2,000	-
Total Education	2,000	2,000	-
Housing Bonds:			
Low-Income Housing (through 1958)			
	960	8	13
Middle-Income Housing (through 1958)	150	1	11
Urban Renewal (1958)	25	1	-
Total Housing Bonds	1,135	10	24
TOTAL GENERAL OBLIGATION DEBT	\$ 18,935	\$ 2,747	\$ 2,463
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 \$332,071.89 at March 31, 2017.			
(6) This amount rounds to zero, but there was an authorized but unissued balance of \$230,000 at March 31, 2017.			
(7) This amount rounds to zero, but there was a debt outstanding balance of \$3,238.00 at March 31, 2017.			

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**Exhibit C to AIS - GAAP-Basis
Financial Plan**

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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 2018, the General Fund GAAP Financial Plan shows total projected revenues of \$53.2 billion, total projected expenditures of \$66.8 billion, and net other financing sources of \$11.9 billion, resulting in a projected operating surplus of \$1.3 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 2018			
(millions of dollars)			
	<u>Executive</u>	<u>Change</u>	<u>Enacted</u>
Revenues:			
Taxes:			
Personal Income Tax	35,342	(1,128)	34,214
Consumption/Use Taxes	7,236	(81)	7,155
Business Taxes	5,785	(388)	5,397
Other Taxes	970	102	1,072
Miscellaneous Receipts	5,280	39	5,319
Federal Receipts	0	0	0
Total Receipts	<u>54,613</u>	<u>(1,456)</u>	<u>53,157</u>
Expenditures:			
Local Assistance Grants	47,917	(375)	47,542
Departmental Operations	12,462	135	12,597
General State Charges	6,607	33	6,640
Debt Service	0	0	0
Capital Projects	0	0	0
Total Disbursements	<u>66,986</u>	<u>(207)</u>	<u>66,779</u>
Other Financing Sources (Uses):			
Transfers From Other Funds	19,802	(97)	19,705
Transfers To Other Funds	(8,824)	1,061	(7,763)
Proceeds From Financing Arrangements/ Advance Refundings	0	0	0
Net Other Financing Sources (Uses)	<u>10,978</u>	<u>964</u>	<u>11,942</u>
Operating Surplus/(Deficit)	<u>(1,395)</u>	<u>(285)</u>	<u>(1,680)</u>
Accumulated Surplus/(Deficit)	<u>1,623</u>	<u>(285)</u>	<u>1,338</u>
Source: NYS DOB.			

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Exhibit D to AIS - Principal State Taxes and Fees

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Personal income taxes are imposed on the New York source income of individuals, estates and trusts. Personal income taxes accounted for roughly 64 percent of All Government Funds tax receipts during FY 2017. The State tax adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal PIT purposes, with certain modifications. Receipts from this tax are sensitive to changes in economic conditions in the State and to taxpayers' responses to Federal and State law changes. Beginning tax year 2013 and continuing through 2017, New York tax brackets and standard deduction amounts are indexed to the CPI. For Tax Year 2017, 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 rate structure, which includes eight brackets with rates ranging between 4 percent and 8.82 percent, had been set to expire following tax year 2017, but FY 2018 Budget legislation extended these rates for an additional two years through 2019.

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 (generally equal to one-third of the Federal child tax credit), household credit, credit for taxes paid to other states, investment tax credit, various Empire Zone and Excelsior Jobs Program credits, Brownfields credits, child and dependent care credit, real property tax circuit breaker credit, earned income tax credit, long-term care insurance credit, and college tuition credit.

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.

Legislation enacted in 2016 phases in a series of middle income tax rate cuts beginning tax year 2018 through 2025. The budget legislation also converted the New York City STAR PIT credit into a State PIT credit.

The Enacted Budget legislation establishes the farm donations to food pantries credit, converts the NYC STAR rate reduction into a New York State PIT credit, and increases the current value of the Child and Dependent Care Credit for taxpayers with New York Adjusted Gross Income (AGI) between \$50,000 and \$150,000. The Enacted Budget also: closes the non-resident asset sale loophole by imposing a tax on non-resident partners who sell the partnership's assets, closes the co-op sale loophole by characterizing the gains from the sale of entities who own shares in cooperative housing corporations located in New York as New York source income, expands the financial institution data match system for State tax collection purposes to include information regarding financial accounts for tax debtors with fixed and final tax debts regardless of whether or not a warrant has been filed, and allows itemizing taxpayers a deduction for union dues.

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).

In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of 25 percent of annual PIT receipts or \$6 billion.

User taxes and fees consist of several taxes on consumption, the largest of which is the State sales and compensating use tax. The 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* 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. The fuel use tax is an equitable complement to the State's motor fuel tax and sales tax paid by those who purchase fuel outside but consume it in New York. It is levied on commercial vehicles having three or more axles or a gross vehicle weight of more than 26,000 pounds. Currently, all collections from the highway use tax are deposited in the DHBTF. Legislation 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 will become effective July 9, 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 (effective January 1, 2016) 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. In 2010, legislation was enacted that deferred certain business related tax credits by requiring taxpayers to defer tax credits greater than \$2 million for tax years 2010 through 2012. Taxpayers are eligible to claim the deferred tax credits starting with tax year 2013.

The Excelsior Jobs Program was established to provide incentives based on job creation, investment and research and development expenditures in New York State. Legislation enacted in 2011 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 Department of Taxation and Finance 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. Receipts from the *corporation and utilities taxes* are primarily attributable to taxes imposed on transportation and transmission companies, utility services and telecommunication services.

At the end of the 2013 legislative session, the Long Island Power Authority (LIPA) was restructured. As part of the restructuring, LIPA is not required, effective January 1, 2014, to remit a gross receipts payment under Tax Law Section 186. LIPA continues to be required to remit the MTA surcharge under Section 186-b. 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.

Legislation enacted in 2015 increased the rate on wireless 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 executive 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 gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights. 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, with the broadcasting portion limited to \$50,000 annually.

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, and annually since, extended the operator's commission rate at Monticello for a one-year period and 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 and improved the operation of drug testing in horse racing.

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**

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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

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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

DSRIP	Delivery System Reform Incentive Payment
DTF	Department of Taxation and Finance
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/ID	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
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

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

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APPENDIX B-I

SUMMARY OF CERTAIN PROVISIONS OF DORMITORY AUTHORITY OF THE STATE OF NEW YORK STATE 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

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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

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APPENDIX D

PROPOSED FORMS OF CO-BOND COUNSEL OPINION

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APPENDIX D

PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS

FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP, CO-BOND COUNSEL TO DASNY FOR THE SERIES 2017 BONDS

Upon delivery of the Series 2017 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
28 LIBERTY STREET
NEW YORK, NEW YORK 10005

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Ladies and Gentlemen:

We, as Co-Bond Counsel to the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic of the State of New York (the “State”), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Dormitory Authority Act”), have examined a record of proceedings relating to the issuance of the Authority’s \$1,308,065,000 aggregate principal amount of State Sales Tax Revenue Bonds, Series 2017A (Tax-Exempt) (the “Series 2017A Bonds”) and \$72,485,000 aggregate principal amount of State Sales Tax Revenue Bonds, Series 2017B (Federally Taxable) (the “Series 2017B Bonds” and together with the Series 2017A Bonds, the “Series 2017 Bonds”).

The Series 2017 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 2017-1 Authorizing State Sales Tax Revenue Bonds adopted by the Authority on April 12, 2017 and Supplemental Resolution 2017-2 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on May 10, 2017 (collectively, the “Series 2017 Supplemental Resolutions”). The Bond Resolution and the Series 2017 Supplemental Resolutions are herein collectively referred to as the “Resolutions”. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the Bond Resolution. Under and subject to the terms of the Bond Resolution, the Series 2017 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 2017 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 2017 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 2017 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 2017 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2017 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 2017A 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 2017A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, the Authority, the New York State Department of Transportation ("DOT"), 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 Environmental Conservation ("DEC"), the New York State Office of Parks, Recreation and Historic Preservation ("OPRHP"), the New York State Department of Health ("DOH"), the New York State Environmental Facilities Corporation ("EFC"), the New York State Olympic Regional Development Authority ("ORDA") and others, and we have assumed compliance by the Authority, DOT, SUNY, SUCF, CUNY, CUCF, DEC, OPRHP, DOH, EFC and ORDA with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2017A Bonds from gross income under Section 103 of the Code.

7. Under existing statutes, interest on the Series 2017B Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2017 Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2017A Bonds, or the exemption from personal income taxes of interest on the Series 2017 Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2017 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 2017A Bond and an executed Series 2017B 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 2017 BONDS

Upon delivery of the Series 2017 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 \$1,308,065,000 aggregate principal amount of State Sales Tax Revenue Bonds, Series 2017A (Tax-Exempt) (the “Series 2017A Bonds”) and \$72,485,000 aggregate principal amount of State Sales Tax Revenue Bonds, Series 2017B (Federally Taxable) (the “Series 2017B Bonds” and together with the Series 2017A Bonds, the “Series 2017 Bonds”).

The Series 2017 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 2017-1 Authorizing State Sales Tax Revenue Bonds adopted by the Authority on April 12, 2017 and Supplemental Resolution 2017-2 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on May 10, 2017 (collectively, the “Series 2017 Supplemental Resolutions”). The Bond Resolution and the Series 2017 Supplemental Resolutions are herein collectively referred to as the “Resolutions”. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the Bond Resolution. Under and subject to the terms of the Bond Resolution, the Series 2017 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 2017 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 2017 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 2017 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 2017 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2017 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 2017 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 2017A Bond and an executed Series 2017B Bond and, in our opinion, the forms of said Bonds and their execution are regular and proper.

Very truly yours,

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APPENDIX E

FORM OF MASTER CONTINUING DISCLOSURE AGREEMENT

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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:

[Signature Page of Authorized Issuers to New York State Sales Tax Revenue Bonds
Master Continuing Disclosure Agreement]

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:

[Signature Page of State to New York State Sales Tax Revenue Bonds
Master Continuing Disclosure Agreement]

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]

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